Regional Workforce Housing Initiative Implementation Plan

June 2025

King County

Contents

I. Executive Summary

The Regional Workforce Housing Initiative Implementation Plan (Plan) was called for by Motion 16690 (the Motion).[1] This section provides a high-level overview of the Plan. The enclosed Plan analyzes Part 1 and Part 2 Motion requirements. Part 1 of the Motion requires analysis of potential housing programs developed with bond financing where rents reflect the total cost of development and operations. Part 2 of the Motion requires analysis of a homeownership revolving construction loan program.[2] Both Part 1 and Part 2 requirements are addressed in each section of the Plan.

The Plan analyzes potential housing programs developed with bond financing where rents reflect the total cost of development and operations and a homeownership revolving construction loan program. The Plan describes local housing market conditions, recent related plans, similar models from other jurisdictions, bond financing legal and risk analyses, program model analyses, and next actions for Council consideration.[3] In developing the Plan, staff engaged with numerous community groups and potential partners.

See Appendix A. for the full text of the Motion. See Appendix B. for how each section of the Plan fulfills requirements of the Motion.

A. Background

This section describes alignment with other plans, the definition of workforce housing for the purposes of this Plan, key market conditions that impact rental operating revenue, existing funding programs, and a review of similar programs in other jurisdictions.

Workgroup

The Department of Community and Human Services (DCHS), the Office of Performance, Strategy and Budget (PSB), the Prosecuting Attorney's Office (PAO), Grow America, and Pacifica Law Group LLP (Pacifica) comprised the Workgroup for the Plan. DCHS led the development of the Plan, and PSB provided consultation regarding the use of bonds as a funding mechanism for affordable housing.[4] Grow America provided analytical support for program modeling. Pacifica supported the legal analysis. In developing the Plan, the Workgroup engaged with community experts and partners to inform the analysis, next actions, and conclusions of the Plan.[5]

Context

This Plan builds on, and is consistent with, related regional plans. These plans set priorities for funding affordable housing, increasing the supply of housing, community development, racial and climate justice, and green and sustainable development including:

- King County Countywide Planning Policies (CPPs);[6]
- King County Comprehensive Plan;[7]

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[1] Motion 16690. [Link]

[2] See Appendix D. "Glossary" for definition of bond, rent recovery, revolving construction loan fund, and other terms.

[3] King County. (2021). *2021 King County Countywide Planning Policies.* [Link]

[4] See Appendix D. "Glossary" for definition of affordable housing and other terms.

[5] See Appendix H. "Engagement Meetings and Themes" for a summary of all engagement meetings and their input.

[6] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]

[7] King County. (2024). *2024 King County Comprehensive Plan*. [Link]

- King County Consortium Consolidated Plan; and[8]
- King County Strategic Climate Action Plan.[9]

See Section II. C. "Alignment with King County Plans and Policies" for more information on plans.

Workforce Housing Definition

The Motion defines workforce housing as "housing that is affordable to households with one or more workers that is located near jobs and services necessary for residents to meet their day-to-day needs, such as grocery stores and public transportation."[10] For purposes of the financial modeling called for by the Motion, the Workgroup needed to calculate the income that could be expected from affordable rents or home sales prices, which varies based on a household's income. Therefore, the Plan defines workforce housing as housing that is affordable to households with incomes between 50 and 120 percent of the Area Median Income (AMI), also known as low- and moderate-income households. However, working households in King County may earn less than 50 percent of AMI or more than 120 percent of AMI.

King County needs 308,677 net new housing units by 2044.[11] Exhibit 1 includes the descriptions of income levels used throughout the Plan as well as the County's housing needs at different income levels in alignment with the Growth Management Act and the Countywide Planning Policies.[12, 13, 14, 15]

Exhibit 1. Household Income Level Definitions and Housing Need

		Definition	Total Housing Units Needed by 2044[16]	Percent of Total Housing Need by 2044[17]
	Extremely Low-Income	Households with incomes at 30 percent of AMI and below	124,473	40%
	Very Low-Income	Households with incomes between 30 and 50 percent	48,213	16%
Workforce Housing	**Low-Income**	Households with incomes between 50 and 80 percent of AMI	22,376	7%
Workforce Housing	**Moderate-Income**	Households with incomes between 80 and 120 percent of AMI	31,853	10%

See Appendix J. for list of example AMI classifications by job type.

[8] King County. (2024, May 31). *King County 2025-2029 Consolidated Plan*. [Link]
[9] King County. (2025). *2025 Strategic Climate Action Plan.* [Link]
[10] Motion 16690. [Link]
[11] King County 2021. *2021 King County Countywide Planning Policies. Housing Chapter.* [Link]
[12] RCW 36.70A.030. [Link]
[13] See Appendix E. "Area Median Income and Restricted Rental Rates."
[14] See Appendix D. "Glossary" for definition of Area Median Income and other terms.
[15] King County 2021. *2021 King County Countywide Planning Policies. Housing Chapter*. [Link]
[16] King County 2021. *2021 King County Countywide Planning Policies. Housing Chapter*. [Link]
[17] Derived from King County 2021. *2021 King County Countywide Planning Policies. Housing Chapter*. [Link]

Housing Market Conditions

This section provides summary information for key housing factors such as housing market conditions, housing need, net new housing need by AMI, housing cost burden, and a discussion of housing supply and demand.[18] Key findings include:

- For the past 25 years, the King County region has not produced enough housing to keep pace with population and job growth.[19, 20]
- Households with incomes below 80 percent AMI are disproportionately affected by housing cost burden.[21]
- Housing need is greatest for extremely low-income households, meaning people with incomes below 30 percent of AMI or $68,500 for a family of four in 2023.[22]
- The large majority (78 percent) of income-restricted units in the region are affordable for households at 60 percent AMI and below.[23] A smaller portion of units (20 percent) are affordable to households making 61 to 80 percent AMI.[24] These units are often homeownership units and units without cash subsidy, such as developments benefiting from policy interventions or tax exemptions.[25]
- In many areas of the County, there is an oversupply of studio and one-bedroom units.[26] These units are experiencing higher vacancy rates than two- and three-bedroom units.[27]
- In 2023, the countywide median rent for studios, one- and two-bedroom units was affordable to households earning 80 percent AMI.[28] This means that income-restricted units leasing to households earning 80 percent AMI are allowed to charge higher rents than some market-rate units charge.[29] Income-restricted units at or near this rent level are experiencing higher vacancy rates and slower lease up timelines than lower rent units, in part because renters have other options in the private market. [30, 31]

See Section II. "Housing Market Conditions" for more information on housing and market conditions.

Existing Funding Programs

This section provides a brief overview of King County and other public affordable housing funding programs, including:

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[18] See Appendix D. "Glossary" for definitions of cost burden, housing need, and other terms.
[19] Up for Growth. (2024). *Housing Underproduction in the U.S.* [Link]
[20] Up for Growth. (2020). *Housing Underproduction in Washington State.* [Link]
[21] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[22] King County. (2021). *Countywide Planning Policies, Housing Chapter.* [Link]
[23] See Appendix D. "Glossary" for definition of income-restricted housing and other terms.
[24] King County Income-restricted Housing Database, Data Current as of December 31, 2022.
[25] See Appendix D. "Glossary" for definition of subsidy and other terms.
[26] Input from engagement meeting with market rate housing developers. (2025, January 22).
[27] CoStar Market Analysis, includes King, Pierce, and Snohomish counties.
[28] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[29] King County. *2024 Income and Rent Limits - Multifamily Rental and Homeownership Housing*. [Link]
[30] G. Colburn, D. Collins, E. Wang. (2024, November 22). *MFTE Evaluation Final Report to City of Seattle, Office of Housing*. [Link]
[31] King County and City of Seattle Office of Housing income-restricted housing portfolio data, as tracked in the Washington State Housing Finance Commission's Web Based Annual Reporting System.

- The County's existing bond-financed affordable housing programs such as Transit-Oriented Development and Health Through Housing;[32, 33, 34]
- Deferred loans awarded through King County's Housing Finance Program (HFP) from both federal and local sources;[35, 36]
- Near-term, temporary acquisition funding through the King County Interim Loan Program;[37, 38]
- Loan guarantees through the King County Credit Enhancement Program;[39, 40]
- Tax credits and bonds allocated through the Washington State Housing Finance Commission;[41]
- Investments in preservation and production of affordable housing administered by the City of Seattle Office of Housing;[42, 43]
- Capital funding to build and preserve affordable housing administered by the Washington State Department of Commerce,[44] and
- Funding awarded through interjurisdictional entities such as A Regional Coalition for Housing (ARCH) in East King County[45] and South King Housing and Homelessness Partners (SKHHP) in South King County.[46]

See Section II. "Existing Funding Programs" for more information about rent recovery and homeownership models in operations.

Review of Similar Programs

The Workgroup reviewed municipal bond-financed rental housing programs in Montgomery County (Housing Opportunities Commission), New York City (Social Bond Program), Denver (Housing Authority D3 Program), Oregon (Regional Housing Bonds), San Francisco (Affordable Housing Bonds), and a master leasing program in Los Angeles. These programs leverage public financing mechanisms, including dedicated property tax revenue, general appropriations, general obligation bonds, and Section 8 vouchers to support the production and preservation of affordable rental housing.[47] All models reviewed rely on some form of public subsidy in addition to bonds to ensure rents are affordable to lower-income households, and none operate as full rent recovery models. Additionally, the Workgroup reviewed programs that support the development of resale-restricted affordable homeownership units operating in Seattle, New York City, New York; Denver, Colorado, and Concord, North Carolina. These programs leverage short-term financing tools to expand affordable homeownership opportunities, with each program serving a specific income segment within the 30 to 130 percent AMI range.

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[32] King County. (2016). *Transit-Oriented Development Bond Allocation Plan*. [Link]
[33] King County. (2025). *Health Through Housing Initiative.* [Link]
[34] See Appendix D. "Glossary" for definition of Transit-oriented Development and other terms.
[35] See Appendix F. "Housing Finance Program Funding Sources" for a complete list of the funding sources flowing in the Housing Finance Program.
[36] See Appendix D. "Glossary" for definitions of deferred loan, Housing Finance Program, and other terms.
[37] King County Code Title 24.22. *Interim Loan Program for Property Acquisition for Low-Income Housing*. [Link]
[38] See Appendix D. "Glossary" for definition of acquisition and other terms.
[39] King County Code Title 24.28. *Credit Enhancement Programs.* [Link]
[40] See Appendix D. "Glossary" for definition of credit enhancement, loan guarantee, and other terms.
[41] Washington State Housing Finance Commission. (2024). *Bond/Tax Credit Program*. [Link]
[42] Seattle Office of Housing. *About the Seattle Office of Housing*. [Link]
[43] See Appendix D. "Glossary" for definition of preservation and other terms.
[44] Washington State Department of Commerce. (2025, February 7). *Housing Trust Fund Program*. [Link]
[45] ARCH. *A Regional Coalition for Housing*. [Link]
[46] South King Housing and Homelessness Partners. (2025). *About SKHHP*. [Link]
[47] See Appendix D. "Glossary" for definition of general obligation bonds and other terms.

See Section II. "Background" for more information about rent recovery and homeownership models in operation.

B. Engagement

The Workgroup conducted engagement throughout the development of this Plan, which informed the Plan's analysis.

Process

Public input informed the analysis of the Plan. As directed by the Motion, the Executive solicited input from labor organizations, labor unions, experts in fair housing, affordable housing, community development, public and private financing, impact equity, property management organizations, housing authorities, and historically and currently underrepresented housing developers.[48] The Workgroup hosted more than 20 virtual meetings to gather information from interested parties and other agencies listed within the Motion. Participants received an agenda containing tailored discussion questions and an informational one-page document in advance of each meeting to encourage active participation. The Workgroup facilitated the meetings, explaining the key points and goals of the Motion before opening for discussion and questions.

Key Themes

High-level themes emerged from the engagement:

- There is a need to develop tools to help finance affordable workforce housing. These tools should be easily accessible and regularly available instead of limited to specific application windows.
- No one solution will fit the needs for all of King County; multiple approaches must be considered. Different communities across the County need different types of housing.
- Housing development and operating costs are increasing faster than rents and incomes.[49]
- A countywide AMI measure does not adequately capture nuances across the income spectrum and different household sizes, nor does it account for variations in different parts of the County.

See Section III. "Engagement" and Appendix H. for more details about the engagement process and input.

C. Legal and Risk Analysis

The Workgroup conducted a legal analysis of issuing bonds for affordable workforce housing projects as a part of the research to produce this Plan.

Debt Capacity, Legal Analysis, and Risk Assessment

The County has the capacity to issue at least $1 billion in bonds.[50, 51, 52] Federal tax law and state constitutional law regulate the entities and activities that are eligible for bond financing.

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[48] See Appendix D. "Glossary" for definition of impact equity and other terms.

[49] See Appendix D. "Glossary" for definition of operating costs and other terms.

[50] Municipal Research and Services Center. *General Obligation Debt Limits.* [Link]

[51] See Section IV. "Legal and Risk Analysis" Subsection A. "Debt Capacity", for an in-depth discussion of the County's debt capacity.

[52] See Appendix D. "Glossary" for definition of debt capacity and other terms.

Issuing County bonds for the purpose of providing affordable housing for moderate-income households is untested and would benefit from the clarity that a bond declaratory judgement (a bond test case) could provide, while supporting the unqualified bond opinion required by bond purchasers.[53] The rental income that a project will produce is directly affected by the restrictions on the income levels that can be served by bond-financed affordable housing.

There are many risk factors involved in financing, constructing, and operating affordable workforce housing using the County's bond financing. The County would be required to pay if a financed project is not able to pay its own debt service.[54] Without a reliable revenue source for these obligations, the County's bond ratings could be negatively affected by perceived risk or if the County had to make bond payments if a project or the project owner was unable to meet debt service requirements. The Executive emphasizes the importance of maintaining the County's current bond rating to continue obtaining low interest rates for the County's planned capital projects in the coming years.

Bonds, Interest Rates, and Benefits for Workforce Housing

The County may issue taxable or tax-exempt bonds. Both taxable and tax-exempt bonds can be issued as general obligation or revenue bonds.[55] General obligation bonds are backed by the County's General Fund and, if necessary, property tax revenue. Councilmanic general obligation bonds are secured by a County covenant to levy non-voted property taxes as necessary to pay the bonds to the extent not paid from other legally available revenues.[56] Revenue bonds must be backed by a non-tax source of revenue (i.e., by project revenues).[57]

The County's bond interest rates vary based on the type of the bond as well as the length of time over which the bond is paid back. Tax-exempt bonds offer lower interest rates than taxable bonds. Shorter term bonds offer lower interest rates than long-term bonds.

The Executive found that general obligation tax-exempt bonds may provide an interest rate benefit compared to other sources of debt. The County is authorized to issue its tax-exempt bonds as "governmental" or "qualified 501(c)(3)" bonds.[58] The beneficiaries (developers) would be limited to housing authorities or Public Development Authorities (PDA) for governmental bonds and 501(c)(3) organizations for the qualified 501(c)(3) bonds. For-profit developers would not qualify for funding from tax-exempt governmental or 501(c)(3) bonds even if the general partner or managing member of the for-profit entity were a nonprofit or government.[59]

Traditional gap funding sources for affordable housing, such as the Low-Income Housing Tax Credit (LIHTC) program and impact financing from regional partners, prioritize serving households with incomes at or below 60 percent AMI, with the highest priority for households with incomes at or below 30 percent AMI.[60, 61] This means that many workforce housing projects serving moderate-income

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[53] See Appendix D. "Glossary" for definition of bond declaratory judgement and other terms.
[54] See Appendix D. "Glossary" for definition of debt service and other terms.
[55] See Appendix D. "Glossary" for definition of revenue bonds, taxable bonds, tax-exempt bonds, and other terms.
[56] See Appendix D. "Glossary" for definition of covenant and other terms.
[57] Municipal Bonds. *General Obligation vs. Revenue Bonds: A Municipal Bonds.com Guide.* [Link]
[58] See Appendix D. "Glossary" for definition of 501(c)(3) bonds and other terms.
[59] IRS. *Exemption requirements – 501(c)(3*) organizations. [Link]
[60] King County. (2024). *2024 King County Comprehensive Plan*, Housing and Human Services Chapter, H-109. [Link]
[61] See Appendix D. "Glossary" for definition of gap funding, LIHTC, and other terms.

households in addition to low-income households are not competitive or eligible for these funding sources. Gap funding for affordable housing serving low- and moderate-income households does not currently exist.

Steps to Mitigate Risk

The Executive identified the following steps to mitigate risk if implementing bond financing for workforce housing projects:

- The County should require a deed restriction, deed of trust, and covenant in the first position on title for each project.[62] These measures help to ensure that the project remains affordable at the agreed-upon income levels over the long term, even if the project defaults on one or more loans or changes ownership.
- A bond declaratory judgment would provide foundational clarity regarding the authority for the use of bonds for serving moderate, in addition to low-income households.
- The Executive should establish a cash reserve fund using tax revenue or fee income, provided a suitable funding source is identified.[63]
- The County should collaborate with lenders who have a proven track record in providing underwriting services. This will help ensure the financial feasibility of any project the County invests in.[64]

See Section IV. "Legal and Risk Analysis" for more details about the findings from this analysis.

D. Program Models Analysis

The Workgroup collected and analyzed financial information from recent housing projects provided by local developers and program data from existing affordable housing funding programs. The Workgroup used these data to develop an array of program models to test financial feasibility and evaluate risks. These models represent different housing types, investment strategies, and financial tools. The Workgroup tested each program model under different scenarios for subregional markets (Seattle and Shoreline, East King County, and South King County) and investment levels. The subregional scenarios test the program models' effectiveness in different communities with different market dynamics. The range of investment level scenarios evaluates the effectiveness of bond financing under different lending terms and levels of debt.

Modeling requires holding certain assumptions constant to enable accurate comparison of differences between specific variables. The assumptions used in the program models' analyses are primarily based on recent housing projects and do not capture future market volatility. Modeling did not include any cost increases for County administration or risk. The Executive finds these models useful for identifying next actions to support workforce housing.

In all cases, the County would be accepting the financial risk of a developer who could not afford to pay debt service on a bond financed project. These models identify the scale of that risk and whether any model could be financially viable without additional public subsidy.

The Workgroup found all models would require additional public subsidy or reserve funding to protect King County's General Fund from liability if a developer could not make debt payments. Despite the

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[62] See Appendix D. "Glossary" for definition of deed restriction and other terms.
[63] See Appendix D. "Glossary" for definition of cash reserve fund and other terms.
[64] See Appendix D. "Glossary" for definition of financial feasibility and other terms.

savings associated with the lower interest rates on County bonds and higher potential rental income from serving moderate-income households, housing development and operating costs exceeded projected income in all models. Therefore, workforce housing projects are likely to have funding gaps that require a new equity source with deferred payment terms to be financially feasible.[65]

Bond Financed Program Models Overview

Exhibit 2 summarizes bond financed program models (Models A, B, and C).

Exhibit 2: Bond Program Models Overview

	Model A. Long-Term Financing for New Multifamily Rental Housing	Model B. Acquisition and Conversion of Rental Housing	Model C. Revolving Loan Fund for Construction of Ownership Housing
Description	Permanent loans for new multifamily construction repaid with rental income	Permanent loans for third-party acquisition of existing multifamily housing repaid with rental income	Short-term construction loans for condominium, townhome, or single-family homeownership development repaid with home sales
Incomes Served	60% - 100% AMI	60% - 100% AMI	60% - 80% AMI
Financing Tool	30-year, general obligation tax-exempt bonds at 4.52% interest rate	30-year, general obligation tax-exempt bonds at 4.52% interest rate	Up to 5-year general obligation tax-exempt bonds at 2.96% interest rate
Key Findings	Savings on interest increase as the percentage of total development costs financed by the County increases. Higher levels of investment also increase the risk to King County. Development costs are substantially higher than estimated rental income in all scenarios modeled. Potential rental income is limited by market conditions and legal restrictions on the income levels eligible to be served by tax-exempt bonds. Additional equity is needed to make long-term bond financing for multifamily rental workforce housing	Savings on interest increase as the percentage of total purchase costs financed by the County increases. Higher levels of investment also increase the risk to the County. Acquisition costs are higher than estimated rental income in all scenarios modeled. Potential rental income is limited by market conditions and legal restrictions on the income levels eligible to be served by tax-exempt bonds. Additional equity is needed to make long-term bond financing for the acquisition of multifamily rental	Savings on interest increase as the loan period increases. The short term of the construction loan period results in low levels of savings per home and high administrative costs and risks for the County. Development costs, including construction interest savings, are substantially higher than an affordable purchase price for an 80% AMI household. Additional equity is needed to make the construction of ownership workforce housing financially feasible. The affordability gap is 24%-52% of total development

[65] See Appendix D. "Glossary" for definition of equity and other terms.

	Model A. Long-Term Financing for New Multifamily Rental Housing	Model B. Acquisition and Conversion of Rental Housing	Model C. Revolving Loan Fund for Construction of Ownership Housing
	financially feasible. The funding gap is 19%-45% of total development cost, or $14-33M per project.	workforce housing financially feasible. The funding gap is 3%-34% of total purchase cost, or $2-20M per project.	cost, or $130-455K per home. Substantial investments into County capacity to issue and monitor construction loans would be required to support this program.

Alternative Program Models Overview

Exhibit 3 summarizes alternative program models (Models D, E, and F).

