

Evans Vista Financial Discussion

July 19, 2023

ECONorthwest
ECONOMICS • FINANCE • PLANNING

- Introduce financial elements to the discussion on Evans Vista
- Learn about financial structures and processes behind a housing development
- Refine the meaning of affordability, attainability, and mixed-income
- Develop a framework to understand the tradeoffs between affordability and feasibility



Key Questions to Consider

- Which public goal features should be prioritized/required in the eventual Evans Vista development RFP?
- How much and what kinds of other public benefits must be part of Evans Vista even if it means fewer affordable units?
 - Mixed use, parks, parking requirements, community facility, etc.
- Public funding will be scarce/competitive, how should we weigh the tradeoffs for overall housing production and affordable housing?
 - 80 units (hypothetically) at 80% of AMI or lower working with PHA or Habitat?
 - 200 units (hypothetically) with fewer at 80% of AMI or lower but many more at 150% of AMI or higher while working with a market rate land developer?

Project Overview

We are here

Alternatives

Stakeholder and community engagement
Schematic design of 6 plan options
Assessment of housing market and affordability
Assessment of feasibility and subsidy needed

Refinement

Conduct preliminary engineering study
Develop more detailed site plans
Perform **feasibility analysis** with selected mix of affordability and uses

RFP Design

Framework and key elements to achieve desired **affordability goals and community vision** for the Evans Vista site.

- Deliver urgently-needed supply and to activate the Evans Vista neighborhood
- Mix of affordable housing and workforce housing
 - 25% of units are required by Commerce to be under 80% of AMI or less
 - City goals include at least 100-150 housing units with mix of affordability
 - 50 to 100 units affordable to above 80% of AMI
 - 30 to 50 units affordable to low-income households (under 80% of AMI)
- Produce an RFP that will deliver on city goals in the timely manner
- Identify investment partnership opportunities for delivery of project

Planning and Financial Considerations

How many units? Is more than 150 units possible? What kind of housing type?

What mix of affordability (set-aside)? How deep can affordability go (% AMI)?

What is the role for delivery of market-rate housing?

Is there a role for commercial or mixed-use development?

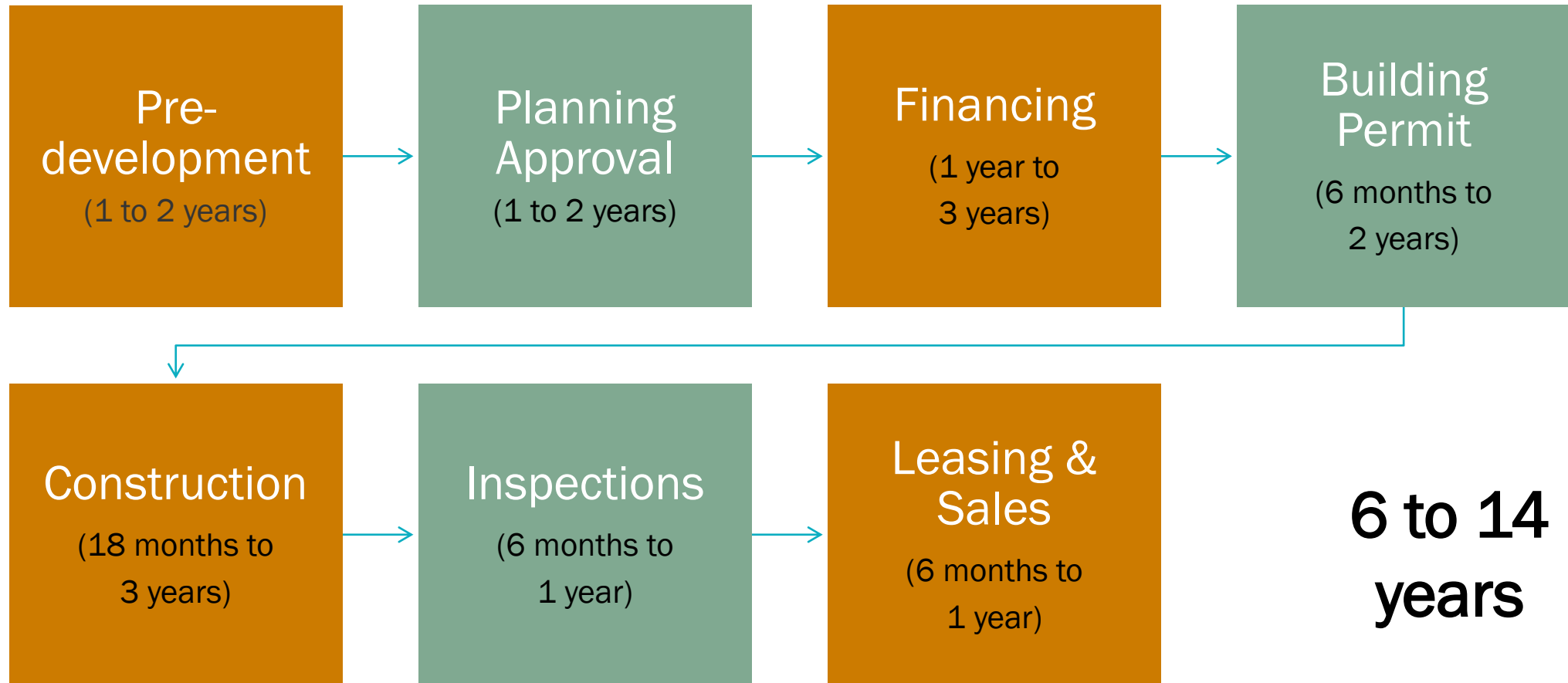
What amenities can the project support?

