



City-Owned Land Guidelines and Procedures Evaluation & Disposition for Affordable Housing

Housing & Neighborhood Development Committee
January 16, 2019

Briefing Objectives

- ▶ Background
- ▶ Committee Feedback and Questions
- ▶ Summary
- ▶ Next Steps



Background

Guidelines are intended to:

1. Establish criteria, clarity, and reflect desired outcomes relative to the donation, sale, or long-term lease of City-owned land with the overall goal of expanding the supply of affordable and workforce housing
2. Provide an orderly and uniform approach for the disposal of surplus property assets for the expansion of affordable housing
3. Provide for fixed asset control documentation to properly account for any reuse or disposal of City-owned property
4. Prohibit disposition of City-owned property in a manner to avoid actual or perceived conflicts of interest

All City-owned land, not just surplus land, should be assessed for affordable housing

- ▶ **Implement a periodic review of all City-owned land to evaluate opportunities for Affordable Housing**
 - ▶ Leverages all City-owned land to its fullest potential
 - ▶ Includes evaluating the potential for more intensive uses, such as incorporating Affordable Housing along with a municipal use
 - ▶ Takes into consideration the original funding source and any restricted uses, such as FTA restrictions
 - ▶ Periodic reviews also provide opportunities to evaluate uses that support other City priorities, such as economic development and public safety

All City-owned land, not just surplus land, should be assessed for affordable housing

▸ Review Frequency

- Fully-utilized land (actively being used to its fullest potential) will be reviewed every 5 years
- All other land (underutilized, interim uses, surplus) will be reviewed annually
- For new land acquisition, initial review will take place at the time of acquisition / project planning
- Council can request a review of a specific property at any time
- Reviews by Engineering & Property Management-Real Estate Division, in collaboration with Housing & Neighborhood Services

What are other comparable cities doing?

City	Action Type	Details	Conveyance
Seattle WA	Procedures	<ul style="list-style-type: none"> • Developing Evaluation and Disposal Guidelines to periodically review city-owned land for alignment with city priorities • Goal to increase housing serving 80% and below AMI; emphasis on 0-30% AMI • Dedicate 80% of land sale proceeds for non-housing use to Affordable Housing Fund • Minimum 50-year affordability period required 	n/a
	Land Deal	<ul style="list-style-type: none"> • Vacant site sold at market value • Mixed use development in prime location with 150 affordable units serving 80% and below • 99-year affordability period • Sale proceeds used to develop additional affordable units 	<ul style="list-style-type: none"> • Market value sale
Redmond WA	Land Deal	<ul style="list-style-type: none"> • Downtown vacant site long-term lease; \$1 annual payment • 50 units of affordable senior housing 	<ul style="list-style-type: none"> • Ground lease
Austin TX	Land Deal	<ul style="list-style-type: none"> • 700-acre abandoned air field • Mixed use development including 6,000 units of mixed income rental and for-sale units • 99-year affordability period • Affordable units serve up to 60% AMI 	<ul style="list-style-type: none"> • Mixed conveyance methods

How do deed restriction requirements affect project financing models?

Development with HTF	Development with Social Capital
First Mortgage (amortizing debt)	First mortgage (amortizing debt)
Tax Credit (Long-term / soft debt)	Other Debt (Shorter-term / must-pay debt)
HTF Investment (Long-term / soft debt)	Social Capital Investment (Shorter term / must-pay equity)
30 year affordability period (allows for a longer term)	10 – 20 year affordability period (Shorter term required)
<ul style="list-style-type: none"> Funding source is More Patient; <u>allows for a longer affordability period</u> Increases HTF ask 	<ul style="list-style-type: none"> Funding source is Less Patient; <u>requires a shorter affordability period</u> Reduces or eliminates HTF ask

How does AMI unit mix affect project financing models?

Deeper AMI targeting (30% AMI)

# Units	Unit Type	AMI	Gross Rental Income
61	1-BR	30%	\$19,276
21	2-BR	30%	\$7,959
82			\$27,235/ per month

- Lower Monthly Income for debt coverage
- + Monthly operating expenses exceed monthly income (Annually: \$4,200 operating expense / \$3,600 income)
- ▬ Higher HTF request
- ▬ Less attractive to developers

Mixed AMI Targeting

# Units	Unit Type	AMI	Gross Rental Income
12	1-BR	30%	\$3,792
20	1-BR	50%	\$10,900
29	1-BR	60%	\$17,980
5	2-BR	30%	\$1,895
6	2-BR	50%	\$3,810
<u>10</u>	2-BR	60%	\$7,150
82			\$45,527/ per month

- Higher Monthly Income provides better debt coverage
- + Operating expenses covered
- ▬ Lower HTF Request
- ▬ More attractive to developers

Both scenarios represent LIHTC deals

What should our goals be for affordable units and deed restriction requirements?

▶ **Goals:**

- ▶ To achieve the highest number of units serving households earning between 30-80% of AMI, with emphasis on units serving households earning 30% AMI
- ▶ Deed restrictions should align with City priorities, typically 20-30 years with a preference for longer affordability periods
 - ▶ Goals serve as guidelines for evaluation
 - ▶ Each development scenario evaluated on its unique characteristics
 - ▶ **Applies to all City-owned land, regardless of value**
 - ▶ Preference given to developments that helps City meet and surpass these goals
- ▶ Council approves each development proposal

Long-term leases can help leverage City-owned land to its fullest potential for the longest period of time

- ▶ Establish a preference for long-term leases, while maintaining the flexibility to use all available options

Align with other City policies and priorities (tree ordinance, etc.)

- ▶ Align guidelines for affordable housing with other City policies and Council priorities, including the City-Owned Real Estate and Facilities Policy

Guidelines & Procedures Summary

- ▶ Implement a periodic review of all City-owned land to evaluate opportunities for Affordable Housing
- ▶ Create goals for unit mix and deed restrictions to serve as a guide for Council evaluation
- ▶ Include language that establishes a preference for long-term leases, while maintaining the flexibility to use all available options
- ▶ Maintain ability to evaluate projects on a case-by-case basis based on unique characteristics of each project, and in accordance with City priorities, policies and plans

Nest Steps

- ▶ Approve proposed Guidelines and Procedures for Evaluation and Disposition of Real Property for Affordable Housing
- ▶ Brief City Council at an upcoming Strategy Session
- ▶ Request City Council approval at an upcoming Business Meeting