Exhibit 3: Alternative Program Models Overview

	Model D. Master Leasing	Model E. Credit Enhancement Program	Model F. Housing Capital Funding
Description	New lease-to-own program for multifamily rental housing repaid with rental income	Existing program that guarantees third-party loans for affordable housing to secure more favorable lending terms	Existing housing finance program (HFP) for permanent affordable rental and ownership housing paid with County funding
Legal or Financial Tool	Agreement to guarantee rental income for a third-party developer and lease-to-own the property	Contingent loan agreement to guarantee debt payments for a third-party developer backed on full faith and credit	Deferred loans for third-party developers that are forgivable or repaid by borrowers, contingent on cash-flow availability

	Model D. Master Leasing	Model E. Credit Enhancement Program	Model F. Housing Capital Funding
Key Findings	This model is not a capital project and therefore generally ineligible for bond financing. Master leasing requires an operating funding source to be financially feasible and legally viable. This model is potentially most impactful for serving residents who are unable to obtain a private lease due to personal circumstances or histories. Master leasing shifts financial risk to the County. The financial projections shared with the County included scenarios which obligated the County to subsidize operations for $2-4M annually for the first decade. These types of subsidies typically serve households with high medical and social needs. The County may find opportunities to invest in a development that may attract higher market rents and yield a financial return on investment, but a third-party market analysis must be a part of the underwriting process conducted by the County.	The Credit Enhancement program does not rely on the issuance of bonds but does require reserve funds. Additional research is needed to understand and verify the potential interest rate savings for underrepresented developers associated with this program. The County's Credit Enhancement program primarily worked to build the acquisition portfolio with the King County Housing Authority (KCHA). KCHA now obtains favorable credit terms using municipal bonds and has not utilized the credit enhancement program since 2022 when the last authorization for the program expired.	Gap financing through deferred loans ensures housing projects remain affordable and serve the populations with the greatest unmet housing needs. Many funding sources that the County uses for gap financing are restricted to serving households at 60 percent AMI or lower. Requests for HFP funding consistently exceed the funding available. Additional flexible funding would be needed to support workforce housing developments. New funding sources would ideally have the flexibility to serve low- and moderate-income households and could be paired with bond financing to achieve deeper affordability and support other programmatic goals.

See Section V. "Program Model Analysis" for additional information about these models.

E. Next Actions

The legal and financial analysis identified the general benefits and challenges associated with different types of bond financing and programmatic approaches to support a regional workforce housing initiative. While County bond financing can provide relative benefits compared to private debt financing and encourage programmatic goals such as green building and strong labor standards, the savings associated with County bond financing does not close the funding gap for workforce housing.

Options to Advance Workforce Housing

Given the barriers identified through the legal and program model analyses related to legal authority and revenue needs, the Executive is not proposing legislation to effectuate any recommendations in response to the Motion. Instead, the Executive proposes the following options for consideration:

1) Confirm legal basis to support workforce housing
2) Secure new revenue to finance affordable workforce and low-income housing capital funding bond payments

3) Create a bond-financed housing acquisition and conversion loan pilot program
4) Update the credit enhancement program

These options, as shown in Exhibit 4, address the needs of workforce housing developers and providers, provide pathways to financial feasibility, and require additional resources to implement.

Exhibit 4: Four Options for Advancing Workforce Housing

	Description	Potential Impact	Resources Needed
Build a Legal Case to Support Workforce Housing	The Executive would seek additional legal counsel and conduct further research and analysis for a legal case to support workforce housing programs that serve low- and moderate-income households. The Executive would then take appropriate actions to advance the legal case for government support of workforce housing.	A test case and favorable ruling would mitigate legal risk for County workforce housing programs and establish a precedent for other public agencies. The inclusion of moderate-income households may reduce the funding gap and reduce the public subsidy needed to support workforce housing projects.	*Funding*: ~$250K - $1M for legal counsel, staffing, and consultant fees *Time*: ~12 months to bring a bond declaratory judgement case to superior court
New Revenue for Affordable Workforce and Low-Income Housing Capital Funding	The County would authorize specific revenues to pay debt service and use bond financing to provide gap funding for workforce housing projects. The Executive would prepare a solicitation with criteria specific to workforce housing needs, including a specific amount of ownership housing.	Under current conditions, for every $100M in capital funding, the County could support the construction, acquisition, or rehabilitation of approximately 900 permanently affordable homes for low- and moderate-income households.	*Funding*: Revenue to service bond debt for 30 years plus ongoing program admin funding at approximately 5% of the bond authority amount *Time*: Six to nine months to prepare a competitive solicitation for funding
Acquisition and Conversion Loan Pilot Program	The Executive would develop a scalable pilot program that provides bond financing to public agencies and nonprofit organizations for acquiring multifamily rental housing. Housing acquired under this program would be permanently affordable to low- and moderate-income households.	For every $100M in loans, the pilot program could support between five and seven projects and preserve approximately 800 units as permanently affordable to low- and moderate-income households.	*Funding*: Funds to support a reserve account plus ongoing program administration funding *at approximately* 5% of bond authority amount. *Time*: 12 months to prepare project solicitation

	Description	Potential Impact	Resources Needed
Credit Enhancement Program Update	The Executive would explore updates to the credit enhancement program to expand eligible users, adjust reserve account requirements and fee amounts, and align with housing funding priorities. The Executive would prepare an ordinance effectuating recommended changes for Council consideration.	Updates to the credit enhancement program could increase participation from historically and currently underrepresented housing developers in the construction, acquisition, or rehabilitation of workforce housing and reduce costs to borrowers.	*Funding*: $750K for legal counsel and staffing. *Time*: 12 months to design a program update and prepare a draft ordinance

Sample Five-Year Plan to Support $1 Billion in County Credit and Bonds

As a supplement to the next actions, the Executive prepared a sample phasing plan demonstrating how the proposed options could be combined and scaled over five years to utilize $1 billion in County credit and bonds to support a regional workforce housing initiative, as shown in Exhibit 5.

Exhibit 6 shows annual operating costs for the first five years as well as the total cost over the life of the bonds, assuming sustained debt service payments for 30 years. Total costs to support the sample plan for the life of the bonds would be approximately $1.2 billion. Collectively, these investments may generate between 6,400 and 8,400 affordable workforce and low-income housing units. Given the findings noted in the Program Models Analysis section, the reader should exercise caution in drawing conclusions from this sample plan. If applicable revenue is identified, additional analysis would be needed to determine the appropriate scale of each type of program and the expected unit creation within the updated economic conditions.

Exhibit 5: Sample 5-Year Phasing Plan

Credit and Bond Authority	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Housing Capital Funding – Rental	$75M	$75M	$75M	$75M	$75M	**$375M**
Housing Capital Funding – Homeownership	$25M	$25M	$25M	$25M	$25M	**$125M**
Acquisition & Conversion Pilot Loan Program	$60M	$60M	$60M	$60M	$60M	**$300M**
Credit Enhancement	$0	$50M	$50M	$50M	$50M	**$200M**
Total	**$160M**	**$210M**	**$210M**	**$210M**	**$210M**	**$1 Billion**
Estimated Housing Units Created or Preserved	**1,200 to 1,400**	**1,300 to 1,700**	**1,300 to 1,700**	**1,300 to 1,700**	**1,300 to 1,700**	**6,400 to 8,400**

Exhibit 6: Sample Operating Budget

Operating Budget	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total	30-Year Cost Total
Bond Debt Service	$11.7M	$23.2M	$34.9M	$46.5M	$58.1M	$174M	**$1.7B**
Reserve Fund	$4.5M	$8.25M	$8.25M	$8.25M	$8.25M	$37.5M	**$37.5M**
Program Fees	$0	($250K)	($1.25M)	($1.25M)	($1.25M)	($4M)	**($6M)**
Loan Repayments	($4.5M)	($8.7M)	($13.1M)	($17.4M)	($21.8M)	($65.4M)	**($654M)**
Staff, Admin, Legal Costs	$4.2M	$2.8M	$2.8M	$2.8M	$2.8M	$15M	**$70M**
Total Revenue Needed	**$16M**	**$25M**	**$32M**	**$39M**	**$46M**	**$158M**	**$1.2B**
FTE	**10**	**10**	**10**	**10**	**10**	**10**	**10**

See Section VI. "Next Actions" for additional information about options for advancing affordable workforce and low-income housing.

F. Conclusions

The Executive identified four key actions the County could take to address the regional need for workforce housing. These actions are intended to complement and not replace the County's existing commitments to prioritize households with incomes below 50 percent of AMI and those most affected by housing cost burden. Data clearly shows the County's shortage of housing options most severely impacts these households. However, the analysis contained in this Plan also demonstrates that workforce housing is often not viable without additional government intervention.

This Plan finds that County bond financing can provide relative benefit to workforce housing but is not sufficient on its own to meaningfully address the gap between development and operating costs and the income from rents or home sales affordable to workforce households. Therefore, the County will need to provide additional support for workforce housing projects to ensure these regional affordable housing needs are met. To utilize $1 billion in County bonds as envisioned in the Motion, new revenue authority in addition to bond authority is necessary.

See section VII. "Conclusions" for more details on the Plan conclusions.

II. Background

This section provides description and analysis on current King County programs and plans, current conditions, Plan methodology market conditions, area median income, housing cost burden, and a review of similar programs.

A. Overview of King County Departments

The following overview provides brief descriptions of the County agencies that participated in developing the Plan.

Department of Community and Human Services

The King County Department of Community and Human Services (DCHS) provides access to a range of services to help the County's most vulnerable residents and strengthen our communities.[66] The services and programs DCHS invests in consist of behavioral health treatment, affordable housing, child care resources, education and employment for youth and young adults, veterans services, senior supports, and inclusive resources for people with intellectual and developmental disabilities. These direct investments are part of King County's efforts to grow reliable and accessible services and strengthen our communities. Within DCHS, the Housing and Community Development Division (HCDD) works in partnership with organizations and communities to provide services and programs that support housing stability and affordable housing opportunities in King County.[67] The 2023 Housing Awards Annual Snapshot Memorandum summarizes the status of housing investments and provides detailed information about the Housing Finance, Housing and Supportive Services, Community Development, and Housing Repair Programs.[68]

Office of Performance, Strategy and Budget

The Office of Performance, Strategy and Budget (PSB) provides comprehensive planning, management, budgeting, and performance assessment for County government. PSB's work is guided by best practices in financial stewardship and performance management, which includes enhancing accountability and transparency, and integrating strategic planning, business planning, resource allocation, and continuous improvement into a systematic approach throughout the County.

B. Current Context: Affordable Housing Funding and Financing

Existing Funding Programs

This section provides a brief overview of existing programs and relevant Housing Finance Program and policy conditions that informed the development of the Plan.

See Appendix F. Housing Finance Program Funding Sources and Uses for additional information.

King County Housing Finance Program

The Housing Finance Program would be the administrator of new funding sources and programs, including any pilot programs, that may be acted upon from this Plan. Alongside other government and philanthropic organizations, King County funds housing countywide with a variety of funding sources each with their own federal, state, and/or county legal requirements. The Housing Finance Program currently, as of May 2025, provides deferred loans funded by federal grants or tax revenue, not revenue

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[66] King County. *Department of Community and Human Services.* [Link]

[67] King County. *Housing and Community Development Division.* [Link]

[68] King County. (2023, February 28). *Housing Awards Annual Memorandum.* [Link]

from rental projects. The deferred loans provided by borrowers cover administrative costs but are not relied upon to repay bonds. This enables the Housing Finance Program to fund projects that serve households with extremely low- and very low-incomes.[69]

Transit-Oriented Development and Health Through Housing

The County has a history of bonding against specific revenue sources to acquire or fund the development of affordable housing, emergency housing, and permanent supportive housing.

In 2016, the County enacted the Transit-Oriented Development Bond Allocation Plan, which directed the County to issue approximately $87 million in bonds against the hotel/motel tax authorized by chapter 67.28 RCW.[70] Since then the County issued additional bonds in 2019, 2023, 2024, and 2025.[71]

See Appendix F. Housing Finance Program Funding Sources and Uses for additional information.

Health Through Housing Initiative

The Health Through Housing initiative began in 2020 to accelerate the region's response to chronic homelessness by creating and funding operations for up to 1,600 units of emergency and permanent supportive housing for people experiencing or at risk of chronic homelessness.[72] The County bonded against the 0.1 percent sales tax imposed by Ordinance 19179 for $260 million in 2021, followed by $60 million in 2024.[73]

King County Interim Loan Program for Property Acquisition for Low-income Housing

The Interim Loan Program provides low-cost financing for the acquisition of property (land only and existing buildings) developed to provide permanent affordable housing with priority for projects that set aside at least 25 percent of the units for people experiencing homelessness. Units must be affordable to households with incomes at or below 50 percent AMI.[74] As of May 2025, the Interim Loan Program has an available balance of $6.9 million.[75]

King County Credit Enhancement Programs

The County is authorized to provide credit enhancement on select projects to reduce the financing costs for housing developers.[76] Each applying agency must meet the County's underwriting guidelines. King County Housing Authority retained access to this program until December 31, 2022.[77] This program was used primarily for acquisitions of existing buildings and met a need for housing preservation.

Washington State Housing Finance Commission

The Washington State Housing Finance Commission (WSHFC) works to provide equitable access to capital through strong partnerships and innovative financing to create and sustain affordable rental

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[69] See Appendix D. "Glossary" for definitions of extremely low, low-, very low-income, and other terms.
[70] King County. (2016). *Transit-Oriented Development Bond Allocation Plan*. [Link]
[71] King County. (2025). *Council Approves $10.2 Billion Budget for 2025 with Massive Investments in Public Safety, Health, Housing, and Transit.* [Link
[72] King County. (2025). *Health Through Housing Initiative.* [Link]
[73] Ordinance 19179. [Link]
[74] King County. (2025). *Housing Finance Program.* [Link]
[75] Per consultation with King County Housing Finance Program Manager, Tina Ilvonen. (2025, April).
[76] King County. (2025). *Housing Finance Program.* [Link]
[77] King County. *Credit Enhancement Program. KCC 24.25.050.* [Link]

housing, homeownership, and community spaces across Washington State.[78] WSHFC allocates the federal low-income housing tax credit for Washington State, a primary funding source for affordable housing units at or below 60 percent AMI. Additionally, WSHFC issues nonprofit, multifamily and single-family housing bonds and provides homebuyer assistance program to support housing. It also administers land acquisition, energy, and subordinate loan programs.

State and Local Funders of Affordable Housing

- Seattle Office of Housing: The Seattle Office of Housing manages investments in affordable housing and programs to fund the preservation and production of affordable homes in Seattle.[79]
- Washington State Department of Commerce: The Washington State Department of Commerce is responsible for investing in capital funding to build or preserve affordable housing units statewide.[80]
- A Regional Coalition for Housing (ARCH): ARCH works through a coalition of 13 cities and the County to produce affordable housing in East King County.[81]
- South King Housing and Homelessness Partners (SKHHP): SKHHP takes a coordinated approach to increasing housing stability and producing and preserving affordable housing in South King County through a coalition of 11 cities and the County.[82]

Private Grants, Loans, and Investments`

Philanthropic organizations finance affordable housing in King County. Each organization provides debt or grant financing guided by priorities such as type of housing, affordability, or priority locations. Some of the County's deeply affordable housing projects received substantial investments from organizations of this type. Generally, these programs provide lower interest rates, with some as low as one percent, that are significantly lower than rates that could be offered with a King County bond program dependent on operational revenue generating enough income to meet debt service requirements. This is a partial list of these organizations:

- The Amazon Housing Equity Fund provides below-market loans and grants to preserve and create affordable homes.[83]
- The Microsoft Affordable Housing Initiative makes investments in housing projects in the greater Puget Sound area and influences public policy to generate innovative solutions to the regional housing crisis.[84]
- The Evergreen Impact Housing Fund provides private capital investments for affordable housing.[85]

See section V. "Program Model Analysis" for more information on existing funding for affordable housing.

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[78] Washington State Housing Finance Commission. (2024). *Washington State Housing Finance Commission*. [Link]
[79] Seattle Office of Housing. *About the Seattle Office of Housing*. [Link]
[80] Washington State Department of Commerce. (2025, February 7). *Housing Trust Fund Program*. [Link]
[81] ARCH. *A Regional Coalition for Housing*. [Link]
[82] South King Housing and Homelessness Partners. (2025). *About SKHHP*. [Link]
[83] Amazon. (2025). *Housing Equity*. [Link]
[84] Microsoft. (2019). *Microsoft Affordable Housing Initiative Request for Proposals*. [Link]
[85] Evergreen Impact Housing Fund. *Unlocking the Door to Affordable Housing*. [Link]

Housing Financing Context

Different Types of Financing/Debt

The Plan refers to debt terminology throughout. The following section explains some of the financing terms used. *For a more comprehensive list of terminology, refer to Appendix D.*

- Hard debt refers to a loan that requires routine principal and interest payments.
- Soft debt refers to a loan with payment either contingent upon available cash flow or deferred or forgivable at the end of term. This is the typical structure of existing King County capital funding.
- Construction debt is an interim loan product for the construction period of a development. This loan is typically paid with separate permanent financing. For homeowners, this includes a mortgage provided to the homebuyer.
- Subordinate debt provides a capital funding source that is in secondary or further subordinated position on title to a primary lender. This debt carries inherently more risk.
- Loan to Value Ratio establishes a private lender's cap on the amount of financing they will lend to a project at a ratio of the loan to the appraised value of the property.

C. Alignment with King County Plans & Policies

The following section lists key plans that helped inform the Plan to ensure alignment with broad King County priorities.

King County Countywide Planning Policies

The Plan aligns with the 2021 King Countywide Planning Policies (CPPs) Housing Chapter by advancing housing strategies for a range of incomes and housing types near transit.[86]

King County Comprehensive Plan

The 2024 update to the King County Comprehensive Plan identifies key housing priorities for the next 10 years in the Housing and Human Services chapter.[87] These include priorities such as encouraging a mixture of housing types, locating housing near transit, investing in areas at risk of displacement, creating homeownership opportunities, providing permanent supportive housing, investing in housing for persons who have a disability, and supporting the development of three- and four-bedroom units for large households.[88]

King County Consortium Consolidated Plan

The King County Consortium Consolidated Plan is a five-year planning document that outlines the County's funding strategy for the use of federal funds received from the United States Department of Housing and Urban Development.[89] The primary goal most aligned with the Regional Workforce Housing Initiative is Goal One: Increase Affordable Housing: The Consortium will work to preserve and expand the supply of affordable housing by funding the development of new rental and homeowner housing units, preserving existing rental units, and providing housing repair for income eligible homeowners and renters. The Consortium will plan for and support fair housing strategies and initiatives designed to take

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[86] King County. (2021). *2021 King County Countywide Planning Policies*. Housing Chapter: H-15, H-16, and H-17. [Link]

[87] King County. (2024). *2024 King County Comprehensive Plan*, Housing and Human Services Chapter: H-109, H-113, H-118, H-119, H-123, H-125, H-132, H-137, H-157, and H-175. [Link]

[88] See Appendix D. "Glossary" for definition of displacement and other terms.

[89] King County. (2024). *King County Consortium 2025-2029 Consolidated Plan*. [Link]

meaningful actions that further fair housing choice, increase access to housing and housing programs, and reduce discrimination towards protected classes.

King County Consortium Analysis of Impediments to Fair Housing Choice

This Plan addresses barriers to fair housing and outlines ten goals to affirmatively further fair housing.[90] These fair housing goals and the duty to affirmatively further fair housing will apply to the Plan as well.

King County Strategic Climate Action Plan

This Plan provides a roadmap for integrating climate action into all areas of County services, including housing.[91] Protecting housing security and prioritizing anti-displacement aligns with the Plan.

State Law and King County Code

King County Code Title 24, Housing and Community Development

KCC 24.04.010 sets forth the policy goal to "authorize[] King County consortia partnerships and activities that further the development of viable urban communities, including the provision of decent affordable housing, a suitable living environment and expanding economic opportunities, principally for persons at very low-, low-, and moderate-income levels."[92] Title 24 recognizes that addressing the needs of these income groups requires regional, subregional, and local approaches.

Washington State RCW 36.32.415

RCW 36.32.415 authorizes King County to "assist in the development or preservation of publicly or privately owned housing for persons of low income by providing loans or grants of general county funds to the owners or developers of the housing."[93]

D. Plan Methodology

Workgroup

The Plan Workgroup (Workgroup) consisted of staff members from County departments and teams including DCHS, PSB, and the Prosecuting Attorney's Office. The Workgroup was advised by nonprofit Grow America, which is dedicated to community and economic development, and Pacifica Law Group.[94, 95]

Data and Information

The data and information are informed by census information, market analysis, and actual project information gathered from developers.

Definition of Workforce Housing

Motion 16690 defines workforce housing as "housing that is affordable to households with one or more workers that is located near jobs and services necessary for residents to meet their day-to-day needs, such as grocery stores and public transportation."[96] For purposes of the financial modeling called for by the Motion, the Workgroup needed to calculate the income that could be expected from affordable

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[90] King County. *King County Analysis of Impediments to Fair Housing Choice.* [Link]
[91] King County. *2020 Strategic Climate Action Plan.* [Link]
[92] King County. (Ord. 15571 § 2, 2006.). *Title 24 Housing and Community Development.* [Link]
[93] RCW 36.32.415. [Link]
[94] Grow America. (2025). [Link]
[95] Pacifica Law Group. (2025). [Link]
[96] Motion 16690. [Link]

rents or home sales prices, which varies based on a household's income. Therefore, the Plan defines workforce housing as housing that is affordable to households with incomes between 50 and 120 percent of the Area Median Income (AMI), also known as low- and moderate-income households. However, working households in King County may earn less than 50 percent of AMI or more than 120 percent of AMI.