- Competition for financing with local housing providers
- Capacity and timing limitations
- Insights from informal discussions
- Mixed-income buildings



Housing Development in Port Townsend

Development Can be a Long Process



Notes

Times frames are approximate and represent larger projects (50 or more units)

Time frames would be shorter for smaller developments

Attainable vs. Affordable Housing

- Defined by standards used by the U.S. Department of Housing and Urban Development (HUD) for deed-restricted, rental housing
- No more than 30% of annual household income is spent on housing-related expenses (e.g., rent and utilities)

Attainable vs. Affordable Housing

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- HUD publishes annually updated Area Median Income (AMI)
- Depending on the household size, the household income applicable to affordability calculation can be different from the AMI

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- HUD publishes annually updated Area Median Income (AMI)
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- Affordability of ownership housing is defined by similar logic*
- Typical policies refer to below 80% of AMI, but deed-restrictions at higher income levels are possible

Stated objective:

25% or more of all units
(~40 to 50 units)

75% or less of all units
(~120 to 150 units)

Affordability (% of 2-person AMI)

50%

80%

100%

120%

150%

200%



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25% or more of all units
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Affordability (% of 2-person AMI)



Market-Rate Rental

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Affordability (% of 2-person AMI)



Market-Rate Rental

Publicly Funded Affordable Rental

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75% or less of all units
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Affordability (% of 2-person AMI)

50%

80%

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Market-Rate For-Sale

Stated objective:

25% or more of all units
(~40 to 50 units)

75% or less of all units
(~120 to 150 units)

<\$300K \$350K to \$550K

Affordability (% of 2-person AMI)

50%

80%

100%

120%

150%

200%



Market-Rate For-Sale

For-Sale with Deed Restrictions and Subsidies (down payment assistance, discounted land, low interest rate mortgage)

Stated objective:

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Publicly Funded Affordable Rental

