



WASHINGTON STATE
**HOUSING FINANCE
COMMISSION**

Ms. Karen Miller
Chair
Mr. Kim Herman
Executive Director

Memorandum

To: State Senator Steve Hobbs; Representative Phyllis Kenney; Tom Hoemann, Secretary of the Senate; Barbara Baker, Chief Clerk of the House; Allison Mendiola, Counsel, FIHI; Jennifer Thornton, Analyst, CD&H; State Representative, Eric Pettigrew.

From: Kim Herman, Executive Director
Washington State Housing Finance Commission

CC: Janet Masella, Manager, Commerce

Date: August 16, 2012

Re: HB 1401 – Land Acquisition Program – 2011 Annual Report

Pursuant to Second Substitute House Bill 1401 of the 2007 Regular Session, the Washington State Housing Finance Commission (the Commission) provides the following program activity report.

Historical Context:

In 2007 the Legislature passed 1401 creating the Land Acquisition Program (LAP), with technical corrections passed in 2008 under EHB 3401 (Attachments A and B). ESHB 1092 appropriated \$1,000,000 in funding to the Department of Commerce (formerly CTED) for the program. As directed under SSHB 1401, Commerce has entered into an Interagency Agreement with the Commission for program administration.

Program Objective:

The purpose of the program is to provide supplemental funding for assisting eligible organizations in Washington to purchase land suited for either multi- or single family affordable housing development. In addition to affordable housing, facilities intended to

provide supportive services to affordable housing residents and low-income households in the nearby community may be developed.

Activities to Meet Program Objective:

Leveraging Efforts

To date, the Commission has raised additional investment capital in the amount of \$12,500,000 for the LAP program. The Commission has also met with Enterprise Community Partners in an effort to further leverage these funds. Currently funded projects have been successful at leveraging at the project level. For every one dollar (\$1) of LAP an additional \$1.79 in additional acquisition funds were secured.

Program Development

Commission staff has continued to refine the LAP program in 2011 to best address the needs of the program's stakeholders while keeping within the parameters of the enabling legislation. Please see Attachment C for a snapshot of the LAP program's website and Attachment D for a copy of the program description and application guidelines.

With the implementation of the Evergreen Sustainable Development Standard (ESDS) by Commerce in 2008, it is now a requirement that any project funded with a LAP loan will be required to meet the Evergreen Standard when the land is eventually developed.

Approved Projects

In October 2007, the Commission launched the LAP program with a Request for Developer Concept Proposals. As of December 31, 2011, the Commission has received forty (40) applications requesting a total of \$33,082,650 in LAP funds. Of these, 16 projects have been approved for funding for a total of \$9,408,464. See attached sheet.

SSHB 1401 required that 40% of the \$1 million in state appropriated funds be reserved for organizations operating homeownership programs for low-income households in which the households participate in the construction of their homes. This requirement has been achieved by our loans to Habitat affiliates totaling \$1,571,500

Performance Measures

The Commission has developed the following performance measures for annual evaluation of the LAP program:

- 1.) The ability of eligible organizations to access land for affordable housing development as demonstrated by the number of loans closed.
 - **Outcome:** As of December 31, 2011, LAP has funded 14 loans and is in the process of closing 2 more.

2.) The total number of dwelling units by housing type and the total number of low-income households and persons served.

- **Outcome:** First housing units are scheduled for completion in 2012. Additional housing units are scheduled to be closed in 2013 thru 2016.

3) The financial efficiency of the program as demonstrated by factors, including the cost per unit developed for affordable housing units in different areas of the state and a measure of the effective use of funds to produce the greatest number of units for low-income households.

- **Outcome:**

Housing Type	Units	LAP \$	Appraised Value	LAP LTV	LAP Value Unit
Multifamily	536	\$ 7,601,964	\$ 16,402,750	46.3%	\$ 14,183
Homeownership	108	\$ 1,806,500	\$ 4,644,000	38.9%	\$ 16,727
LAP Program Total	644	\$ 9,408,464	\$ 21,046,750	44.7%	\$ 14,609

4) Developers participating in a program satisfaction survey will demonstrate a high level of satisfaction with the program.

- **Outcome:** A survey was conducted and an average rating of 4.5 on a 5 point scale was achieved.

Conclusion:

The Land Acquisition Program was created to afford nonprofit housing developers the opportunity to compete with for-profit developers for available developable land in markets where there was little, if any, prime land for affordable housing.

Thus far, the Commission has engaged in conversations with many nonprofit agencies from across the state and received LAP applications from many organizations. The results have been encouraging as many nonprofits have been able to access this affordable funding resource to leverage other funds and acquire land they otherwise would not have been able to purchase.

The recent downturn in the market caused nonprofits to have less financial wherewithal to purchase property. In response to the economic changes, the LAP program has evolved by:

1. Strengthening its underwriting process to include the applicant's ability and history of securing additional funding from sources other than the State Department of Commerce.

2. Encourage more Transit Oriented Developments (TOD) site acquisitions using LAP.
3. Encouraged/used LAP to purchase land in foreclosure situations.

The Commission will continue to be creative in seeking methods that allow LAP funds to be leveraged so that more organizations may benefit.