King County needs 308,677 net new housing units by 2044.[97] Exhibit 7 includes the descriptions of income levels used throughout the Plan as well as the County's housing needs at different income levels in alignment with the Growth Management Act and the Countywide Planning Policies.[98, 99, 100, 101]

Exhibit 7: Household Income Level Definitions and Housing Need

		Definition	Total Housing Units Needed by 2044[102]	Percent of Total Housing Need by 2044[103]
	Extremely Low-Income	Households with incomes at 30 percent of AMI and below	124,473	40%
	Very Low-Income	Households with incomes between 30 and 50 percent	48,213	16%
Workforce Housing	**Low-Income**	Households with incomes between 50 and 80 percent of AMI	22,376	7%
Workforce Housing	**Moderate-Income**	Households with incomes between 80 and 120 percent of AMI	31,853	10%

See Appendix J. for list of example AMI classifications by job type.

Engagement

The Workgroup conducted significant engagement to gather input from community experts for the Plan. This included:

- Seven large topical meetings by sectors such as the Housing Development Consortium members, private market developers, nonprofits, community-based organizations, homeownership developers, and city planners;
- Fifteen informational interviews with interested parties such as housing authorities, management companies, asset managers at nonprofit housing agencies, labor organizations, labor unions, fair housing agencies, and impact equity investors, and
- A subsequent meeting with all previously engaged contacts to report back on the Plan.

Financial, Risk, and Legal Analysis

The Workgroup consulted with the PSB, the King County Prosecuting Attorney's Office, Grow America, and Pacifica Law Group to provide advice on findings and recommendations.

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[97] King County 2021. *2021 King County Countywide Planning Policies. Housing Chapter.* [Link]
[98] RCW 36.70A.030. [Link]
[99] See Appendix E. "Area Median Income and Restricted Rental Rates."
[100] See Appendix D. "Glossary" for definition of Area Median Income and other terms.
[101] King County 2021. *2021 King County Countywide Planning Policies. Housing Chapter*. [Link]
[102] King County 2021. *2021 King County Countywide Planning Policies. Housing Chapter*. [Link]
[103] Derived from King County 2021. *2021 King County Countywide Planning Policies. Housing Chapter*. [Link]

E. Housing Market Conditions

The County is in the midst of a sustained housing crisis that limits the ability of low-income households to find housing they can afford. As established in the adopted CPPs, the County needs 308,677 net new housing units between 2019 and 2044.[104] The majority (56 percent) of these units need to be affordable to households making below 50 percent AMI.[105] Because there are not, as of the adoption of the CPPs, enough homes affordable to households at this income level, households in this income range are far more likely to spend a large share of their income on housing costs compared to higher income households.[106]

Since 2010, housing production has not kept pace with job growth in King County. King County's jobs to housing ratio increased from 1.29 in 2010 to 1.48 in 2020, contributing to the housing shortage.[107]

Housing Need

Housing costs are considered affordable when they do not exceed 30 percent of a household's income. Households paying more than 30 percent of income towards housing are considered cost-burdened, and those with housing costs that exceed 50 percent of their income are considered severely cost-burdened.[108] Because cost burden is defined as 30 percent of household income regardless of the income level, this also leaves far less for extremely low-income households to meet their other needs. While higher income households may choose to spend more than 30 percent of their income for housing to meet preferences for size and location, and still have a sufficient budget for basic expenses, lower income households may be unable to meet their basic needs of food, transportation, medical and child care, and other essentials. These difficult choices often persist even when housing is only 30 percent of their income. Low-income households that are severely cost-burdened struggle regularly to make housing payments and are at an extremely high risk of homelessness if a household crisis arises.[109]

Renters With Incomes Below 80 percent AMI Are More Likely to be Cost-burdened

In King County, 315,800 (33 percent) households are cost-burdened.[110] Renter households are more likely to be cost-burdened than homeowner households. As shown in Exhibit 8, nearly 192,300 (46 percent) renter households are cost-burdened.[111] Of these households, half are severely cost-burdened. As household income decreases, households are far more likely to be cost-burdened. Nearly nine in ten renter households making 50 percent or less of AMI are cost-burdened.

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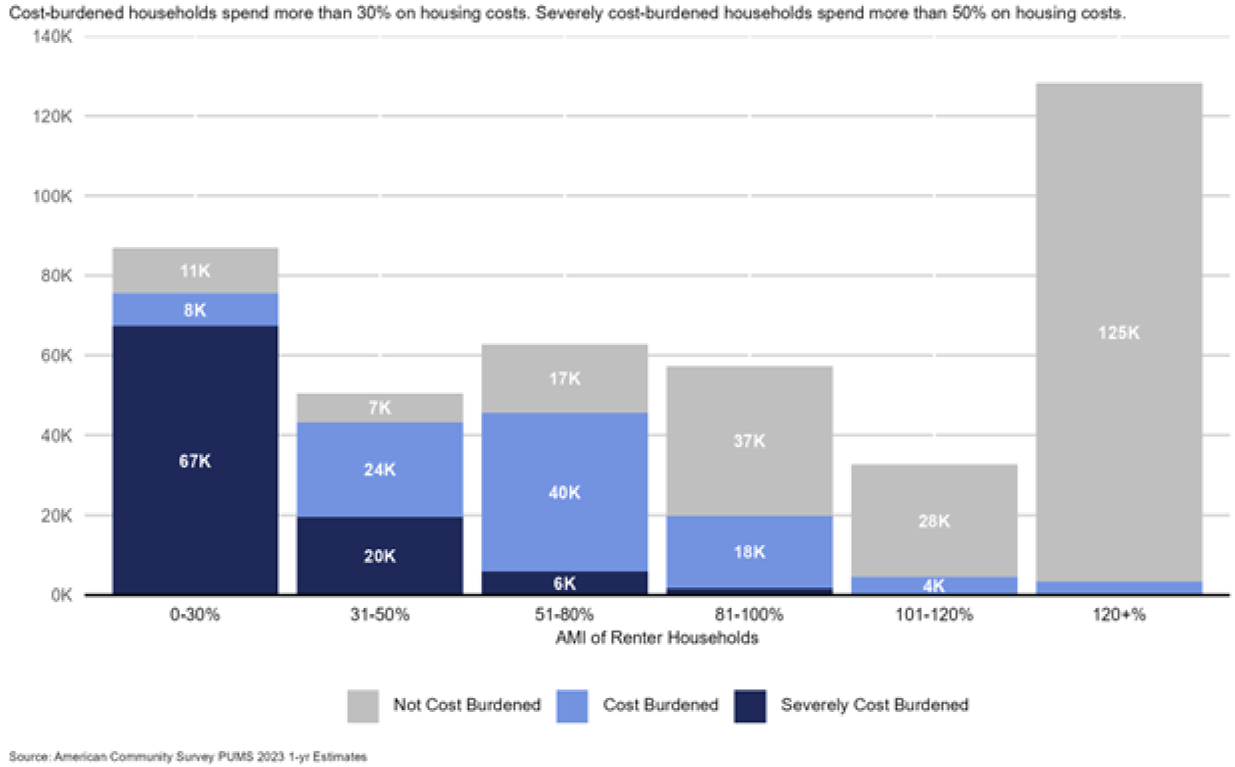
[104] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]
[105] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]
[106] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]
[107] U.S. Census Bureau. (2010-2020). American Community Survey ACS 1-Year Estimates.
[108] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]
[109] Housing Cost Burden. Housing Policy Debate.
[110] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[111] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.

Exhibit 8: Number of King County Renter Households by AMI and Cost Burden, 2023



Severe cost burden is even further concentrated among the lowest-income households. Of the 94,800 renter households spending more than half of their income on housing costs, seven in 10 make below 30 percent AMI, or $28,000 for a single-person household and $36,990 for a family of three.[112, 113] One-person households and larger families are more likely to be cost-burdened.

One-person households make up the majority of the renter population (47 percent) and experience the highest rates of cost burden. Of the nearly 196,000 one-person renter households, 55 percent are cost-burdened, with 29 percent severely cost-burdened. This is partly due to their relatively low incomes, as about 42 percent of one-person households earn below 50 percent of AMI ($47,950).[114]

Larger households also face significant cost burden. While making up a smaller portion of the renter population (12 percent), 43 percent of households with four or more people are cost-burdened.[115] In contrast, two-person renter households are relatively less likely to be cost-burdened; 33 percent of these households spend over one-third of their income on housing costs.[116]

While homeowners are less likely to be cost burdened than renters, low-income homeowners still face high rates of cost burden (62 percent).[117] There are large racial disparities in homeownership rates. Only

[112] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[113] HUD. (2024). *FY 2024 Income Limits Documentation System*. [Link]
[114] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[115] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[116] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[117] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.

28 percent of Black households and 39 percent of Hispanic or Latino/a/x households in King County own homes, compared to 61 percent of White households. [118]

Area Median Income

AMI is defined by underlying the projection of housing need by affordability level. AMI is based on the median household income of a specific area. In other words, an equal number of families in the specified geographic area make above and below the median family income. AMI is calculated annually by the Department of Housing and Urban Development (HUD).[119] HUD further adjusts AMI by multiple factors, such as household size, to set income and rent limits used by federal, state, and local housing programs. AMI is also used to group households into specific categories, expressed as percentages of 100 percent AMI.

The King County median family income, which includes both renters and homeowners, has substantially increased since 2017. This increase is primarily due to a growing number of high-income households making over $200,000. In 2023, the median household income in the County was $120,824, a 38 percent increase compared to 2017. By contrast, the median renter household income was lower in 2023 at only $82,818.[120] If these trends continue, renter households King County may be further concentrated at the lower end of the AMI spectrum as their wages are not as high as median household income would suggest. *See Appendix E. for a list of King County AMI and restricted rental rates in King County.*

Countywide Housing Need by AMI Level

The methodology utilized to determine the County's housing need by income level utilized cost burden as a primary factor in calculating unmet need. King County's Affordable Housing Committee has found that cost burden is unevenly distributed among King County residents when cross-referenced with income, race and ethnicity, housing tenure (whether they own or rent), and age. Black households are the most likely to be cost-burdened in King County, having rates of severe cost burden over two times higher than White households.[121]

In response to recent amendments to the Washington State Growth Management Act (2021 House Bill 1220) and the 2021 CPPs, jurisdictions are now required to "plan for and accommodate affordable housing" during the comprehensive planning process.[122, 123] The Department of Commerce established a countywide housing need methodology based on anticipated population growth, rates of renter cost burden, and homeless housing needs to facilitate the successful planning of future housing needs.[124] Based on this methodology and projected countywide housing growth, King County needs 308,677 net new housing units by 2044. Need totals listed here only include permanent housing. In addition to this, there are 58,983 net new units of emergency housing needed.[125, 126] Nearly 125,000 (40 percent) of

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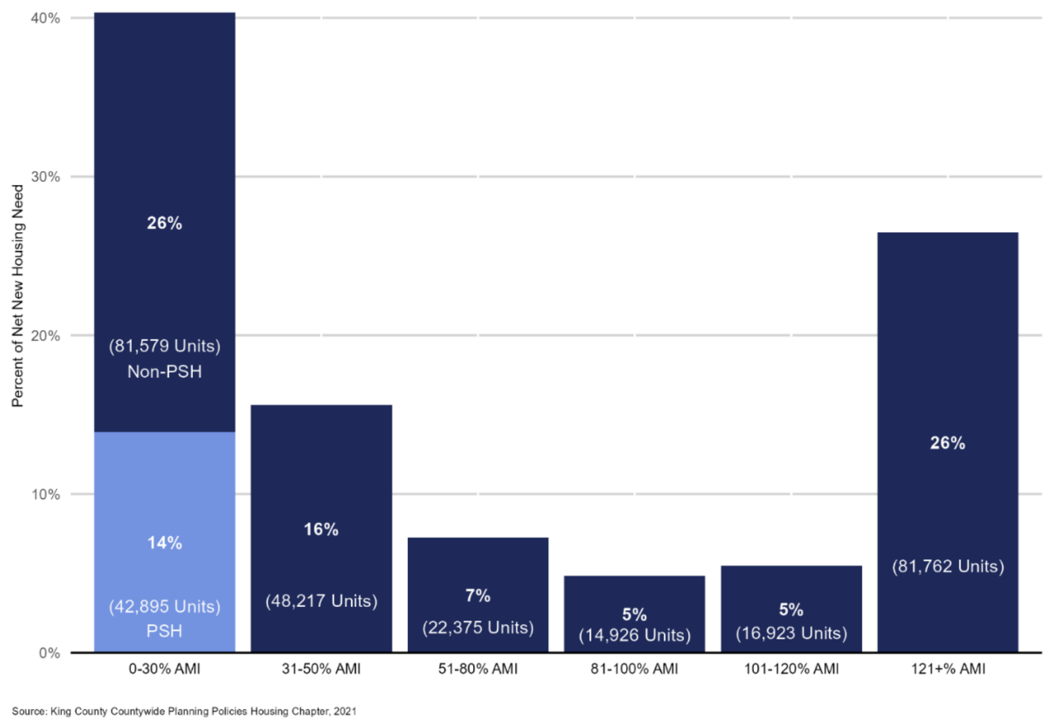
[118] US Census Bureau. (2023). American Community Survey 1-Year Estimates.
[119] Office of Policy Development and Research. (2025). *Income Limits.* [Link]
[120] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[121] Communities Count. *Median Households Income*. [Link]
[122] Emergency Shelters and Housing – Local Planning and Development. Engrossed Second Substitute House Bill 1220. (2021). [Link]
[123] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]
[124] For more information on the Washington State Department of Commerce methodology see, "Establishing Housing Targets for your Community." [Link]
[125] King County. (2021). *2021 King County Countywide Planning Policies*. *Housing Table H-Needs.* [Link]
[126] Washington State Department of Commerce. *Establishing Housing Targets For Your Community*. [Link]

these units need to be affordable to households making between 0-30 percent AMI, and over 172,000 (56 percent) need to be affordable to households making between 0-50 percent AMI (see Exhibit 9).[127] Over 60 percent of these units need to be affordable to households making below 80 percent AMI, and almost 30 percent need to be affordable to households making above 120 percent AMI.[128]

Exhibit 9: King County Countywide Net New Housing by Area Median Income, 2019-2044



The Department of Commerce's housing need methodology included two primary components. First, the calculation of the number of net new housing units needed countywide (e.g., 308,677 for King County) and second, the distribution of projected housing need by income level.[129]

The Department of Commerce's methodology broadly used three steps to calculate the number of net new housing units, as shown in Exhibit 10. First, it used the County's projections of population growth to calculate the total number of new units needed. Second, it increased the number of units needed upwards to account for an assumed vacancy rate of six percent. Finally, it reduced the total number of units needed by the estimated number of housing units in 2020, or the baseline year (see Component I).[130]

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[127] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]

[128] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]

[129] Washington State Department of Commerce. (2023, July). *Establishing Housing Targets for your Community*. [Link].

[130] Exhibit 9 & 10 are adapted from Washington State Department of Commerce Methodology. (2023). *Establishing Housing Targets for your Community*. [Link]

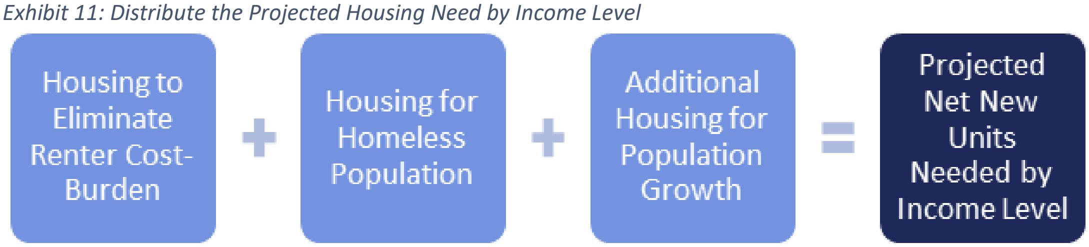
Exhibit 10: Calculate the Number of Net New Housing Units Needed Countywide

To distribute the housing need by income level, the Department of Commerce's methodology addressed baseline unmet housing need as well as housing need to accommodate population growth.[131]

Unmet housing need was determined based on two factors: renter cost burden and homelessness. Cost burden is a measure of how much income households spend towards housing costs (i.e., rent and utilities).[132] High rates of cost burden indicate there is a shortage of housing that is affordable at a given income level. Therefore, the methodology calculated the number of new housing units required to provide each cost-burdened renter household with an affordable unit.[133] For homelessness, the Department of Commerce's methodology assumed that one additional housing unit was needed for each homeless household, with 90 percent of these units designated as affordable for households earning 0-30 percent AMI.[134]

To accommodate population growth, the methodology assumed that the income distribution of future households would mirror that of the household income distribution in 2020.[135] Housing units were distributed to reflect these estimated household incomes (see Exhibit 11).

Exhibit 11: Distribute the Projected Housing Need by Income Level



A core assumption in this methodology is that the housing needs of lower-income households are addressed.[136] Fulfilling the housing need for lower-income households is necessary for substantially reducing renter cost burden and making units which are affordable to higher-income households

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[131] Washington State Department of Commerce. (2023, July). *Establishing Housing Targets for your Community*. [Link]

[132] See Appendix D. "Glossary" for definition of cost burden and other terms.

[133] Washington State Department of Commerce. (2023, July). *Establishing Housing Targets for your Community*. [Link]

[134] Washington State Department of Commerce. (2023, July). *Establishing Housing Targets for your Community*. [Link]

[135] [135] Washington State Department of Commerce. (2023, July). *Establishing Housing Targets for your Community*. [Link]

[136] Washington State Department of Commerce. (2023). *Establishing Housing Targets for your Community.* [Link]

available. As of May 2025, lower-income households occupy many of these units due to a severe shortage of affordable units.[137] When a household making 0-30 percent AMI is not able to find a unit affordable at that income level, they occupy a more expensive unit (e.g., a unit affordable at 50-80 percent AMI), often paying more than 50 percent of their income on this more expensive housing.[138] For households making 50-80 percent AMI, this results in fewer units available at that affordability level.

Housing Supply and Demand

Mismatch Between Housing Supply and Demand

For much of the past 25 years, the King County region has not produced enough housing to keep pace with population and job growth.[139, 140] From 2013 to 2023, King County's population grew an average of 1.2 percent per year.[141] In this same time period, for every 1.95 jobs created in King County only one new housing unit was added.[142] As demand for housing outpaces production, it drives up housing prices. Underproduction, particularly of units affordable to households making below 50 percent AMI, has contributed to high rates of cost burden. The private market produces very little housing affordable to these households, and thus government subsidy is needed to produce much of the housing affordable at this income level.

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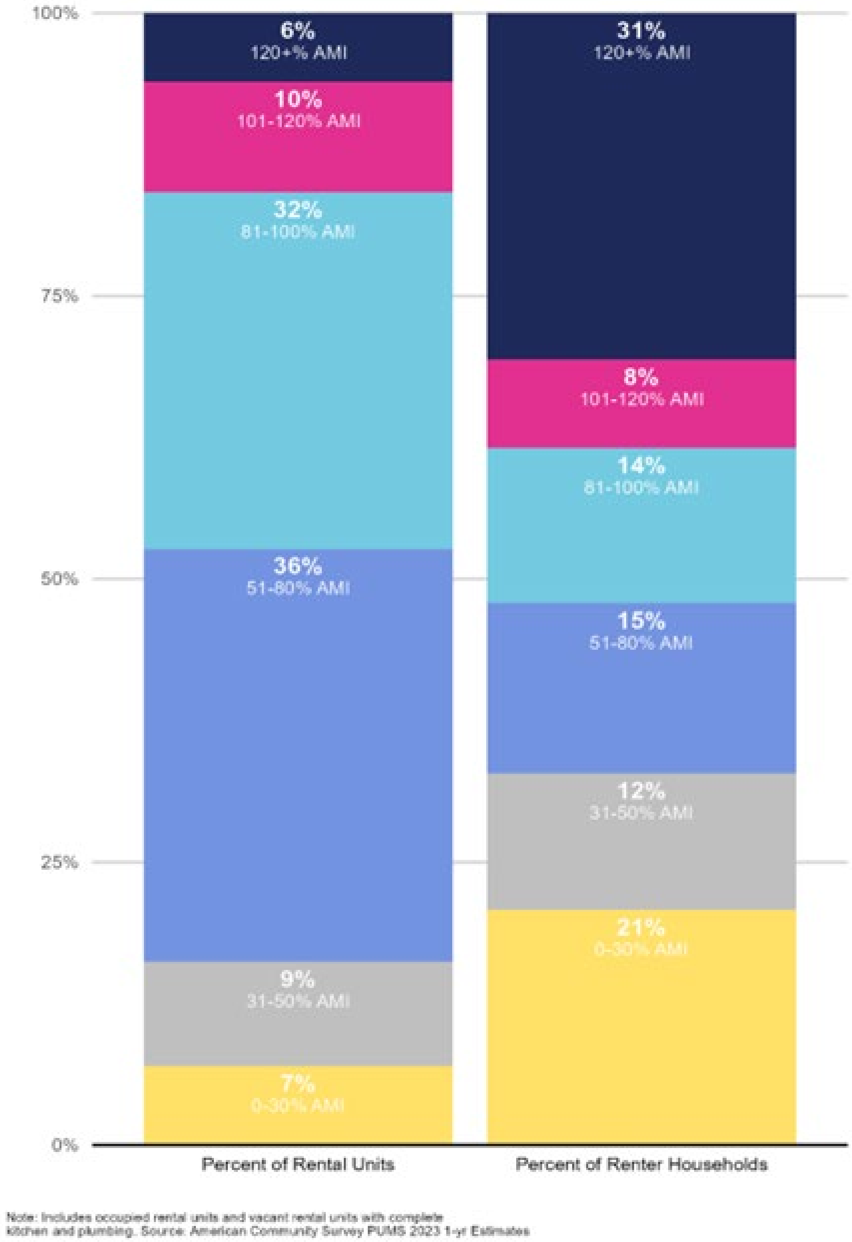
[137] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[138] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[139] Up for Growth. (2024). *Housing Underproduction in the U.S.* [Link]
[140] Up for Growth. (2020). *Housing Underproduction in Washington State.* [Link]
[141] U.S. Census Bureau. (2013-2023). American Community Survey ACS 1-Year Estimates.
[142] U.S. Census Bureau. (2013-2023). American Community Survey ACS 1-Year Estimates.