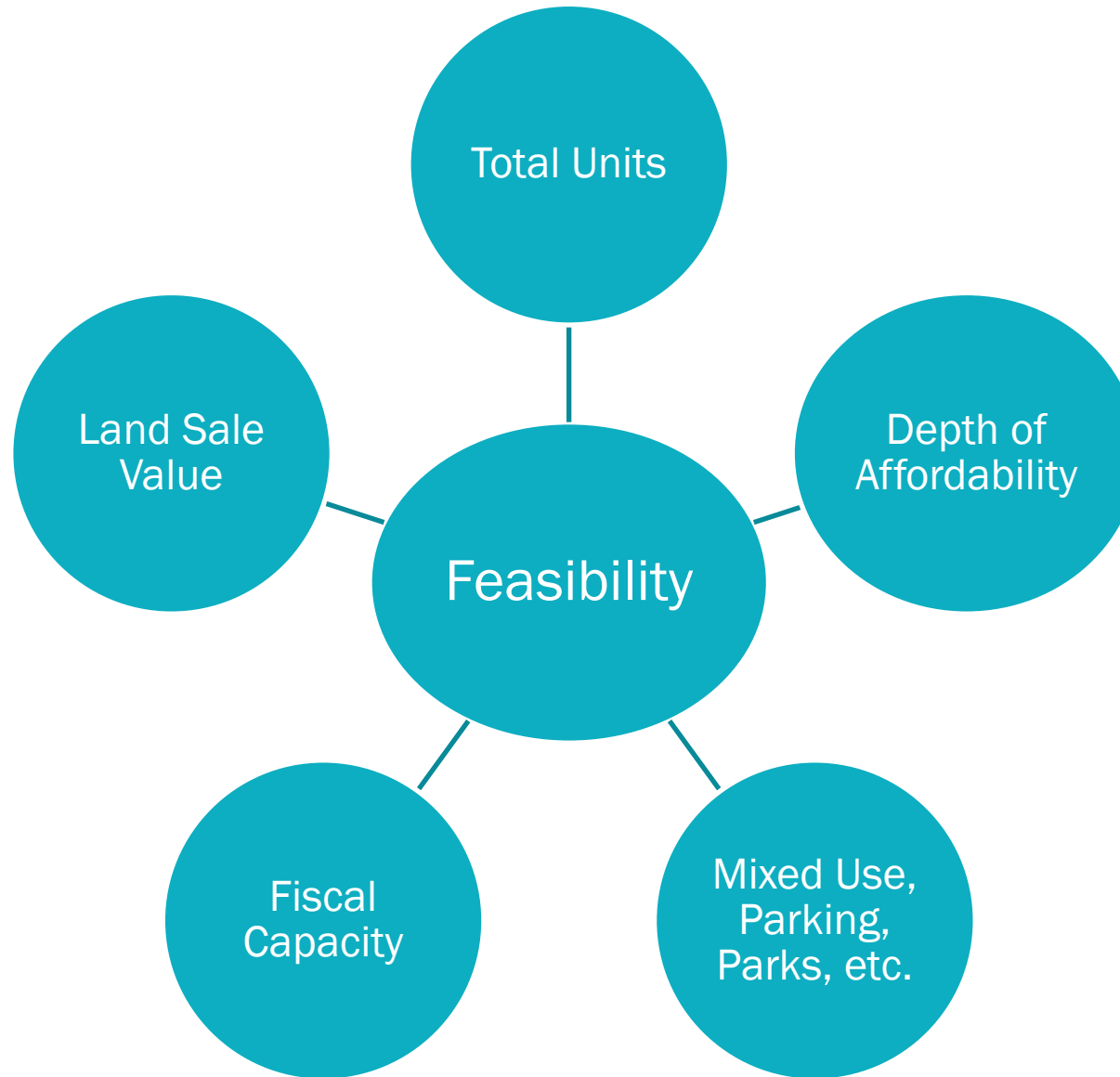
Hard to Do

Market-Rate Rental

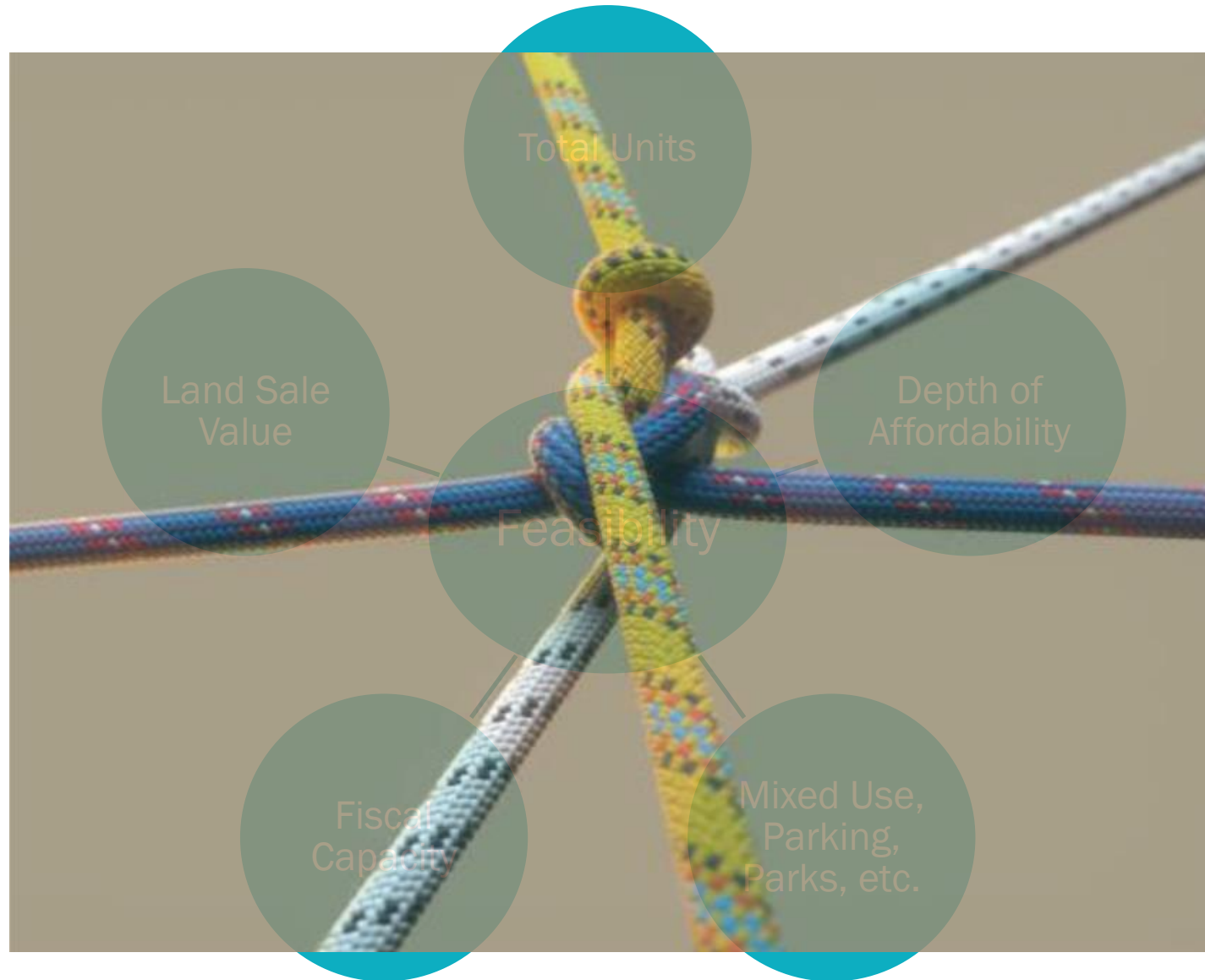
Market-Rate For-Sale

For-Sale with Deed Restrictions and Subsidies (down payment assistance, discounted land, low interest rate mortgage)

Tradeoffs in Feasibility



Tradeoffs in Feasibility



Illustrative Example in Evans Vista

Subsidy Needed for Affordable Housing



Proposed
Concepts



Subsidy Needed for Affordable Housing



Proposed
Concepts



Target Affordability (example)

150% of AMI*

120% of AMI*

50% of AMI*

50% of AMI*

Subsidy Needed for Affordable Housing



Proposed
Concepts



Target Affordability (example)

150% of AMI*

120% of AMI*

50% of AMI*

50% of AMI*

Subsidy Needed per Affordable Unit (example)