Exhibit 12: Percent of Rental Units and Renter households by AMI, 2023



Underproduction has also resulted in a mismatch between renter household incomes and the affordability level of rental units. However, this impact is falling primarily on lower income households. In 2023, 15 of every 100 renter households in the County made between 51-80 percent AMI while 36 of every 100 rental units fell within this AMI bracket. Since 2017, the number of units affordable to the 50-80 percent AMI bracket has increased by one-third, with notable growth in the number of units affordable at the 61-70 percent AMI level. Nearly 18,000 more units are affordable at this AMI level compared to 2017.[143] On the other hand, 33 of every 100 renter households in the County made below

[143] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.

50 percent AMI, but only 16 of every 100 rental units were affordable to these households (see Exhibit 12).[144]

Despite 36 percent of the rental market being affordable to households making 51-80 percent AMI, these households still face limited affordable housing options as evidenced by rates of cost burden.[145] This is partially due to affordable units not being available to these households. In the private market households can, and often do, occupy units that cost significantly greater or less than 30 percent of their income. When higher-income households occupy units affordable to households at lower AMI bands, also known as down-renting, they crowd out lower-income households from these units. A shortage of deeply affordable housing results in lower-income households needing to occupy units at higher AMI bands, or up-rent, in order to remain housed (see Exhibit 13).

Exhibit 13: Examples of Up-renting & Down-renting

Example A: Up-renting	Example B: Down-renting
Household size: 1 adult **Income:** Minimum wage or $3,250 a month (40% AMI)[146] **Housing:** Market-rate studio **Housing Costs:** $1,646 (51-80% AMI) **Result for household:** Severely cost-burdened **Result on housing supply:** Household is "up-renting." **Reduces availability of units affordable at 51-80% AMI.**	**Household size:** 2 adults **Income:** Both work full time making a total of $11,400 a month (125% AMI) **Housing:** Market-rate two-bedroom **Housing Costs:** $2,232 (50-80% AMI) **Result for household:** Not cost-burdened **Result on housing supply:** Household is "down-renting." **Reduces availability of units affordable at 51-80% AMI.**

Market-rate Production and Income-restricted Rents

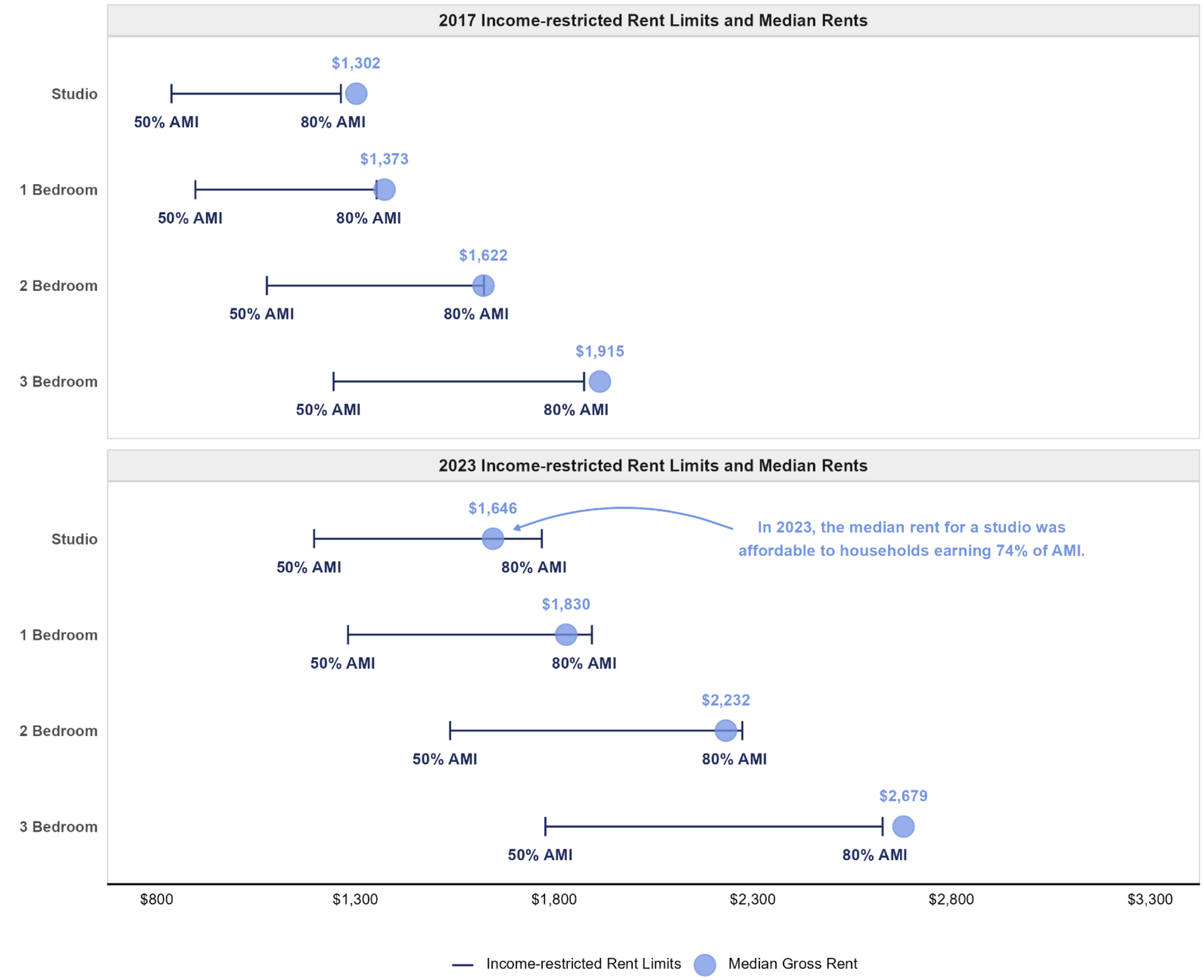
Some of the housing need for households making 51-80 percent AMI is met by the private market due to two reasons: increases in production of studios and one-bedroom units in recent years and a rapid rise in AMI. The Puget Sound region saw a record level of new units open in 2024, with particularly high production of studios and one-bedroom units.[147] This led to relatively minimal rent growth for studio and one-bedroom units in the last three years.[148] At the same time, due to rising incomes, AMI has increased sharply. Because income-restricted unit eligibility and maximum allowable rents are linked to AMI, the average 51-80 percent AMI income-restricted unit in 2023 cost 33 percent more than in 2017.[149]

This has resulted in some income-restricted units renting at or above the County median rent. For example, in 2017, an 80 percent AMI studio was renting for $42 *below* the County median rent ($1,260 vs. $1,302). In 2023, an 80 percent AMI studio was renting for $120 *above* median rent ($1,766 vs.

[144] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[145] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[146] Assumes a 40-hour work week at the minimum wage for Unincorporated King County.
[147] CoStar Market Analysis. Includes King, Pierce, and Snohomish counties.
[148] From Q1 of 2022 to Q4 of 2022, multifamily studio and one-bedroom rents increased on average 3.5% and 3.0% respectively, well below prior year averages, CoStar Market Analysis.
[149] Calculated using data on actual rents, not maximum allowable rents. Data from King County and City of Seattle Office of Housing income-restricted housing portfolios, as tracked in the Washington State Housing Finance Commission's Web Based Annual Reporting System.

$1,646) (see Exhibit 14).[150, 151] As shown in Exhibit 14, while median rents have increased, a rise in median income has resulted in more than half of studios, one-, and two-bedrooms renting below 80 percent of AMI.

Exhibit 14: Income-restricted Rent Limits at 50% and 80% AMI & Median Gross Rent in King County, 2017 &2023



Source: American Community Survey PUMS 1-yr Estimates, Department of Housing & Urban Development Income Limits, 2017 & 2023

Unlike studio and one-bedroom apartments, the median rent for three-bedroom apartments is still above 80 percent AMI. In 2017, the median rent for a three-bedroom apartment was affordable to households making 81 percent AMI. By 2023, this had only shifted slightly; the median gross rent for a three-bedroom apartment was affordable to households making 82 percent AMI.[152, 153]

Housing Need and Market Impacts on Workforce Housing

The rise in AMI and recent increased production of small units pose a risk to the financial sustainability of developing income-restricted workforce housing. Vacancy rates in the Puget Sound region for smaller

[150] U.S. Census Bureau. (2024). American Community Survey 1-Year PUMS Estimates (2023).
[151] King County. *2024 Income and Rent Limits - Multifamily Rental and Homeownership Housing*. [Link]
[152] U.S. Census Bureau. (2024). American Community Survey 1-Year PUMS Estimates (2023).
[153] King County. *2024 Income and Rent Limits - Multifamily Rental and Homeownership Housing*. [Link]

unit sizes have risen in recent years. As of Q1 2025, studios have a nine percent vacancy rate, and one-bedrooms have a 7.7 percent vacancy rate.[154] These rates are elevated from historical averages, and indicate that there are a significant amount of units of these sizes available on the private market as of May 2025.[155] This presents risks for being able to operate income-restricted studio and one-bedroom units affordable at 80 percent AMI and higher. These units must compete for tenants with market-rate units. Because of that, they will likely have above average vacancy rates and longer lease-up times, which also results in lower rent collections. Market-rate units may be preferable to many tenants compared to these income-restricted units depending on size, location, and amenities. Rent limits based on AMI range can be found in Exhibit 15.

Exhibit 15: Countywide Housing Need Projections by AMI, 2024 Rent Limits, and Housing Wage

Affordability Level	Net New Units Needed	Percent of Total Need	Affordable Studio Rent	Affordable 1-Bed Rent	Affordable 2-Bed Rent
0-30% AMI	124,474	40%	$791	$848	$1,017
31-50% AMI	48,217	16%	$1,317	$1,411	$1,695
51-80% AMI	22,375	7%	$1,942	$2,081	$2,497
81-100% AMI	14,926	5%	$2,637	$2,826	$3,391
101-120% AMI	16,923	5%	$3,165	$3,391	$4,069
121+% AMI	81,762	26%	$3,187+	$3,415+	$4,102+
Total	**308,677**				

F. Review of Similar Programs: Rental

This section analyzes five bond-financed rental housing programs and one master leasing program in six jurisdictions. Most jurisdictions experienced rapid growth and a housing shortage. Like King County, many other jurisdictions are struggling with the need for more housing units as well as a wider affordability range to meet local needs. The federal LIHTC program remains a dominant funding source for housing, but local needs are growing beyond the program's capacity.[156] As a result, many are establishing local funding through voter-approved levies or bond measures. Others are trying to lower the costs of development through provision of lower cost public financing, in addition to using housing subsidies similar to previous project-based rental vouchers to support private financing options, while providing affordable housing units, as shown in this section. These programs require a dedicated funding source utilizing tax revenue to back the bond issuance as security for repayment of the bond debt obligations. Projects also still require a combination of debt, equity, and subsidy (which varies by level of affordability) in their capital stack in order to become financially feasible and begin construction. King County's lack of flexible taxing authority presents challenges to being able to take a similar risk exposed program to those detailed below. The cap on property taxes results in a lack of sufficient authority over the General Fund to adjust revenues if a project needs to be bailed out and doesn't have sufficient revenue to pay for the debt service.[157]

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[154] CoStar, Q1 2025.
[155] CoStar, 2016-2025.
[156] Y. Freemark, C. Payton Scally. (2023, July 11). Urban Institute. *LIHTC Provides Much-Needed Affordable Housing, But Not Enough to Address Today's Market Demands.* [Link]
[157] See Subsection II.G. "Review of Similar Programs: Homeownership" for an analysis on homeownership programs.

Montgomery County Housing Production Fund, Montgomery County, Maryland

Background and Purpose

Montgomery County, Maryland's housing commission, known as the Housing Opportunities Commission, created a $50 million revolving loan fund in March of 2021.[158] Since then, an additional $50 million was raised, amounting to a fund of $100 million.[159, 160] The intent of this program was to build efficient, scalable, and replicable social housing projects to address Montgomery County population's unmet housing needs. This would be accomplished by providing loans for workforce and social housing, which could be used as construction financing for affordable projects capable of covering debt service through rent recovery upon stabilization.

Montgomery County, with a population of approximately one million residents, experiences a nominal population growth rate of approximately 0.78 percent annually.[161] Homeowners represent 66 percent of the population and renters represent 34 percent.[162]

In denser Maryland districts, such as Rockville and North Bethesda, housing tenure is approximately even between homeowners and renters.[163] The county has a median household income of $125,371, similar to King County's median household income of $120,824.[164, 165] The percentage of Montgomery County district households experiencing housing cost burden is approximately 53 percent.[166] Through their work, the Housing Opportunities Commission addresses the rising costs of living for residents, as well as their residents' ability to access local transportation.

Program Structure

This program's plan started with Montgomery County Council approving a $100 million bond issuance.[167] These bonds have a 20-year term, and the Council has appropriated $7 million within the Housing Initiative fund to pay the annual debt service on up to $100 million of Housing Production Fund bonds.[168] The Housing Opportunity Commission, a public housing authority, issues bonds backed by Montgomery County's commitment to appropriate funds for debt service, and uses the bond proceeds to fund the Housing Production Fund. The Housing Production Fund issues five-year loans at five percent interest, which replaces private equity in the construction loan, bringing down the overall cost of construction. The Housing Opportunity Commission builds mixed-income housing with private partners. Each $100 million funding cycle is estimated to produce 1,500 units. Of these units, 70 percent are

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158 Montgomery County Demographics Presentation. (2023, January 23). *Montgomery County Government*. [Link]
159 Montgomery County Demographics Presentation. (2023, January 23). *Montgomery County Government*. [Link]
160 Montgomery County Demographics Presentation. (2023, January 23). *Montgomery County Government*. [Link]
161 U.S. Census Bureau. (2023). Selected Housing Characteristics. *American Community Survey, ACS 1-Year Estimates Data Profiles, Table DP04*. [Link]
162 U.S. Census Bureau. (2023). Selected Housing Characteristics. *American Community Survey, ACS 1-Year Estimates Data Profiles, Table DP04*. [Link]
163 U.S. Census Bureau. (2023). Selected Housing Characteristics. *American Community Survey, ACS 1-Year Estimates Data Profiles, Table DP04*. [Link]
164 U.S. Census Bureau. (2023). Selected Housing Characteristics. *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S2503.* [Link]
165 U.S. Census Bureau. (2023). Income in the Past 12 Months. *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S1901.* [Link]
166 U.S. Census Bureau. (2023). Selected Housing Characteristics. *American Community Survey, ACS 1-Year Estimates Data Profiles, Table DP04*. [Link]
167 Housing Opportunities Commission (HOC). (2023, February 01). *Housing Production Fund Update.* [Link]
168 Housing Opportunities Commission (HOC). (2023, February 01). *Housing Production Fund Update*. [Link]

market rate, 20 percent are at or below 50 percent AMI, and 10 percent of units are between 50 percent and 65 percent of AMI.[169] The Housing Production Fund loans are repaid at project stabilization through permanent financing supported by project rents.[170] The interest on these loans is returned to the County to help cover their debt service on the $100 million bond issuance. In 2023, the interest returned on project loans was approximately $2.8 million, which helped offset the year's total debt service of about $3.07 million. The result was a net cost to the county's Housing Initiative Fund of about $200,000.[171]

By building larger, more complex developments, Montgomery County can create more affordable housing per development through economies of scale, unlike tax credit projects, which are limited in size. Projects of note from the first issuance of the Housing Opportunities Commission's bonds are the Transit-Oriented Development projects entitled Laureate at Shady Grove (268 units completed in 2023) and Hillandale Gateway (463 units completed in 2025), which include 220 units affordable at 0-70 percent AMI.[172, 173] Laureate Phase 2 (415 units, opening 2027), which includes 83 units at 50 percent AMI, and Wheaton Gateway (435 units, opening 2028), which includes 87 units at 50 percent AMI. Laureate Phase 2 and Wheaton will each have 10 percent of units participating in Montgomery County's moderately priced dwelling unit program, which provides purchase opportunities for households with incomes up to 70 percent AMI.[174]

Risk

Rising interest rates pose a risk to this program. When the Housing Production Fund was established, Montgomery County was able to access very low interest rates, keeping its own debt relatively low. However, loans from the Housing Production Fund provided to projects are repaid with mezzanine debt, which refers to financing that is subordinated to long-term senior debt. The mezzanine debt is sourced from foundations and impact investors but typically charges a higher interest rate. With interest rates rising in general, those mezzanine rates are also rising. This could lower the amount of potential financing provided or could delay funding. These impacts could limit the Housing Production Fund from getting a full repayment on their loan at stabilization which could delay their repayment back to Montgomery County or its ability to fully revolve for later projects.

Conclusion

As of the drafting of this Plan, the program costs Montgomery County about $2.7 million annually in project administration costs. This program is too new to assess long-term financial viability, especially given higher interest rates as of May 2025. Fewer than 30 percent of the funded units are affordable to households with incomes at or below 60 percent AMI. This program is focused on mixed-income projects with most units at 80 percent AMI or higher. The Housing Opportunity Commission has the capacity to deploy housing vouchers to support lower income units.

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[169] Housing Opportunities Commission (HOC). (2023, February 01). *Housing Production Fund Update.* [Link]
[170] Housing Opportunities Commission Housing Production Fund. (2020, June 19). *Memorandum.* [Link]
[171] Montgomery County Maryland. (2023). *Annual Comprehensive Financial Report.* [Link]
[172] Housing Opportunities Commission (HOC). *New Construction – The Lumina and Radia at Hillandale Gateway.* [Link]
[173] Housing Opportunities Commission (HOC). *New Construction – The Laureate.* [Link]
[174] Department of Housing and Community Affairs. *MPDU Program.* [Link]

New York City Social Bond Program, New York City, New York

Background and Purpose

New York City has a track record of issuing general obligation social bonds to support infrastructure projects. In October 2024, New York City announced a third issuance of these bonds totaling $820 million, which will go to support the construction and development of an estimated 4,300 affordable housing units. This is the third issuance of New York City's social bond program, totaling close to $2 billion in total proceeds.[175]

New York City has a population of approximately 8.5 million residents and experiences a moderate annual growth rate of about 0.4 percent.[176] Housing in the City is split between 31 percent owners and 69 percent renters, with certain areas like Manhattan and parts of Brooklyn seeing a significantly higher percentage of renters. The City's median household income is $76,577, which is significantly lower than King County's median household income at $120,824.[177, 178] About 43 percent of households experience housing cost burden in New York City.[179]

Program Structure

In 2024, the program plan was to issue approximately $820 million of taxable, fixed rate "General Obligation Social Bonds."[180] The program generates funds by selling bonds to investors. These bonds are backed by the full faith and credit of New York City and guaranteed by its taxing power. The City then uses those funds to build and maintain its infrastructure. Proceeds from selling the social bonds support the construction and development of affordable housing units in New York City and continues to build on the City's goal to build more homes throughout its five boroughs.[181] A $26 billion budget allocation in the current 10-year plan backs the bonds.

As of May 2025, this program's funds have helped the New York City Housing Preservation and Development Department finance the completion of approximately 7,019 affordable housing units and initiate a total of 14,290 new affordable housing units throughout the City.[182] The bond proceeds support multiple programs throughout New York City. These programs include: the Extremely Low- and Low-Income Affordability Program, the Supportive Housing Loan Program, and the Senior Affordable Housing Rental Apartments Program.[183] These programs have targeted the creation of projects ranging from 80 percent of units available to less than 60 percent AMI residents and previously homeless

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175 City of New York. (2024, April 24). *Mayor Adams, Comptroller Lander Announce New York City's Third Issuance of Social Bonds*. [Link]

176 U.S. Census Bureau. (2023). Income in the Past 12 Months. *American Community Survey, ACS 1-Year Estimates Data Profiles, Table 1901*. [Link]

177 U.S. Census Bureau. (2023). Financial Characteristics. American Community Survey, ACS 1-Year Estimates Subject Tables, Table S2503. [Link]

178 U.S. Census Bureau. (2023). Income in the Past 12 Months. *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S1901.* [Link]

179 Office of the New York State Comptroller. (February 14, 2024). *DiNapoli: Housing Cost Burdens for New Yorkers Among Nation's Highest*. [link]

180 City of New York. (2024, April 24). *Mayor Adams, Comptroller Lander Announce New York City's Third Issuance of Social Bonds*. [Link]

181 City of New York. (2024, April 24). *Mayor Adams, Comptroller Lander Announce New York City's Third Issuance of Social Bonds*. [Link]

182 City of New York. (2025). *Agency Performance Reports – Citywide Performance Reporting.* [Link]

183 City of New York. (2024, April 24). *Mayor Adams, Comptroller Lander Announce New York City's Third Issuance of Social Bonds*. [Link]

households. The bond proceeds are available to housing agencies, nonprofit developers, and for-profit developers. All projects that utilize these funds have been paired with other sources of public and private funding, such as private institutional lenders, LIHTC, and other New York City housing funds with their own dedicated funding sources.[184]

Risks

- New York City has determined the need to guarantee this debt and has the authority to do so, resulting in less project risk.
- Providing patient capital terms to manage the various development and funding cycles for affordable housing carries risk because of the longer timeline for repayment.[185]

Conclusion

New York City's social bond program is a tool for both non-profit and for-profit developers to encourage the development of affordable units. These funds help facilitate the creation of permanent supportive, workforce, and senior housing needs. The program does not replace the need for additional sources of funds to finance projects and relies on the city's taxing authority to repay bond obligations. The program has a target of 80 percent of the units affordable to households with incomes less than 60 percent AMI. A $26 billion budget allocation backs the issued bonds.[186] New York City guarantees the bond debt. The bond funds can be paired with other funding sources. In contrast, King County's limited taxing authority restricts its ability to absorb financial risk. The cap on property tax revenues limits flexibility within the General Fund, making it difficult to intervene if a project underperforms, and limits the ability to generate sufficient revenue to cover debt service.