\$30K

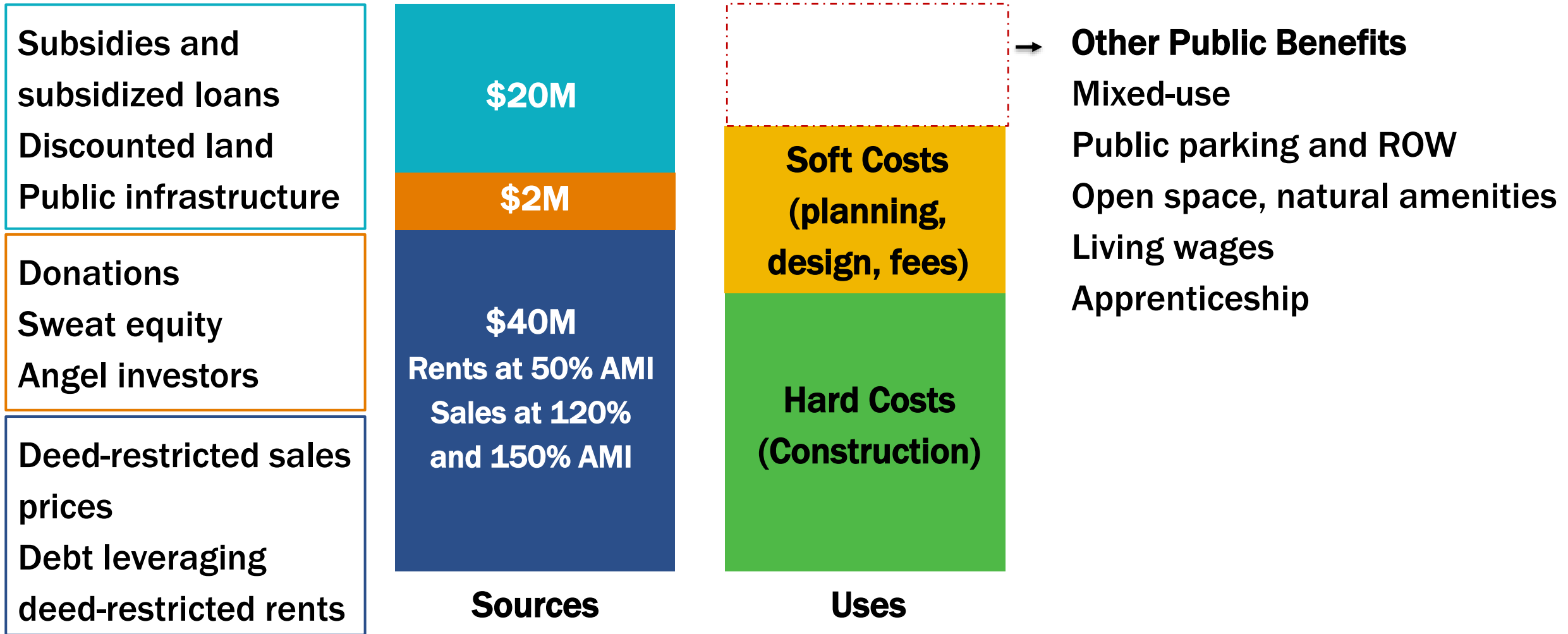
\$110K

\$260K (LIHTC can cover 60-65%)



\$20M in Subsidies Required

Illustration of Potential Capital Stack for Evans Vista



Conclusion



AMI

Attainability

Capital Stack

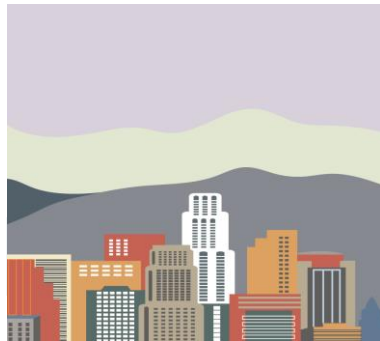
- The desired level of affordability cannot be achieved without significant subsidies
 - Need active participation from the City and nonprofit partners
 - Mixed income housing is one way to subsidize affordable housing development
- Without housing above 150% of AMI in the mix, adding more housing density to this project will increase subsidy needed
- There are tradeoffs for public benefits: mixed-use, public parking and ROW, additional private parking, parks and playground, etc.

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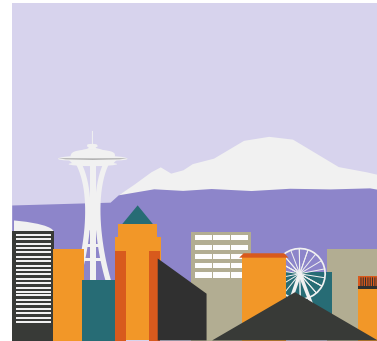
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