Denver Housing Authority Delivers for Denver Program, City of Denver and Denver County, Colorado

Background and Purpose

In 2019, the Denver Housing Authority and the City of Denver, in partnership with Denver County, created the Denver Housing Authority Delivers for Denver Program (D3).[187] This program was created with the purpose of expediting the pipeline of affordable housing projects to meet Denver's five-year housing plan.

Denver has a population of approximately 729,000 residents, with the metropolitan area encompassing approximately three million people.[188] The City has a moderate population growth rate of about 1.5 percent annually. The City's household distribution is split between 48 percent owners and 52 percent renters. The median household income in Denver is $75,000, significantly lower than King County's median household income of $120,824.[189] About 35 percent of Denver households experience housing cost burden.[190]

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[184] City of New York. (2024, April 24). *Mayor Adams, Comptroller Lander Announce New York City's Third Issuance of Social Bonds*. [Link]
[185] Patient capital refers to capital that is invested with lenient or longer-term repayment requirements.
[186] City of New York. (2024, April 24). *Mayor Adams, Comptroller Lander Announce New York City's Third Issuance of Social Bonds*. [Link]
[187] Denver Housing Authority. *DHA Delivers for Denver Program (D3).* [Link]
[188] U.S. Census Bureau. (2024). *Denver County, Colorado QuickFacts.* [Link]
[189] U.S. Census Bureau. (2023). Income in the Past 12 Months. *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S1901.* [Link]
[190] City and County of Denver. *Expanding Housing Affordability*. [Link]

Program Structure

A Denver Housing Authority issuance of $130 million in municipal bonds funds the D3 program.[191] These bonds are backed by City of Denver's property tax revenues. This funding is then broken down into two halves. The first half, roughly $62.5 million, is used to provide gap funding for the Denver Housing Authority developments.[192] It is estimated to create 1,300 units of housing that range from market rate to permanent supportive units.[193] The second half of the bond proceeds, $62 million, are used for direct land acquisition through the City of Denver.[194] The City then partners with private developers and housing authorities through a Request for Proposals process to build supportive housing projects. Of the 1,200 units anticipated to be built, 600 are supportive units set aside for residents exiting homelessness.[195] These projects serve a range of populations, from permanent supportive units to market rate. The intergovernmental agreement between the City of Denver, the County, and the Denver Housing Authority requires that all projects funded this way start construction within ten years.[196]

Denver Housing Authority-led projects utilizing this gap funding have included four completed projects, with an additional three under construction and four more in design, totaling 1,300 units of housing.[197] The largest of these projects, located in the Sun Valley Development, consists of three separate structures. This development is mixed-income, with a large park and a community gathering center.[198] The second half of the D3 proceeds was 80 percent allocated as of last reporting.[199] This allocation was spread between 11 projects and is estimated to create an additional 1,200 units of housing, including mixed-income, permanent supportive, and market rate units. Long-term ground leases were negotiated after land acquisition, to allow development of the sites while maintaining the ability to keep rents affordable.[200] Development partners included Denver Housing Authority itself, as well as other public and private developers.

Risks

- This program provides limited risk to the government as the bonds are backed by dedicated property tax. It is similar to King County's Transit-Oriented-Development funding which is backed by bonds funded by Hotel and Motel taxes.
- The main risk is that the bond amount is relatively fixed, and project costs vary over time so it may not generate the total number of units expected.

Conclusion

The Denver Housing Authority issues bonds that are backed by dedicated property taxes. The property tax source provides gap funding for Denver Housing Authority developments and land acquisition through the City of Denver. The projects serve a range of household incomes and needs from permanent supportive housing to market rate units. Denver uses long term ground leases for the land,

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[191] Denver Housing Authority. *DHA Delivers for Denver Program (D3).* [Link]
[192] Denver Housing Authority. *DHA Delivers for Denver Program (D3).* [Link]
[193] Denver Housing Authority. *DHA Delivers for Denver Program (D3).* [Link]
[194] Denver Housing Authority. *DHA Delivers for Denver Program (D3).* [Link]
[195] Denver Housing Authority. *DHA Delivers for Denver Program (D3).* [Link]
[196] Denver Housing Authority. *DHA Delivers for Denver Program (D3).* [Link]
[197] Denver Housing Authority. *DHA Delivers for Denver Program (D3).* [Link]
[198] Denver Housing Authority. *Sun Valley Redevelopment.* [Link]
[199] Denver Housing Authority. *DHA Delivers for Denver Program (D3).* [Link]
[200] DHA. *DHA D3 Pipeline & PSH Pipeline.* [Link]

retaining ownership. This is an example of a typical housing financing program supported by tax receipts and not the project.

Oregon Metro Housing Bonds, Oregon

Background and Purpose

The Metro Council, which serves 24 cities including Portland, and three counties (Clackamas, Multnomah, and Washington), is the only directly elected multi-county government and planning organization in the country.[201] The Metro Council, in 2018, issued general obligation bonds to create a fund that would support the development of housing for extremely low-, very low-, and low-income families, seniors, veterans, and people with disabilities. It also aimed to preserve existing affordable housing stock and acquire land for future development.

Between 2010 and 2016, income within the metropolitan region grew by 19 percent, while rent growth increased by 52 percent. [202] This factored into an affordable housing crisis that the Metro Council hoped to address with additional housing units.[203] There are an estimated 804,024 occupied housing units, with a combined population in the tri-county area of 1,833,026.[204] Population growth from 2020-2024 has increased in Clackamas County (1.1 percent) and Washington County (1.8 percent), and decreased by 2.4 percent [205] 40 percent of occupied housing units are occupied by renters in these counties, with the remaining 60 percent owner occupied. The average household size ranges from 2.17 to 2.5 persons per occupied housing unit. About 31 percent of households in Clackamas County experience housing cost burden, with about 37 percent in Multnomah County, and 31 percent in Washington County.[206]

Program Structure

The Metro Council approved $652.8 million in general obligation bonds to fund affordable housing projects across all three counties.[207] Regional administrative costs were capped at five percent of bond proceeds, with bonds backed by $0.24 per $1,000 assessed value property tax.[208] For the bond measure, the Metro Council defined affordable housing as land (and improvements) serving households making 80 percent or less than AMI, which at the time was $65,120 for a family of four.[209] Funds were allocated as construction cost debt and also used for initial land acquisition.[210] The goal of this program is to utilize bond proceeds to construct approximately 14,000 housing units for seniors, families, and veterans.[211]

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[201] Oregon Metro. *Election Information*. [Link]
[202] Metro Council Resolution. (2024). *Resolution No. 24-5436.* [Link]
[203] Metro Council Resolution. (2024). *Resolution No. 24-5436.* [Link]
[204] U.S. Census Bureau. (2024). *Clackamas County, Oregon; Multnomah County, Oregon; Washington County, Oregon QuickFacts.* [Link]
[205] U.S. Census Bureau. (2024). *Clackamas County, Oregon; Multnomah County, Oregon; Washington County, Oregon QuickFacts.* [Link]
[206] U.S. Census Bureau. (2024). *Clackamas County, Oregon; Multnomah County, Oregon; Washington County, Oregon QuickFacts.* [Link]
[207] Metro Council. (2021). *Supportive Housing Services.* [Link]
[208] Multnomah County. *Notice of Measure Election – Metro – Housing Bonds*. [Link]
[209] Multnomah County. *Notice of Measure Election – Metro – Housing Bonds*. [Link]
[210] Metro Council. (2024, November 7). *Metro Housing Bond Quarterly Report.* [Link]
[211] Metro Council Resolution. (2024). *Resolution No. 24-5436.* [Link]

To date, Metro Council bonds have helped finance 26 projects in Portland alone, with eight projects fully completed and another nine under construction.[212] In total, this program has completed 2,198 units, with another 1,939 underway as of January 2025.[213] Roughly half of the homes funded by this program are two-bedrooms or larger to accommodate larger families, and almost half of the units are affordable to extremely low-income households. Each project utilizing Metro bond funds also utilizes other funding sources in their capital stack depending on their level of affordability. For example, Gilson Landing, which is a 137-unit project, of which 41 percent of units are available to residents at 30 percent AMI or lower, has additional funding from Oregon Housing and Community Services, Low Income Tax Credit, General Housing Account Program, Portland Clean Energy Fund, Metropolitan Transportation-Oriented Development Program, Local Innovation and Fast Track Housing Program, permanent loan financing, System Development Charge waiver, and deferred developer fees.[214] All units funded for this program are reserved for households with incomes ranging from below 30 percent AMI to 80 percent AMI. The affordable housing bond program also sets aside ten percent of its funds for the Metro Site Acquisition Program.[215]

Risks

- Similar to the New York City and Denver programs, this is bond financing supported by a dedicated property tax, which significantly minimizes the risk of non-payment to the jurisdiction.
- Risk is related to lower tax receipts or higher project costs that limit the number of expected units to be developed.

Conclusion

The Metro Council serves 24 cities and three counties. This program is backed by a dedicated property tax. It serves zero-80 percent AMI. Half of the units are two-bedroom or larger to accommodate a range of households and must serve housing with incomes at or below 30 percent AMI. This is similar to King County's Transit-Oriented Development Bond program which is supported by lodging taxes.

San Francisco Affordable Housing General Obligation Bond, San Francisco, California

Background and Purpose

Proposition A, approved by 71 percent of voters in San Francisco, allowed the issuance of $600 million in general obligation bonds.[216] These bonds are backed by the full faith and credit of the City and County of San Francisco and secured by its taxing authority. These bonds were to finance the construction, acquisition, improvement, rehabilitation, preservation, and repair of affordable housing for extremely-low-, low-, and moderate-income households. The first issuance of this bond was sold in March of 2021, which is the first of a series that will aggregate up to the total authorized amount.[217]

San Francisco has some of the most expensive housing in the nation.[218] Approximately 60 percent of housing in San Francisco is occupied by renters. The median monthly rent for a one-bedroom is $3,400,

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[212] Metro Council. (2025, February 10). *Housing Bond Oversight Committee Meeting.* [Link]
[213] Metro Council. (2025, February 10). *Housing Bond Oversight Committee Meeting.* [Link]
[214] Metro Council. (2025, March). *Glisan Landing.* [Link]
[215] Metro Council. (2025, February 10). *Housing Bond Oversight Committee Meeting.* [Link]
[216] City and County of San Francisco. (2019). *Affordable Housing General Obligation Bond Reports.* [Link]
[217] City and County of San Francisco. (2019). *Affordable Housing General Obligation Bond Reports.* [Link]
[218] U.S. Census Bureau. (2023). *Financial Characteristics. American Community Survey, ACS 1-Year Estimates Subject Tables, Table DP04.* [Link]

and between $4,500 and $5,000 for a two-bedroom.[219] Although the city has a robust economy, housing development has not kept pace with population growth. As a result, over 30 percent of households are considered cost-burdened, comparable to King County, where 33 percent of households are cost burdened.[220, 221]

Program Structure

The intent of San Francisco's general obligation bond proceeds is to create new affordable senior homes, rebuild distressed public housing, and preserve existing affordable housing stock.[222] In addition, the bonds were intended to reduce displacement risk, to expand rental and homeownership for low- and moderate-income and workforce residents, and to apply at least a third of the proceeds ($200 million) to create housing options that serve extremely low-income residents.[223]

The $600 million bond issuance in 2019 was planned based on the model of a previous general obligation bond from 2015 which created 1,613 units of affordable housing from $315 million in investments.[224] Of the 2019 proceeds, $150 million was eligible for use in the repair and rebuilding of public housing assets. About $220 million was available for construction, acquisition, and rehabilitation of permanently affordable units serving zero to 80 percent AMI levels. About $60 million was for affordable housing preservation and moderate-income housing, with a priority of targeting buildings at risk of market rate conversion. About $150 million was allocated for the development and preservation of senior housing, for individuals living on fixed incomes between zero and 80 percent AMI, with a priority on new construction. Lastly, $20 million was for educator housing, with a priority to target shovel-ready projects ready to build within the next four years. The funds anticipate the creation of 2,755 units between 2020 and 2025.[225]

Risks

- This is another example of voter-approved bond debt, through a 2024 bond measure, undertaken by the county and city government of San Francisco. It guarantees funding and allows for flexibility in use of funds, as the project does not need to reimburse bond proceeds.
- The main risks are the delays in unit development and increased costs. With a fixed funding amount, fewer units are now expected to be developed than originally projected. In response, the city is evaluating other options to increase unit production.

Conclusion

This program is like other bond programs with a separate fund source for repayment. It provides flexibility for use in projects due to the repayment structure. The program has had complications associated with not generating the projected number of units, due to higher costs than initially projected. This program serves households with incomes at zero to 80 percent AMI.

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[219] U.S. Census Bureau. (2023). *Financial Characteristics. American Community Survey, ACS 1-Year Estimates Subject Tables, Table DP04.* [Link]
[220] U.S. Census Bureau. (2023). *Financial Characteristics. American Community Survey, ACS 1-Year Estimates Subject Tables, Table DP04.* [Link]
[221] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
[222] Metro Council. (2021). *Supportive Housing Services.* [Link]
[223] City and County of San Francisco. (2019). *Affordable Housing General Obligation Bond Reports.* [Link]
[224] City and County of San Francisco. (2015). *2015 Affordable Housing General Obligation Bond*. [Link]
[225] City and County of San Francisco. (2019). *2019 General Obligation Affordable Housing Bond Report*. [Link]

Los Angeles Master Leasing Program Overview, Los Angeles, California

Background and Purpose

Almost 50,000 residents of Los Angeles County struggled with homelessness each night in 2020.[226] Master leasing has increased in practice to help make better use of existing housing while addressing common screening barriers. Two groups spearheading this movement are the Homeless Outreach Program Integrated Care System and Brilliant Corners.[227, 228]

The City of Los Angeles, California had a population of 3,820,963 in 2023, with a nominally stagnant population growth rate, while Los Angeles County's population was 9,663,345.[229] Of Los Angeles's 1,460,167 total households, 35.1 percent were homeowners and 64.1 percent were renters.[230] The median household income was $79,701 (significantly lower than King County's median of $120,824), with renters in Los Angeles at a median of $62,295 and homeowners at a median of $130,354.[231] The number of residents experiencing housing cost burden is high, estimated at 49.8 percent, compared to 33 percent of King County households.[232, 233] The unhoused population within the City of Los Angeles was estimated at 46,260 in 2023, a 10 percent increase from the previous year. The County of Los Angeles saw a nine percent increase in the same period, to an estimated total of 75,518 people. Although these are slightly reduced increases from previous years, the data continues to demonstrate a steady growth in homelessness.[234]

Program Structure

In residential master leasing, the government agency or service provider becomes the primary leaseholder of rental units in the property.[235] Through this process, the agency assumes all landlord responsibilities. This includes tenant selection, property management, and tenant services. In this role, the leaseholder also must cover costs created by renters and in excess of operating revenues, such as vacancies, damages, and evictions. This provides the benefit of expedited access to units for tenants who may otherwise have limited access due to personal circumstances, past criminal history, or a low credit score.[236]

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[226] Department of Housing and Urban Development, Office of Policy Development and Research: Henry, Meghan, Tanya de Sousa, Caroline Roddey, Swati Gayen, and Thomas Joe Bednar. 2021. The 2020 Annual Homeless Assessment Report to Congress Part 1: Point-in-Time Estimates of Homelessness. Washington, DC: US.

[227] *Homeless Outreach Program Integrated Care System*. [Link]

[228] *Brilliant Corners*. [Link]

[229] U.S. Census Bureau. (2023). *Financial Characteristics. American Community Survey, ACS 1-Year Estimates Subject Tables, Table CP05.* [Link]

[230] U.S. Census Bureau. (2023). *Financial Characteristics. American Community Survey, ACS 1-Year Estimates Subject Tables, Table S1101.* [Link]

[231] U.S. Census Bureau. (2023). Income in the Past 12 Months. *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S1901.* [Link]

[232] U.S. Census Bureau. (2023). *Financial Characteristics. American Community Survey, ACS 1-Year Estimates Subject Tables, Table S2503.* [Link]

[233] U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.

[234] Los Angeles Homeless Services Authority. *LAHSA releases results of 2023 Greater Los Angeles Homeless Count*. [Link]

[235] National Alliance to End Homelessness. (May 17, 2022). *How Master Leasing Can Help the Affordable Housing Crisis.* [Link]

[236] National Alliance to End Homelessness. (2022, May 17). *How Master Leasing Can Help the Affordable Housing Crisis.* [Link]

Another potential version is the Master Lease Subsidy Agreement Strategy. This structure operates similarly to a traditional master lease, with less exposure to expense risk for the property owner.[237] Through a multi-year agreement with a property owner, this strategy provides support to the landlord in matters such as paying for vacant units. The main difference between the two formats is that the Subsidy Agreement Strategy creates lease agreements directly between the tenant and the landlord.[238]

For the property owner, the benefit of a master lease comes in the security of guaranteed lease payments and no vacancy risk. For the agencies, the program is beneficial through its ability to maximize resources and to create opportunities for populations that would otherwise face exclusion from housing.[239]

Similar to Los Angeles, King County has adopted master leasing strategies to expand access to permanent supportive housing. As of May 2025, King County funds three permanent supportive housing projects that utilize master leasing to house individuals experiencing homelessness and face barriers to accessing permanent housing.[240]

Risks

- Traditional master leasing presents a significant liability in terms of cost and length. Lease terms may vary but are typically long term in nature. Some can extend as long as financing requires. This creates a need for long-term operating funding as opposed to typical public funding that is one-time and used to construct units. There are also risks of rents and subsidies not covering costs of lease payments or other expense responsibilities that must then be taken on by the agency.
- The Master Lease Subsidy Agreement Strategy is less resource-intensive for agencies than traditional master leasing, as the landlord maintains property management responsibilities. However, because tenants hold leases directly with landlords, the landlord may choose to deny applications based on an array of reasons including poor credit, prior evictions, and criminal history.

Conclusion

A master leasing strategy creates an opportunity to support multiple housing efforts and to increase the speed for development of units with public and private partners. The public support comes as an operating subsidy rather than a capital subsidy. Due to the operating subsidy, project sponsors can access financing with potentially more favorable terms than are otherwise available. While bearing operating risks to public funding, a master leasing program, as described in Los Angeles, has the potential to return public funds as rents increase over time and may exceed, eventually, operating costs. This operating cash flow would be returned to the public funder. So, while funding is needed for the initial years of operations, there is an opportunity for project funding to return to the public agency. This program often provides housing stability to people who were formerly homeless.

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[237] Metropolitan Housing and Communities Policy Center. (2022, August). *Research Report: Master Leasing in Los Angeles, Opportunities and Limitations.* [Link]
[238] Metropolitan Housing and Communities Policy Center. (2022, August). *Research Report: Master Leasing in Los Angeles, Opportunities and Limitations.* [Link]
[239] Metropolitan Housing and Communities Policy Center. (2022, August). *Research Report: Master Leasing in Los Angeles, Opportunities and Limitations.* [Link]
[240] Consultation with King County Homeless Housing Program Manager, Martha Sassorossi. (2025, May).

G. Review of Similar Programs: Homeownership

This section analyzes four programs that leverage short-term loans and subsidies to support affordable homeownership units. While the AMI bands differ with each program, they range from serving households at 30-130 percent AMI.[241, 242, 243, 244] Each program includes mechanisms to preserve affordability over time. Program methods range from direct subsidy to revolving loan funds in order to keep developer costs down which can increase affordability to home buyers.[245]

Seattle Office of Housing, Seattle, Washington

Background and Purpose

The Seattle Office of Housing Homeownership Program allocates funds for short-term loans to help with the acquisition or development of resale-restricted homes.[246] Eligible uses of these funds include: all development costs for new construction, acquisition, and/or conversion of current housing stock to affordable housing. The goal of this program is to increase the stock of homes available for ownership by individuals or households earning 65-75 percent of AMI.[247]

The City of Seattle had a population of 755,081 in 2023 and a population growth rate of 0.2 percent from 2020 to 2023, less than the King County population growth rate during the same period of 0.8 percent.[248] The median household income in both municipalities is similar, with Seattle at $121,984 and King County at $120,824.[249] Seattle has 353,019 households, reflecting an average of 2.09 residents per household.[250] King County households are recorded at 927,817, reflecting an average of 2.39 residents per household.[251] In Seattle, the median home value is $898,600, and the median housing cost for homeowners with a mortgage is $3,369.[252] The percentage of homeowners with a mortgage experiencing housing cost burden is 23.8 percent.[253] The percentage of owner-occupied units is 43.7, which represents a slight decline from 2021 data of 46 percent owner-occupied.[254]

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241 Seattle Office of Housing. *Homeownership – Affordable Homeownership Development Funding*. [Link]
242 NYC Department of Housing Preservation and Development (HPD). (May 29, 2018). *Open Door (aka Homeownership New Construction) Term Sheet.* [Link]
243 City and County of Denver. (2025). *Dedicated Affordable Housing Fund.* [Link]
244 WeBuild Concord. (May 28, 2024). *New Proposal: Revolving Construction Fund for Affordable and Workforce Homeownership*. [Link]
245 See Subsection II.F. "Review of Similar Programs: Rental" for an analysis on rental programs.
246 Seattle Office of Housing. *Homeownership – Affordable Homeownership Development Funding*. [Link]
247 Seattle Office of Housing. *Homeownership – Affordable Homeownership Development Funding*. [Link]
248 U.S. Census Bureau. (2023). American Community Survey 1-Year PUMS Estimates.
249 United States Census Bureau. (2023). *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S1901.* [Link]
250 United States Census Bureau. (2023). *U.S. Census Bureau QuickFacts, American Community Survey, ACS 5-Year Estimates Data Profiles.* [Link]
251 United States Census Bureau. (2023). *U.S. Census Bureau QuickFacts, American Community Survey, ACS 5-Year Estimates Data Profiles.* [Link]
252 United States Census Bureau. (2023). *U.S. Census Bureau, American Community Survey, ACS 5-Year Estimates Data Profiles.* [Link]
253 United States Census Bureau. (2023). *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S2503.* [Link]
254 United States Census Bureau. (2023). *U.S. Census Bureau, American Community Survey, ACS 5-Year Estimates Data Profiles.* [Link]

Program Structure

The Seattle Office of Housing announced a 2024 program to make short-term loans available for the acquisition and construction of resale-restricted housing.[255] The program requires that these housing units remain affordable for buyers who earn up to 75 percent AMI at the time of resale. Restrictions are guaranteed through covenants or other acceptable legal restrictions recorded against the property. The eligible projects may not have any market rate units. Loans for acquisitions may go up to five years, and can apply to land purchase, permitting, appraisals, architectural fees and other preconstruction uses. These loans can make up to 95 percent Loan-to-Value (LTV), at an interest rate of two percent. Construction loans can be made up to a maximum of two years, with a 75 percent LTV at an interest rate of two percent. Interest payments shall accrue during the term and be paid in full when the loan is repaid or converted to a development subsidy. Any interest earned from these loans is allocated back to the sub fund from which the loan was made. Funds for this program are on an “as available” basis, and made available through the 2023 Levy Homeownership Program funds, the 2016 Levy Homeownership Program funds, the 2009 Levy uncommitted Homebuyer Assistance Program funds, funds received through JumpStart/PET, MHA, and land use code provisions, as well as program income and investment earnings derived from Housing Levies and other Seattle Office of Housing-administered homeownership fund sources.[256]

Risks

- Short-term construction loans carry repayment risk if changing market conditions undermine the project’s financial viability.
- Funds for this program are not program-specific, so availability may be limited if other loan programs use the same funding source.
- Ongoing compliance monitoring by developers or project stewardship groups can increase project time and costs, raising concern about long-term oversight and remedies for future noncompliance.

Conclusion

Short-term loans create the opportunity for the fund to revolve quicker and to loan into a wide range of projects more effectively. A program funded through bond debt could operate similarly, with potentially less impact depending on the interest rate that is needed to cover the debt service. Frequent maintenance is likely needed to update the program as market conditions change.

New York City Open Door Program, New York City, New York

Background and Purpose

The Open Door program, launched in 2018 and administered by the New York City Department of Housing Preservation and Development, aims to expand affordable homeownership opportunities for primarily moderate-income families in New York City. By funding new construction of cooperative and condominium buildings, the program addresses the shortage of affordable homeownership options for households earning 80-130 percent of AMI.[257]

[255] Seattle Office of Housing. *Housing Funding Policies, Program Years 2024-2026.* [Link]
[256] Seattle Office of Housing. *Housing Funding Policies, Program Years 2024-2026.* [Link]
[257] NYC Department of Housing Preservation and Development (HPD). (May 29, 2018). *Open Door (aka Homeownership New Construction) Term Sheet.* [Link]

New York City has a population of 8,258,035 residents, which represents a population decrease of 6.3 percent between 2020 and 2024.[258] The median household income among New York City residents is $79,713, which is much lower than King County's median household income of $120,824.[259] The city also has a recorded 17.4 percent of the population living under the poverty threshold.[260] There are 3,706,562 households, with a homeowner vacancy rate of 1.9 percent and rental vacancy rate of 2.9 percent.[261] About 32.5 percent of households in New York City are owner-occupied, and the average persons per household is 2.63.[262] Both metrics represent modest decreases from previous data, showing decreasing homeownership amongst New York City residents. The median home value is recorded at $743,000.[263] For resident homeowners with a mortgage, 43.5 percent are experiencing cost burden.[264] About 32.5 percent of housing units in New York City are owner-occupied.[265]

Program Structure

The Open Door program provides capital subsidies ranging from $165,000 to $190,000 per unit for developers constructing affordable housing. This program also offers construction loans at a minimal interest rate of 0.25 percent and city-owned land at a nominal cost granted as a non-interest bearing note.[266] Developments are required to participate in long-term affordability mechanisms, which can include a regulatory period of 20-40 years, two percent appreciation caps, owner occupancy requirements, and resale restrictions. Development participants can include both nonprofit and for-profit developers that are willing to partner with the Housing Development Fund Corporation. Developer fees are also deferred until the sale of the developed units.[267]

Risks

- Rising construction costs have strained the effectiveness of the subsidy model in some cases.
- High land costs have made it difficult to secure sites in high-opportunity neighborhoods.
- Limited developer capacity for small-scale projects.
- Approval and construction timelines have often exceeded initial projections, causing delays in project completion.

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[258] United States Census Bureau. (2024). *U.S. Census Bureau QuickFacts, American Community Survey, ACS 5-Year Estimates Data Profiles.* [Link]

[259] United States Census Bureau. (2023). *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S1901.* [Link]

[260] United States Census Bureau. (2024). *U.S. Census Bureau QuickFacts, American Community Survey, ACS 5-Year Estimates Data Profiles.* [Link]

[261] United States Census Bureau. (2023). *U.S. Census Bureau, American Community Survey, ACS 1-Year Estimates Data Profiles.* [Link]

[262] United States Census Bureau. (2023). *U.S. Census Bureau, American Community Survey, ACS 1-Year Estimates Data Profiles.* [Link]

[263] United States Census Bureau. (2023). *U.S. Census Bureau, American Community Survey, ACS 1-Year Estimates Data Profiles.* [Link]

[264] United States Census Bureau. (2023). *U.S. Census Bureau, American Community Survey, ACS 1-Year Estimates Data Profiles.* [Link]

[265] United States Census Bureau. (2023). *U.S. Census Bureau, American Community Survey, ACS 1-Year Estimates Data Profiles.* [Link]

[266] NYC Department of Housing Preservation and Development (HPD). (2018, May 29). *Open Door (aka Homeownership New Construction) Term Sheet.* [Link]

[267] NYC Department of Housing Preservation and Development (HPD). (2018, May 29). *Open Door (aka Homeownership New Construction) Term Sheet.* [Link]

Conclusion
The Open Door program has successfully expanded affordable homeownership opportunities in New York City by providing substantial financial incentives for developers and implementing strong long-term affordability mechanisms. However, continued adjustments are necessary as construction costs rise and the city experiences continued gentrification pressures.

Denver Affordable Housing Fund Developer Subsidies, Denver, Colorado

Background and Purpose
The Affordable Housing Fund developer subsidy program, established in 2016 and administered by Denver's Department of Housing Stability, is designed to address the City's growing affordable housing crisis. This program provides gap financing for developers creating affordable homeownership units, with a focus on permanent affordability through land trusts, restrictive covenants, and other mechanisms.[268]

Denver, Colorado has a population of 716,577 residents, which shows a generally stagnant three-year growth rate of .1 percent from 2020.[269] The median household income for Denver residents is $94,157, significantly lower than King County's AMI of $120,824.[270] The poverty rate in Denver is 11.2 percent, which is right around the national average of 11.1 percent. There are 329,578 recorded housing units, which represent 2.12 persons per housing unit.[271] About 49.1 percent of units are owner-occupied, with 50.9 percent of units available to renters. The median home value in Denver is $586,700. The vacancy rate for all housing units in Denver is six percent.[272] For resident homeowners with a mortgage, 28.5 percent are experiencing cost burden.[273]

Program Structure
The Affordable Housing Fund program is funded through property tax and development linkage fees, generating approximately $30 million annually. It offers subsidies of $50,000-$100,000 per unit, with enhanced subsidies for units serving households below 80 percent AMI. Funds can be used for the development of both rental and homeownership developments. Assistance amount operates on a sliding scale based on affordability limits and construction type. The program focuses on transit-oriented development and integrates affordable housing with mixed-income neighborhoods. Long-term affordability is ensured through deed restrictions, community land trusts, and other permanent affordability tools.[274]

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[268] City and County of Denver. (2025). *Dedicated Affordable Housing Fund.* [Link]
[269] United States Census Bureau. (2024). *U.S. Census Bureau QuickFacts, American Community Survey, ACS 5-Year Estimates Data Profiles.* [Link]
[270] United States Census Bureau. (2023). *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S1901.* [Link]
[271] United States Census Bureau. (2023). *American Community Survey, ACS 5-Year Estimates Data Profiles, Table S1101.* [Link]
[272] United States Census Bureau. (2023). *American Community Survey, ACS 5-Year Estimates Data Profiles, Table DP04.* [Link]
[273] United States Census Bureau. (2023). *American Community Survey, ACS 5-Year Estimates Data Profiles, Table DP04.* [Link]
[274] City and County of Denver. (2022, December 12). *Mandatory Affordable Housing Ordinance & Affordable Housing Permanent Funds Ordinance.* [Link]

Risks

- Rising construction costs and competition with market-rate developers pose repayment risks for affordable housing projects.
- Rapid housing price increases and escalating land costs make it difficult to sustain subsidy levels.
- Maintaining long-term affordability remains a policy challenge amid ongoing gentrification and rising land values.

Conclusion

Denver's Affordable Housing Fund program has made significant progress in creating affordable homeownership units by leveraging dedicated revenue sources and emphasizing permanent affordability. Continued growth in the program will require adaptation to the city's rapidly appreciating market and innovative financing mechanisms to ensure that affordability is maintained in the long term.

Concord Revolving Fund Proposal, Concord, North Carolina

Background and Purpose

WeBuild Concord, the nonprofit and enrichment arm of the city of Concord, North Carolina has designed a proposal request to raise funds for the creation of a revolving construction loan fund to build affordable homeownership units.[275] This fund would receive seed funding through public and private donations, with the intent that money would revolve through the fund throughout the loan term to maximize the efficiency of money donated. Homes built through this fund would target very low-, low-, and moderate-income residents earning 30-110 percent of AMI.[276]

The City of Concord has a population of 113,608, and a population growth rate of 4.6 percent from 2020-2023.[277] This exceeds King County's population growth rate during the same period of 3.1 percent. The median household income in Concord is $84,752. Concord has 37,047 total households, reflecting an average of 2.84 residents per household.[278] This is greater than the King County household size of 2.39 residents per household, reflecting added strain on total housing unit supply in Concord. The median value of a home in Concord is $374,700, and the median housing cost for homeowners with a mortgage is $1,727. The percentage of owner-occupied units is 66.4.[279] Of Concord homeowners, about 17.1 percent are mortgage cost burdened.[280]

Program Structure

WeBuild Concord has proposed a Revolving Construction Fund aimed at supporting affordable and workforce homeownership.[281] This fund is designed to provide short-term capital for construction

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[275] WeBuild Concord. (2024, May 28). *New Proposal: Revolving Construction Fund for Affordable and Workforce Homeownership*. [Link]
[276] WeBuild Concord. (2024, May 28). *New Proposal: Revolving Construction Fund for Affordable and Workforce Homeownership*. [Link]
[277] United States Census Bureau. (2023). *U.S. Census Bureau QuickFacts, American Community Survey, ACS 5-Year Estimates Data Profiles.* [Link]
[278] United States Census Bureau. (2023). *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S1101.* [Link]
[279] United States Census Bureau. (2023). *American Community Survey, ACS 1-Year Estimates Data Profiles, Table S2506.* [Link]
[280] United States Census Bureau. (2023). *American Community Survey, ACS 1-Year Estimates Data Profiles, Table DP04.* [Link]
[281] WeBuild Concord. (2024, May 28). *New Proposal: Revolving Construction Fund for Affordable and Workforce Homeownership*. [Link]

projects targeting very low-, low-, and moderate-income households, with affordability ranging from 30 percent to 80 percent of the AMI for affordable housing and up to 110 percent AMI for workforce housing. The Fund offers loans with interest rates between zero and three percent, serving as gap funding for developments with short-term turnarounds or completion dates. WeBuild Concord will manage the fund and will monitor and approve loan requests based on project viability and repayment timelines, administering through a local bank in Cabarrus County. A Revolving Fund Council, comprised of local nonprofit affordable and workforce housing developers, as well as private and public sector participants, will meet quarterly to review plans and ensure alignment between nonprofits with shared outcomes for ownership and neighborhood stabilization. The proposed Fund aims to leverage every dollar across multiple projects over several years, benefiting residents, public and private donors, and investors by eliminating some barriers to affordable housing and workforce development. The program is looking for an initial investment between $2 million to $5 million from public and private sources to get started, to support efforts across the region, and to serve as a new national affordable and workforce housing model.[282]

Risks

- Short-term construction loans may be vulnerable to changing market conditions that affect repayment and project viability.
- Partnering with a local lender to monitor the program introduces negotiation risks but may improve efficiency by leveraging existing infrastructure.
- Relying on a mix of public and private donations introduces funding uncertainty and may limit the availability of resources when projects need them.

Conclusion

There is potential to use this program to fund a wide variety of AMI levels of resale-restricted homes. Donated funds should theoretically grow over time, meaning that the program could become self-sufficient. Funds can also be allocated based on shifting criteria, and based on perceived need throughout the city. Careful underwriting and understanding of each project is needed.

[282] WeBuild Concord. (2024, May 28). *New Proposal: Revolving Construction Fund for Affordable and Workforce Homeownership*. [Link]

III. Engagement

This section outlines the engagement process, lists participating groups and overall themes from input across all engagement activities. *See Appendix H. for a comprehensive list of input gathered through the engagement process.*

A. Summary

As a part of the Plan, the County solicited input from labor organizations, labor unions, experts in fair housing, affordable housing, community development, public and private financing, impact equity, and property management organizations, housing authorities, and historically and currently underrepresented housing developers in the development or construction of housing. *This is documented further in Appendix H.*

The Workgroup encouraged and facilitated these experts' input throughout all phases of the development of the Plan, with an emphasis in January and February 2025. This section of the Plan describes how King County worked with community and interested parties as part of the Plan process.

B. Engagement Process and Input

The County arranged virtual meetings to solicit and receive information and input that was diverse and relevant to all aspects of the Motion. In advance of each meeting, the Workgroup distributed an agenda and an informational one-page document about the Plan to attendees. The informational one-page document, shown in Appendix I., included a link to the Motion, goals for the Motion, information on the engagement process, and a timeline. King County members of the Workgroup responsible for drafting the Plan facilitated each virtual meeting, beginning with a PowerPoint presentation that explained the key points and goals of the Motion. Meetings included group discussion, guided by the agenda and other relevant topics that came up during the conversation. The topical meetings were recorded for transparency and reference, while informational interviews were not recorded.

C. Key Themes from Participant Input

Below is a list of recurring key themes that emerged from this engagement process, categorized between AMI, market rate developers, nonprofit developers, housing supply, homeownership, and model considerations. This list is based on opinions and insights from participants' experience and expertise.

AMI

- The Motion's definition of workforce housing is unclear;
- The use of AMI oversimplifies a complex issue of housing affordability because housing markets vary widely and a single AMI metric may not reflect real housing costs or income disparities;
- Affordable housing can be comparable, and sometimes even more expensive, than market rate housing;[283]
- Considerations for AMI are different for rentals versus homeownership;
    - Rental units should be affordable to 80 percent AMI and below; and
    - Homeownership units should be affordable to 120 percent and below.

[283] See Appendix D. "Glossary" for definition of market rate housing and other terms.

Market Rate Developers

- Market rate developers for rentals are experiencing a funding gap due to slow lease-ups, increased operating costs, and projects stalling as expenses increase;
- Late rents are also contributing to lack of available capital to start new projects;
- Developers said they found considerations like prevailing wage and environmental standards increase development costs beyond what is financially feasible,[284] and
- Amazon's lower interest subordinate debt has benefited projects by bringing down their overall rates with patient capital.[285]

Nonprofit Developers

- Nonprofit rental housing developers see greater opportunity in acquiring existing properties rather than pursuing more expensive new development;
- Four percent LIHTC bonds are slow to access and can limit affordable housing to households in higher AMI bands;
- Nonprofit developers are seeking funds that are quicker to access and consistently available, and
- Amazon's lower interest subordinate debt has benefited projects by bringing down their overall rates with patient capital.

Housing Supply

- For rentals, there is a need for more family-sized (three- and four-bedroom) units that are affordable;
- There is a surplus of studios and one-bedroom units;
- Acquisitions can convert existing properties into fewer, larger units, and
- Acquisitions can help fill vacancies if rents are adjusted to be affordable to households at a lower AMI.

Homeownership

- People who would benefit from down payment assistance (DPA) exist beyond the AMI levels being considered for workforce housing because home prices are so high in King County;[286]
- Homeownership is an important way to establish generational wealth;
- Home developers desire access to funding stacks that are not complex;[287]
- The demand for subsidies is larger than the supply;
- Nonprofit developers would benefit from a loan guarantee;
- There is a need for lower cost homeownership construction financing, and
- There is a need for soft capital grants to support permanently affordable homeownership.

Model Considerations

- Participants praised Amazon's program because of its regular access, low rates, and long terms;
- Master leasing is a possible way to take advantage of acquisitions, support development of new units, and establish rent-restricted covenants by retaining the asset;

[284] See Appendix D. "Glossary" for definition of prevailing wage and other terms.
[285] See Appendix D. "Glossary" for definition of subordinate debt and other terms.
[286] See Appendix D. "Glossary" for definition of down payment assistance and other terms.
[287] Funding stacks refer to the combination of all financing sources used in a development project (i.e., loans, equity, grants, tax credits, etc.).

- Funding should be regularly available rather than only in timed windows;
- Participants have interest in loan guarantees, subordinate permanent loans, and revolving construction loans; AMI ranges may be increasing, potentially exceeding levels that reflect true affordability, and
- Union labor and prevailing wage should be required for the development of workforce housing.

D. Engagement Meetings

Exhibit 16 shows the meetings that took place throughout the Plan process. In addition to the meetings listed in Exhibit 16, the Workgroup held an Engagement Loop Back meeting on April 11, 2025, to which all parties and individuals engaged throughout the process were invited for a briefing on progress to date. *See Appendix H. to view themes that emerged from each meeting.*

Exhibit 16: Engagement Meetings

Topical Group Meetings	
Group	**Date**
Housing Development Consortium	1/15/25
Public Funders	1/21/25
Market Rate Developers	1/22/25
Community-driven Developers and Community-based Organizations	1/27/25
Homeownership Agencies	1/28/25
Affordable housing Developers	1/30/25
Local Jurisdictional Staff	2/12/25

Informational Interviews	
Agency	**Date**
King County Housing Authority	1/16/25
Center for Public Enterprise	1/22/25
Seattle Foundation	1/24/25
Washington State Housing Finance Commission	1/31/25
Amazon	2/11/25
Seattle Social housing Developer	2/11/25
Sound Transit	2/11/25
Bellwether	2/21/25
Fair Housing Center	2/24/25
Renton Housing Authority	2/25/25
Seattle Chamber of Commerce	2/25/25
House Our Neighbors	3/03/25
HomeSight	3/10/25
Laborers Local 242	3/24/25
MLK Labor	5/9/25

E. Conclusions

The engagement process showed that community development experts believe there is a need to develop more tools to help finance affordable workforce housing for rentals and homeownership. The meetings made it apparent that there is not one solution that will fit the needs for all geographies within the County, and that multiple approaches will need to be considered to serve the broader community. Participants noted that AMI and market realities should be evaluated together to establish how housing affordability will affect people trying to qualify for housing benefits and identify the types of housing that would benefit individual communities the most by geography. The engagement also showed that there is an urgency in establishing these solutions.

Participants recommended that this Plan consider finance products that:

- Are easy to access and regularly available, rather than annual application openings, to be the most effective;
- Adjust AMI eligibility higher for homeownership due to the high cost of homes;

- Provide loan guarantees to create equity, and
- Take advantage of market realities, as of May 2025, that point to acquisitions as an immediate opportunity.

IV. Legal and Risk Analysis

This section reviews a legal and risk analysis of issuing bonds to implement the Plan. It describes the following elements of risk and legal analysis:

- The potential debt capacity for this initiative;
- The bonds and interest rates available to the County and their potential value to workforce housing projects;
- The potential risks to King County from financing workforce housing;
- The County's ability to use its bonding authority to finance workforce housing, and
- Steps the County can take to mitigate risk in implementing this initiative.

A. Debt Capacity

The County is legally restricted to incurring general obligation debt no greater than 1.5 percent of the County's total assessed property value for councilmanic, or non-voter approved, purposes, and a total limit of 2.5 percent of total assessed property value, excluding the County's additional debt capacity available for assumed Metro functions (water quality and public transportation).[288] There is no legal debt limit for revenue-backed bond debt, but the debt must paid from project or other non-tax revenues.[289, 290] As of 2024, the total assessed value of property in the County is approximately $833 billion.[291] This gives the County a legal general obligation debt capacity of about $20.8 billion for general purposes, including both voted and non-voted Councilmanic capacity. King County's 2023 Annual Comprehensive Financial Report identifies a total outstanding balance of long-term debt of about $4.8 billion.[292] The County therefore has ample legal debt capacity to issue general obligation debt for workforce housing.

The County must also issue debt in a fiscally responsible manner, to ensure that it both maintains its high bond rating and has County funds to pay debt service on the debt in the case that project revenues are not sufficient for this purpose or if a County-guaranteed project defaults. Voter approved bonds come with an excess property tax to pay debt service on the bonds, but Councilmanic or non-voter approved bonds do not. The County's responsible fiscal debt capacity depends on multiple factors. At a high level, the Workgroup's financial analysis found that the County has capacity to issue at least $1 billion in bonds for housing provided the County chooses to fund low risk projects that are likely to pay their debt service, rather than relying on County funds for debt service payments. The County will need to identify a source to fund reserves necessary to pay debt service in the event that project revenues are insufficient for this purpose.

See Section IV.C "Risk Assessment" for further discussion of risk and debt.

B. Available Bonds and Interest Rates and Potential Value to Workforce Housing Projects

This section outlines:

- The types of bonds and interest rates available to the County and workforce housing projects;

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[288] Municipal Research and Services Center. *General Obligation Debt Limits.* [Link]
[289] Municipal Research and Services Center. *General Obligation Debt Limits.* [Link]
[290] Revenue bond debt refers to a type of bond that is repaid using income generated from the specific project it finances.
[291] King County Department of Assessments. *Distribution of Assessed Valuations, 2005 through 2024*. [Link]
[292] King County Finance and Business Operations Division. *2023 Annual Comprehensive Financial Report.* [Link]

- A comparison of available County bonds and their compatibility with other non- County debt sources, and
- The potential value and impact of County bonds to the financial feasibility of housing projects under market conditions as of May 2025.

The financial modeling and available interest rates used to inform this Plan are based on information collected during the first quarter of 2025. The findings in this section may need to be adjusted as market conditions change in the coming years.

Available Types of Bonds and Interest Rates

The County may issue a variety of bonds with different terms. The County may issue general obligation (GO) bonds, which are underwritten by the full faith and credit of King County, or revenue bonds, which are paid from a specific project or other non-tax revenue. GO and revenue bonds can either be taxable or tax-exempt, depending on the activity King County finances. The interest paid on taxable bonds is taxable income to bondholders, while interest paid on tax-exempt bonds are exempt from federal income tax. Bondholders are willing to accept lower interest rates on tax-exempt bonds. Exhibit 17 shows interest rates for tax-exempt and taxable financing provided by the Executive Office.[293]

Exhibit 17: Interest Rate Comparison

	Tax-Exempt Financing			Taxable Financing		
Term	**King County General Obligation**	**King County Revenue**	**Private Market 501(c)(3)**	**King County General Obligation**	**King County Revenue**	**Private Market**
5-Year	2.96%	3.32%	7-10%	5.59%	5.69%	-
20-Year	4.90%	4.90%	6.45-6.95%	6.53%	6.63%	-
30-Year	4.52%	5.24%	-	6.99%	7.09%	6.15%

Comparison and Compatibility with Other, Non-King County Debt Sources

Tax-Exempt vs. Taxable Bonds

As shown in the interest rate comparison, the County's general obligation tax-exempt interest rate of 4.52 percent for a 30-year term provides a lower cost of capital than the private market rate of 6.15 percent for a 30-year term. Tax-exempt general obligation bonds (to which the County has pledged its full faith and credit) could therefore provide a potentially valuable tool for financing multifamily projects owned by governmental and eligible 501(c)(3) entities. The County's interest rate of 2.96 percent for a five-year term is up to five percentage points lower than the private construction financing rates that affordable homeownership developers have shared with the Workgroup. This difference in interest rates is the primary potential value of providing County financing. Note, these interest rates on the shorter-term homeownership construction financing are significantly lower than the construction financing interest rates for multi-family rental housing. As a comparison, private market lending for a homeownership project construction loan is about seven percent to 10 percent, while the construction loan lending rate for a rental project is about six percent to just below eight percent.

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[293] King County General Obligation and Revenue Bond rates are current as of March 2025. 501(c)(3) bond and private debt interest rates are based on data the Workgroup collected from banks and housing developers from the first quarter of 2025.

In contrast, the County's taxable general obligation interest rate of 6.99 percent for a 30-year term provides no value in the multifamily market as of May 2025, as it is higher than private debt available at 6.15 percent interest for a 30-year term. For this reason, the workforce housing bond analysis in this section and the program model analysis focuses on King County's tax-exempt general obligation bonds. This limits this initiative to providing financing to eligible 501(c)(3) nonprofit and governmental entities developing and owning projects that meet tax-exempt bond regulations.

King County Financing vs Other 501(c)(3) Bonds

WSHFC issues tax-exempt 501(c)(3) bonds to finance housing wholly owned by a 501(c)(3) nonprofit.[294] Applications are accepted at any time, and it is not a competitive process. However, the County could issue tax-exempt 501(c)(3) bonds that are also underwritten by the full faith and credit of the County, which may result in interest rates lower than what WSHFC offers.[295]

King County Financing and Low-Income Housing Tax Credits

LIHTC is one of the most significant resources for creating affordable housing in the United States and would be incompatible with workforce housing as defined in this Plan.[296] Tax credits are a source of equity for housing that does not need to be repaid. WSHFC administers the program in Washington State.[297] The four percent LIHTC program typically provides about one third of the capital funding for a project, making such credits highly valuable. These subsidies are limited and highly competitive. Bonds issued to finance projects funded in part with four percent LIHTCs must also receive an allocation of statewide volume cap in order to be issued on a tax-exempt basis.[298] Volume cap is significantly oversubscribed, and the housing category has been historically allocated by WSHFC (on behalf of the Department of Commerce) to Commission, housing authority and public development authority bonds, not to cities or counties.

Projects receiving LIHTCs must restrict their units to be affordable to households with incomes at or below 60 percent AMI. This is incompatible with workforce housing projects that serve moderate-income households in addition to low-income households. This poses a significant barrier to County financing projects, as there is no comparable source of equity or soft debt to close funding gaps for workforce housing. This is shown through Exhibit 18, which compares capital funding sources between a typical four percent LIHTC affordable housing development project and the best case scenario for a rental workforce housing development project. In Exhibit 18, the "Typical Affordable Housing Development" represents a four percent LIHTC project serving households earning up to 60 percent AMI. The "Rental Workforce Housing Development" represents new rental housing development (Model A) servicing households earning up to 100 percent AMI under the maximum King County investment scenario.

See Section V. "Program Model Analysis" for additional information related to the workforce housing scenarios.

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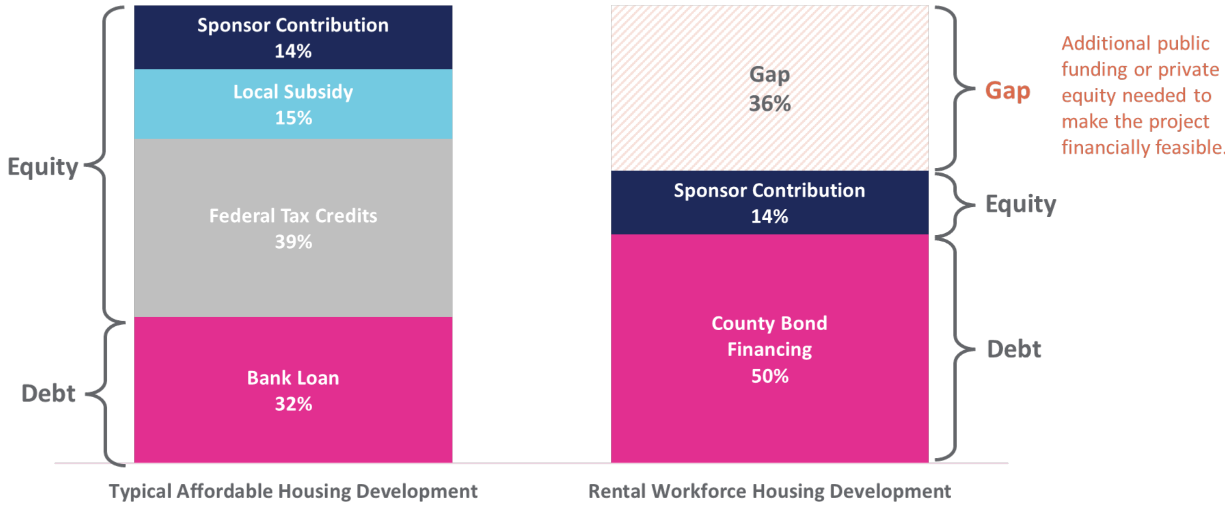
[294] Washington State Housing Finance Commission. *501(c)(3) Non-profit Housing Bonds*. [Link]
[295] See Subsection IV.D. "Legal Analysis" for more information about considerations for King County's use of 501(c)(3) bond issuance authority.
[296] United States Department of Housing and Urban Development. *Low-Income Housing Tax Credit (LIHTC).* [Link]
[297] Washington State Housing Finance Commission. (2024). *Bond/Tax Credit Program*. [Link]
[298] Volume cap, also called bond cap, refers to the federal limit on tax-exempt private activity bonds that a state may issue each year. The amount is based upon the state's population.

Exhibit 181: Capital Stack Comparisons



King County Financing and Impact Equity Funds

Impact equity investors provide financing at a lower interest rate than the bond market currently makes available to the County, which eliminates or reduces opportunities to co-invest in projects. Amazon, Microsoft, the Evergreen Housing Impact Fund, and other impact equity investors currently provide long term-debt financing to housing projects. [299] These financiers have provided interest rates as low as one percent, which is significantly lower than any rate King County could offer, and there is likely no potential role for a County bond program with hard debt service requirements in Amazon-financed projects due to the low interest rates impact equity investors can offer.[300] However, there are projects Amazon or other impact equity investors cannot or may choose not to finance that could benefit from County financing.

King County Tax-Exempt General Obligation Bonds' Potential Impact to Financial Feasibility

The impact of County financing on a project depends upon many factors, as described above. The following simplified example demonstrates the potential benefit from the County's lower interest rate.

The County provides $1 million in financing at 4.5 percent interest on a 30-year amortized loan.[301] Under these terms, the borrower will pay a total of about $824,000 in interest over the 30-year term of the loan. A loan with the same terms, but a six percent interest rate, costs the borrower a total of about $1,158,000. In this simplified example, the County's financing would save the project $334,000 over the loan.

The more debt the County replaces at a lower interest rate, the greater the potential benefit to a project. However, the total amount of debt that a project can support is limited by what it can pay back with operating revenues. The Workgroup analyzed project-level data from existing affordable housing projects funded by the County and identified a typical upper limit of about $5 million of financing per project for multifamily rental housing when the County serves as a subordinate lender.

[299] Amazon. (2025). *Housing Equity*. [Link]

[300] See Appendix D. "Glossary" for definition of hard debt and other terms.

[301] See Appendix D. "Glossary" for definition of amortization and other terms.

Put differently, the difference in total interest paid on 30-year term amortized loans totaling $1 billion at 4.5 percent versus six percent is about $334 million. This is a rough order of magnitude estimation of the theoretical maximum benefit a $1 billion tax-exempt general obligation bond could provide to workforce housing projects under available interest rates, as of May 2025. However, to administer $1 billion in bonds, the County would need funding to pay for staffing, which would further reduce this savings.

C. Risk Assessment

The County has consistently maintained a AAA bond rating by the three major bond rating agencies for many years.[302] The Motion Section E. directed the Executive to assess risk to the County's bond rating and the importance of maintaining a AAA bond rating. This section assesses multiple aspects of risk to the County, including:

- The potential financial impact to King County from a reduced credit rating;
- The factors that could result in a workforce housing project being unable to pay its debt service;
- How the County's role and responsibilities in financing a workforce housing project could impact the risk level and success of the projects it finances, and
- The potential negative effect that financing workforce housing could have on King County's Housing Finance Program's existing programs and priorities to serve households with the deepest need.

See Section VI. "Program Model Analysis" for a detailed risk assessment specific to each program model this plan considers.

Reduced Credit Rating

The County Council has previously authorized about $2.5 to $3 billion in bonds in the coming years to support various capital programs including for Harborview, Wastewater Treatment Division, Solid Waste Management Division, Conservation Futures, and other projects.[303] A reduction in the County's credit rating may result in higher interest rates for these projects.

Credit rating agencies assess the County's credit worthiness based on several factors, including the total debt the County carries and the underlying risk of the projects the County finances. It is difficult for the Workgroup to predict the impact of a single housing project being unable to pay its debt service on the County's credit rating, or how a credit rating agency may assess the risk of this initiative broadly. However, a reduction in the County's credit rating would have significant financial costs.[304]

Housing Program and Project Level of Risk

There are many risk factors involved in developing and operating housing. This section will summarize programmatic and specific project level risks.

Programmatic risk for the Regional Workforce Housing Initiative bond financing includes a high risk that the models reviewed in Section V may not meet bond debt service requirements. This would result in the County having to access other affordable housing funds that qualify for this use to pay the shortfall.

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[302] King County Investor Relations. (2025). *Bond Ratings*. [Link]

[303] Ordinance 19530. [Link]

[304] Consultation with King County's Office of Performance, Strategy and Budget. (2025, March).

If there were no affordable housing funds with requirements that allowed for this use, the County would have to pay the bond debt service from the General Fund.

For specific projects, anything that increases costs or delays completion can result in a project being less financially viable than anticipated. Permitting processes and labor disputes have delayed projects in recent years, and the cost of labor and construction materials have also increased significantly.[305] The cost per unit of housing financed by King County has risen from about $492,000 for projects awarded in 2019 to approximately $585,000 for projects awarded in 2024.[306] After projects open, there can be high vacancies, lower than projected rents, and increased operating costs, all of which can destabilize projects.[307] If a County bond-financed project defaults, the County would be forced to backfill debt payments while pursuing remedies, which may or may not result in the borrower repaying the debt owed to the County.

Loan Underwriting

Loan underwriting is the process a lender undertakes to assess the creditworthiness of the lender and the risk of the project requesting financing. The County typically invests in affordable housing projects as a subordinate lender to a private senior lender. The senior lender leads the underwriting process, conducting due diligence and providing oversight and project management.

In Section V. "Program Model Analysis" the Workgroup analyzed scenarios where the County would be a subordinate lender as well as scenarios where it would be a sole, senior lender. With such a substantial financial stake in a project, the County would assume an especially high level of risk if serving as senior lender. The County would need to increase its staff capacity and expertise before it would be able to serve as a senior lender.

D. Legal Analysis

Statutory Requirements to Serve Area Median Income Levels

This section describes legal requirements for percentages of units and affordability levels served by housing authorities, public development authorities, and King County.

Housing Authorities

Washington state law provides for the creation of city and county housing authorities via Chapter 35.82 RCW, the "Housing Authorities Law." It also allows cities, towns, and counties to create "public corporations, commissions, and authorities to ... perform any lawful public purpose or public function." RCW 35.82.070 requires that 50 percent of the units in housing authority buildings are required to be affordable to low-income households, with incomes at or below 80 percent AMI. [308]

Public Development Authorities

The charter for a public development authority determines if there are affordability requirements, and some have none, but they must act within their governmental purpose. The Seattle Social Housing Developer, per their charter, requires each development to serve a mix of income levels including 0-30 percent AMI, 30-50 percent AMI, 50-80 percent AMI, and 80-120 percent of AMI.[309]

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[305] King County. (2023, February 28). *Housing Awards Annual Memorandum.* [Link]
[306] King County Housing Finance Program Awards, 2019-2024.
[307] Input from engagement meeting with market rate housing developers. (2025, January 22).
[308] RCW 35.82.070. [Link]
[309] Seattle Social Housing Developer Charter. Article II, Section 2. [Link]

King County

County housing funds are restricted to persons or families under the "poor and infirm exception" to the prohibition on the gift of public funds. This has historically been interpreted to mean households with incomes at or below 80 percent AMI. It has been untested whether this could include moderate income households (80 percent to 120 percent).

King County Bond Financing

The County has clear authority under state law to issue bonds to finance the production of low-income housing. The County also administers housing-related programs that benefit low- and moderate-income households, such as the Energize Heat Pump Program.[310] However, the authority to provide financing for housing affordable to moderate-income households is less clear. Other jurisdictions are also exploring using their bond capacity to increase the supply of moderate-income housing.[311] The County obtaining explicit authority for this initiative could pave the way for other new programs or vice versa.

The Workgroup's legal analysis found the County can make a strong argument that financing affordable housing that serves low- and moderate-income households is a public purpose, depending on the particular facts of the program.[312] However, the County would need clarity through a bond declaratory judgement prior to establishing a program using County bonds to finance housing projects that include moderate- as well as low-income households.[313, 314]

The Workgroup's legal analysis further determined that upon compliance with federal tax requirements, the County could issue tax-exempt general obligation bonds or tax-exempt 501(c)(3) bonds to finance affordable housing development. Tax-exempt debt is lower cost due to federal tax savings, but it also requires meeting complex tax requirements:

- Tax-exempt bonds may be issued to fund affordable housing in the form of either governmental bonds or 501(c)(3) bonds, without requiring an allocation of volume cap;[315]
- Tax-exempt governmental bonds may be issued for projects owned and operated by the County or another local government entity (such as a housing authority or public development authority);[316]
- Unless newly constructed or substantially rehabilitated, projects financed with tax-exempt 501(c)(3) bonds must restrict 20 percent of the units to households at or below 50 percent of AMI or 40 percent of the units to households earning 60 percent of AMI.[317]

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[310] King County. (2025). *Energize Heat Pump Program*. [Link]
[311] Seattle Social Housing. (2024). *Meet Seattle's New Social Housing Developer*. [Link]
[312] If an expenditure falls outside of RCW 35.21.685 Article VIII, Section 7's exception for necessary support of the poor and infirm, courts will consider whether the funds are being expended to carry out a fundamental governmental purpose. Washington courts and Attorney General opinions have recognized several such purposes through the years. See, the example CLEAN v. State, 130 Wn.2nd 782, 797, 928 P.2.d 1054 (1996).
[313] A bond declaratory judgement confirms the legality of issuing bonds for a specific purpose. It provides assurance that the proposed bond financing complies with applicable laws and can be used as intended.
[314] See Subsection IV.E "Bond Declaratory Judgement" for additional information on bond declaratory judgements.
[315] Internal Revenue Service. *Lesson 12 Section 145 – Qualified 501(c)(3) Bonds*. [Link]
[316] Internal Revenue Service. Tax-Exempt Governmental Bonds. [Link]
[317] IRC Section 145(d)(2). [Link]

In addition to the bond requirements, to obtain and retain 501(c)(3) status, a nonprofit affordable housing organization is required by the Internal Revenue Service (IRS) to restrict 75 percent of its units to residents at or below 80 percent of AMI.[318] Further, the IRS requires rent restrictions and income restrictions that mirror the federal tax requirements for 501(c)(3) bonds.[319, 320]

E. Steps to Mitigate Risk

Ensuring Affordability

King County would require a deed restriction or covenant in a position on the title to ensure each project remains affordable to the income levels agreed to long term. This will ensure the County receives the public benefit of income-restricted affordable housing, even if the project defaults or changes owners or if the County is required to provide funding to support the project.

Bond Declaratory Judgement

Providing any financing to projects affordable to households with incomes above 80 percent AMI carries legal risk to the County, depending on the specific project, including the mix of incomes and housing type. Before proceeding to bond finance moderate-income housing, the County must pursue a bond declaratory judgement to provide clarity to support the use of bonds for this initiative. The Workgroup estimates that coordination with bond counsel and King County's Prosecuting Attorney's Office to prepare and obtain a declaratory judgement through Superior Court will take nine to 12 months.

See Section IV. D. "Legal Analysis" Statutory Requirements to Serve Area Median Income Levels for a discussion of regulations for publicly financed housing.

Cash Reserve Fund

The County could establish a reserve fund to ensure the County has the available funds in case projects cannot pay their debt service. The size of the reserve fund would depend on the amount of bonds issued and the underlying risk of the projects the County finances. Staff from the Office of Performance, Strategy and Budget recommend a cash reserve of at least one year of debt service.[321] This is a stopgap measure designed with the assumption the project would have short term or minimal shortfalls. A major shortfall or a long-term shortfall would result in the need for significant financial support from available Housing Finance Program or General Funds.

The County could establish a reserve fund from bond proceeds. This would increase the cost of issuing the bonds as the County would need to pay interest on the reserve, resulting in a slight increase in the effective interest rate on the bonds. Alternatively, the County could establish a reserve fund from tax revenues. However, existing affordable housing funds would not be eligible for this purpose as they must serve low-income households and are oversubscribed. The Executive recommends the County implement a cash reserve fund from bond proceeds or from tax revenue if a suitable fund source is identified.

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[318] Internal Revenue Service. (1996). Revenue Procedure 96-32. [Link]
[319] Washington State Legislature. RCW 35.82. [Link]
[320] Internal Revenue Service. (1996). Revenue Procedure 96-32. [Link]
[321] King County. (2025). *Performance, Strategy, and Budget*. [Link]

Combining Tax-Exempt Hard Debt with Housing Finance Program Projects

The County could use tax-exempt bonds in combination with grants and soft debt products to benefit more low-income housing projects funded by the Housing Finance Program. This would leverage the County's existing expertise and administrative capacity to ensure any project receiving tax-exempt bond financing is low risk. LIHTC projects are not eligible for tax-exempt bond financing, however, the Housing Finance Program could fund projects without tax credits, if they had additional funding.

V. Program Model Analysis

As required by the Motion, this section evaluates potential bond-financed program models. The Workgroup found that for all models in this analysis, with bond financing alone, the projects did not generate sufficient revenue from rents or home sales to meet debt service requirements on the bonds. This modeling includes using key assumptions consistently across models to facilitate the analysis for comparative purposes. Importantly, these are simulations based on these key assumptions, rather than performative examples. Conclusions in this section align with findings in the *Review of Similar Models* section and reflect that rent recovery models typically require additional public subsidy in the form of equity investment, operating support, site based rental support, or some other form of non-debt financing.

See Section II. Review of Similar Models for an analysis of existing rent recovery and other programs funded with bonds that require hard debt service.

A. Introduction

This section begins by outlining the key assumptions the Workgroup made in assessing the feasibility of each program model, including:

- The average project size;
- The total development cost for a project;
- The unit mix in a project;
- The mix of income levels served in a project;
- The revenue collected from tenants;
- The debt service coverage ratio,[322] and
- Interest rates.

The Workgroup evaluated the following program models:

- Model A: long-term financing for multifamily rental housing;
- Model B: acquisition and conversion of existing buildings into affordable housing, and
- Model C: a revolving loan fund for construction of affordable homeownership.

The analysis for each program model includes:

- A brief description of the housing type and the County's role in supporting the model;
- The financial mechanism the County would use;
- An assessment of financial risks specific to the program model, including an overall risk rating of low, moderate, or high with the following definitions:
    - Low risk: High likelihood that projects in the model could pay debt service obligations to King County, and avoid triggering the County's loan guarantee;
    - Moderate risk: Some chance that projects in the model could not pay debt service obligations to the County, triggering the County's loan guarantee;
    - High risk: High chance that projects in the model could not pay debt service obligations to the County, triggering the County's loan guarantee;
- The potential partners involved, including underrepresented housing developers;
- An assessment of potential shovel-ready projects that would benefit from the program
- The income level served, and
- The number of units that could be developed.

[322] See Appendix D. "Glossary" for definition of Debt Service Coverage Ratio and other terms.

Following the program model analyses, this section outlines alternative models that could meet some of the goals of this initiative including:

- Model D: master leasing;
- Model E: credit enhancement, and
- Model F: expansion of workforce housing capital funding.

Next, this section assesses whether a demonstration project would be beneficial to implement this initiative. This section then concludes with an analysis of implementation considerations that apply to any program model, including:

- Staffing and other administrative needs;
- The geographic distribution of housing projects;
- The use of public property for this initiative;
- Environmental standards;
- Fair labor practices, and
- Wrap around services.[323]

B. Assumptions

The Workgroup developed and analyzed the following program models using actual project pro formas, information provided by private and nonprofit developers, and program data from the County and WSHFC.[324] The Workgroup modeled a range of scenarios with different levels of County investment. The Workgroup evaluated numerous project examples to test feasibility, ultimately settling upon the following assumptions to illustrate the order of magnitude impact for each program model.

See Subsection V.C. "Analysis" for more detailed financial modeling assumptions.

Subregional Market Variation

The housing market varies significantly within the County. The Workgroup developed versions of each financial model for Seattle and Shoreline, East King County, and South King County submarkets to determine if certain market conditions and construction types in submarkets affect the program in a way that would make implementation more or less feasible in a specific portion of King County. In reality, subregions do not have unilaterally constant market conditions or construction typologies. Data associated with submarkets illustrates three types of market variation and do not reflect the full range of housing market conditions across all neighborhoods and jurisdictions within each area.

See Appendix G. for how King County was divided geographically.

Investment Level Scenarios

The Workgroup divided the County investments for projects into three categories for purposes of financial model analysis. These descriptive terms relate to the County's role as a primary or subordinate lender and the amount of debt from the County relative to the other lender(s).

- Minimal investment level scenario (**Minimal**) = King County is a subordinate lender behind a senior private lender and provides a minimal level of debt for the project, a lower debt service coverage ratio compared to the senior lender, and a 30-year amortization schedule.

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[323] See Appendix D. "Glossary" for definition of wrap around services and other terms.
[324] See Appendix D. "Glossary" for definition of pro-forma and other terms.

- Moderate investment level scenario (**Moderate**) = King County is a subordinate lender behind a senior private lender and provides a moderate level of debt for the project, a moderate debt service coverage ratio, and a 30-year amortization schedule.
- Maximum investment level scenario (**Maximum**) = King County provides all debt financing the project can carry, the least demanding debt service coverage ratio, and longest amortization schedule.

Project Size

This analysis assumes the average size of a multifamily housing project is 160 units. The Workgroup derived these assumptions based on the average size of WSHFC four percent tax credit projects.[325] The feasibility analysis of the homeownership construction loan program is based on assumed costs for a single housing unit.[326]

Total Development Costs

This analysis assumes the average cost for new construction per unit is $450,000 per unit for multifamily new construction and $375,000 for acquisition of existing multifamily housing. It assumes homeownership costs range between $550,000 and $875,000 to account for production of housing in multifamily settings (co-op or condominiums), townhomes, and single family detached housing.

The multifamily estimates are based on low-end estimates from WSHFC data on four percent LIHTC projects.[327] Using estimates of total development costs based on historic information underestimates future costs as development costs rise.

The Workgroup's analysis did not explicitly model variations in parking in a project or green building standards. However, the Workgroup used recent data from real projects to establish average development costs, which would include assumptions for parking and green building standards above minimum code requirements.

Unit Sizes

This analysis models projects with different mixtures of unit sizes ranging from studios to three-bedrooms. The program models assumed projects would contain 60 percent small units (studios and one-bedrooms) and 40 percent larger units (two- and three-bedrooms). The mix of units blends the economic impacts of the different types of unit sizes without skewing the results by over-relying on high rents (large units) or low development costs (small units).

Income-Restricted Units

The Workgroup modeled projects with different mixes of income levels served, primarily attempting to maximize rental revenue by increasing the share of higher income renters. See Exhibits 20, 21, 22, and 23 for investment level scenarios, given income level assumptions for each program model in each submarket.

The Workgroup adjusted income assumptions based on current market conditions in the submarkets. The Workgroup identified few submarkets that may have enough demand to support rents over the 80 percent AMI rent level. The Workgroup included one analysis for units serving households with incomes

[325] Washington State Housing Finance Commission. *Multifamily Bond/Tax Credit Program*. [Link]
[326] Data collected by Grow America through consultation with nonprofit homeowner agencies.
[327] Washington State Housing Finance Commission. *Multifamily Bond/Tax Credit Program*. [Link]

at 100 percent AMI. Given that other submarkets do not currently support rents over the 80 percent AMI rent level, other analysis was performed with the assumption that all units were below 80 percent AMI.

As described in the legal analysis in the previous section, nonprofit tax rules applicable to 501(c)(3) organizations providing affordable housing impose limits on the percentage of units available to serve households with incomes above 80 percent AMI in the financial models.[328]

Rental Revenue

For the purpose of the modeling in this Plan, the Workgroup assumed rents at the maximum affordable rent per the King County rent limits by income level, less a utility allowance for each unit type, unless those rents exceeded the median fair market rent. Regional market variations were considered, so the modeling uses submarkets as proxies for reflecting an analysis where the current, as of May 2025, median fair market rent is lower than the current King County income restricted rent. Specifically, rent was constrained for studios and one-bedrooms in the South King and Seattle Areas to reflect this market condition in the analysis.

Sales Prices

The Workgroup analyzed the relationship of the total development costs for homeownership units to an affordable sales price after deducting utility allowances to evaluate the program feasibility and a revolving loan fund for construction of ownership housing. The Workgroup evaluated three Total Development Cost assumptions, ranging from $480,000 for a condominium unit to $765,000 for a townhome and $860,000 for a single-family detached house.

Operating Expenses

Operating costs refer to the ongoing expenses that are needed to manage and maintain a property. The Workgroup assumed annual operating costs of $8,000 per unit, based on numerous private proformas and actual operating expenses of affordable rental housing projects in the County portfolio serving low-income households. This estimate is on the low end of operating expenses seen in recent years and may understate the cost to operate low-income housing in the future.

Debt Service

The maximum investment level scenarios include the least demanding debt service terms and the longest amortization schedule. In maximum scenarios, the County used a 1.1 debt service coverage ratio, meaning that a housing operator needs to generate net operating income that is 110 percent of its debt service obligations. Most affordable housing underwriting requires a 1.2 to 1.3 debt service coverage ratio, so a 1.1 represents higher risk for the County. The maximum scenario also included a 40-year amortization schedule with a 30-year term, meaning that there would be a balloon payment required of the housing provider in year 30 to pay off King County's debt. While private market owners often use this structure and refinance or sell a development at the end of the loan's term, the covenant and income restrictions on these buildings could make refinancing much more challenging.

Interest Rates

The Workgroup utilized the best information available in April 2025 related to interest rates. These rates can change based on economic conditions. The Workgroup assumed an interest rate of 4.52 percent for a 30-year term for the multifamily rental housing and the acquisition and conversion program models,

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[328] Internal Revenue Service. (1996). Revenue Procedure 96-32. [Link]

and an interest rate of 2.96 for a five-year term for the revolving construction loan fund for affordable homeownership. To determine the lowest threshold for feasibility, the Workgroup assumed the County would pass on its lowest available interest rates to borrowers without any mark-up to pay for administration or a cash reserve fund.

C. Analysis

Model A: Long-term Financing for New Multifamily Rental Housing

Program Description

In this model, the County would provide permanent financing for multifamily rental housing projects. Projects in this model would repay debt and operating expenses using rental income. The County's loans would be secured by a covenant and deed of trust. For modeling purposes, bond funding was not adjusted for administrative or risk purposes.[329]

Financing Tool

The County would issue 30-year tax-exempt general obligation bonds to provide capital to these projects. Model A assumes no interest-rate mark-up and passes on the fully amortizing loan. The Workgroup analyzed scenarios as both a subordinate lender to a senior private lender (minimum) and a scenario in which the County replaces all private debt (maximum). The maximum scenario included a 40-year amortization, which requires a balloon payment in year 30.

Potential Partners, Including Underrepresented Housing Developers

Tax exempt governmental or 501(C)(3) bonds are limited to housing authorities and public development authorities or 501(c)(3) nonprofit organizations, respectively, and cannot serve for-profit developers.

Historically and currently underrepresented developers could serve as partners in this program model. The County may require a development partner to mitigate risk, depending on the experience, staff capacity, and housing portfolio of the underrepresented developer.

Shovel Ready

Market rate and nonprofit developers shared information with the Workgroup about specific projects in their pipelines that are shovel ready that they believe could move forward more quickly with County financing.[330] If the County had additional soft debt or equity it could pair with a debt product to make projects financially feasible, there would be projects that could start construction relatively quickly. However, the Workgroup does not recommend identifying any new projects. Rather, there are projects in the Housing Finance Program pipeline waiting for a funding commitment that could move forward sooner with a new funding source. None of the project concepts shared with the Workgroup were substantively more viable than current Housing Finance Program pipeline projects.

Area Median Incomes Served

The Workgroup assessed the financial feasibility of project models with a variety of units affordable to households with incomes between 60 percent and 100 percent AMI. Variation in fair market rents by subregion affect the achievable rents and therefore the AMI levels served.[331] The Workgroup modeled multifamily rental housing projects in East King County with 25 percent of the units affordable to

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[329] This means the bond interest rates were not increased to account for administration costs for the new program.
[330] See Appendix D. "Glossary" for definition of shovel ready and other terms.
[331] Achievable rents refer to a realistic rent level that a housing project can collect from tenants, based on local market conditions.

households with incomes at or below 100 percent AMI. *See Appendix K. for more details about unit mixes modeled.*

Potential Public Benefits

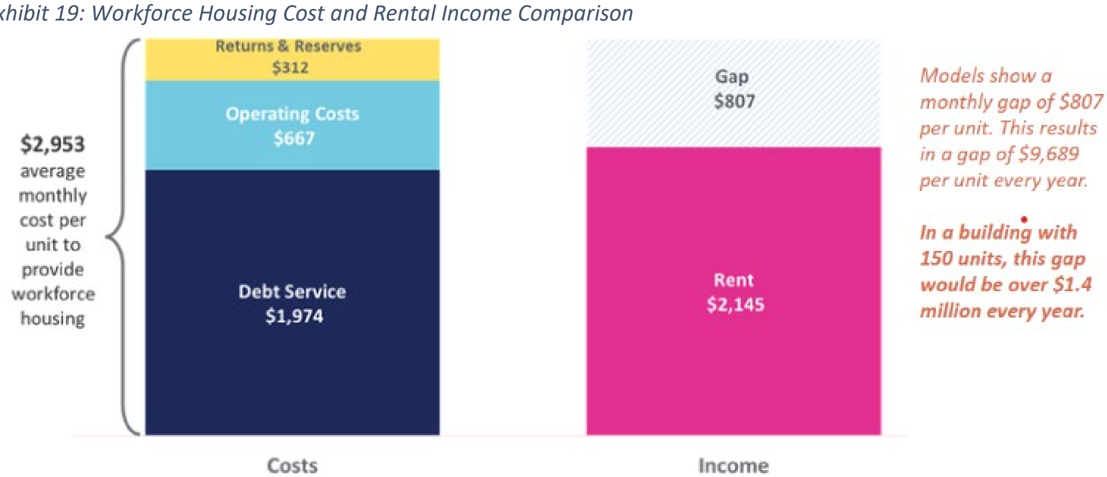
If the model were financially feasible, it could reduce housing cost burden among workforce households. Imposing an affordability covenant would ensure the units remain affordable long-term. Restricting the units to low or moderate-income households would also reduce competition for income-qualified households seeking housing. Creating more housing that serves a wider range of income levels could also reduce economic segregation.

Offering financing at interest rates lower than private debt could stimulate housing production and supply overall, resulting in a slight positive effect on housing affordability from a macro-economic perspective.

Feasibility

Exhibit 19 compares the monthly costs and income for a projected workforce housing unit, revealing a financial gap. Costs include returns and reserves, operating costs, and debt service. Returns and reserve requirements refer to an estimated amount of funds needed to be set aside from revenue to cover future needs. These needs may include capital reserves to fund major repairs, replacements, or operating reserves to fund unforeseen expenses. Income includes rent and gap funding. Gap funding refers to additional financial resources needed to cover the difference between the total project's cost and the amount already obtained and/or committed through funding sources. Affordable housing operational costs are shown as an estimate per unit per month. Rents are based on modeling in East King County.

Exhibit 19: Workforce Housing Cost and Rental Income Comparison



The Workgroup's analysis found that this program model on its own produces no new units of affordable housing under current market conditions. Even when King County maximizes the benefit of its interest rate by financing all of the debt that a project could pay with its rental income, the financial models show that projects still have funding gaps ranging from approximately $14 million to $24 million per project.

The Workgroup analyzed several scenarios with varying assumptions to evaluate the financial feasibility of this program model. The following two exhibits demonstrate the difference between a Minimal scenario, where the County is a subordinate lender, and Maximum scenario where the County provides all debt financing the project can carry to maximize the benefit of the County's lower interest rate.

The projects modeled need patient capital with no repayment expectations in the first 15 to 20 years to be financially viable and to serve workforce households. This is similar to the role impact investors and other municipalities play in taking greater risk and expecting repayment through future refinancing or sales.

Exhibit 20 shows a minimal investment level scenario where the County provides subordinate debt financing of $2.6 million to $3.2 million per project across three subregions, behind a senior private lender. The variations by submarket reflect conditions where a) studios and one-bedroom units do not exceed 60 percent AMI (South King); b) studio units do not exceed 60 percent AMI (Seattle and Shoreline) and c) 25 percent of units are at 80 percent AMI or higher (East King). At these levels, projects in Seattle and Shoreline, East King County, and South King County show remaining gaps between $25 million and $32.6 million per project. These subregions are used as proxies to illustrate financial feasibility and do not reflect the full range of housing market conditions across all neighborhoods and jurisdictions within each area.

Exhibit 20: Minimal Investment Level Scenario Financial Model Summary for Long-Term Financing for Multifamily Rental Housing: Low-Risk, King County as Subordinate Lender

	Seattle and Shoreline	East King County	South King County
Total Development Costs	$72,000,000	$72,000,000	$72,000,000
King County Loan	$2,711,580	$3,194,394	$2,640,688
Percent of Total Development Costs Financed by King County	3.8%	4.4%	3.7%
Remaining Gap	$31,541,148	$25,460,629	$32,598,910

To maximize the value of the County's lower interest rate, Exhibit 21 shows a maximum investment level scenario where the County provides all debt a project can carry, between $38.8 million and $47 million per project across three subregions. In this scenario, the County replaces the private lender and the County financing reduces the per-project gaps by $9 to $11 million, leaving gaps of $13.7 million to $23.6 million per project.

Exhibit 21: Maximum Investment Level Scenario Financial Model Summary for Long-Term Financing for Multifamily Rental Housing: High Risk, King County Providing all Financing

	Seattle and Shoreline	East King County	South King County
Total Development Costs	$72,000,000	$72,000,000	$72,000,000
King County Loan	$39,920,000	$47,024,000	$38,873,814
Percent of Total Development Costs Financed by King County	55%	65%	54%
Remaining Gap	$22,580,302	$13,780,803	$23,872,337

These scenarios show that Model A, King County multifamily bond financing, alone does not produce new multifamily projects or units. To be feasible, a bond product would need to be paired with additional soft debt (debt not requiring repayment) from the County or private equity sources to close the financial gaps and generate new units.

Alternatively, as exhibited by other cities, a specific fund may be established that provides short-term bond-funded investments that rely on property refinancing and recapitalizations to repay the principal and interest of the bonds, similar to the impact equity models.

Risk Level

High

Given May 2025 market conditions, with declining rents, rising vacancies, and increased operating costs, there is a high risk that units at 60-100% AMI price range will remain vacant or rents will not be sufficient to pay operating costs and debt service.[332] If projects cannot pay their full debt service, the County would be required to make those payments, putting its General Fund and AAA credit rating at risk.

As a direct lender in multifamily housing, the County carries more risk in projects which could impact the County's credit. Loan underwriting, servicing, and workouts will inform the Workgroup over time, regarding the evaluation of risk for lending funds to projects.[333] These risks can be mitigated to a degree, but the program, does not provide additional resources for expanded staff responsibilities. There is no margin for interest-rate mark-up or reserve funding to cover losses that may occur. As a subordinate lender, the County benefits from the first lender's loan underwriting, but it also is a riskier position to take. However, in the models analyzed by the Workgroup, this option was still insufficient to fill the full funding needs for these projects.

Model B: Acquisition and Conversion of Multifamily Rental Housing

Program Description

In this model, the County would finance third-party acquisition of existing housing projects and ensure their affordability long-term. The costs for acquiring existing housing can be cheaper than new construction and include an immediate, existing rental revenue stream. This is distinct from acquiring new construction, which for modeling purposes, is more aligned with Model A, long-term financing for new multifamily rental housing.

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[332] See Subsection II.E. "Housing Market Conditions" for more information.

[333] Workouts refer to a negotiated restructuring of loan terms between a borrower and lender.

Financing Tool

The County would issue tax-exempt general obligation bonds to finance permanent loans to a third-party to purchase and operate an existing multifamily rental housing property. Model B assumes no interest-rate mark-up and passes on the fully amortizing loan. The Executive analyzed scenarios as both a subordinate lender to a senior private lender and a maximum scenario in which the County replaces all private debt. The most aggressive scenario included a 40-year amortization, which requires a balloon payment in year 30.

Potential Partners, Including Underrepresented Housing Developers

The King County Housing Authority (KCHA) has a demonstrated history of acquiring and ensuring long term affordability of existing housing and may be open to exploring a partnership in this program model. Some for-profit housing developers have also expressed interest to the Workgroup in selling newly constructed buildings as well as existing buildings in operation to the County.

Shovel Ready

The benefit of the acquisition and conversion program model is that the project is not subject to construction risk because the buildings are already constructed, thereby reducing risk that construction may not be completed. Some multifamily rental housing property owners have already expressed interest to the Workgroup in selling their properties.

Area Median Incomes Served

The Workgroup assessed the financial feasibility of project models with a variety of units affordable to households with incomes between 60 percent and 100 percent AMI. Variation in fair market rents by subregion affect the achievable rents and therefore the AMI levels served. The Workgroup modeled multifamily rental housing projects in East King County with 25 percent of the units affordable to households with incomes at or below 100 percent AMI.

See Appendix K. for details about the unit mixes modeled.

Potential Public Benefits

If the model were financially feasible, it could reduce housing cost burden among workforce households. Imposing an affordability covenant would ensure the units remain affordable long-term. Restricting the units to low or moderate-income households would also reduce competition for income-qualified households seeking housing. Creating more housing that serves a wider range of income levels could also reduce economic segregation.

Feasibility

The Workgroup analyzed a range of models with varying assumptions to determine the financial feasibility of this program model. Model B is based on the same assumptions as Model A, long-term financing for new multifamily rental housing, except that the Total Development Cost for the project is lower.

Exhibit 22 shows how much debt the County would provide, the percentage of the project's total development costs, and the remaining financing gap in the Seattle and Shoreline, East King County, and South King County submarkets in a minimal investment level scenario if the County chose to serve as a subordinate lender to mitigate risk to the County.[334]

[334] See Appendix D. “Glossary” for definition of financing gaps and other terms.

Exhibit 22: Minimal Investment Level Scenario Financial Model Summary for Acquisition and Conversion to Affordable Housing: Low-Risk, King County as Subordinate Lender

	Seattle and Shoreline	East King County	South King County
Total Purchase Costs	$60,000,000	$60,000,000	$60,000,000
King County Loan	$2,711,580	$3,194,394	$2,640,688
Percent of Purchase Financed by King County	4.5%	5.3%	4.4%
Remaining Gap	$19,002,540	$11,702,675	$20,074,382

Exhibit 23 shows how much financing the County would provide, the percentage of the projects total development costs, and the remaining financing gap in the Seattle and Shoreline, East King County, and South King County submarkets in a maximum investment level scenario if the County provided all the financing that the projects could carry to maximize the benefit of the County's lower interest rate.

Exhibit 23: Maximum Investment Level Scenario Financial Model Summary for Acquisition and Conversion to Affordable Housing

	Seattle and Shoreline	East King County	South King County
Total Purchase Costs	$60,000,000	$60,000,000	$60,000,000
King County Loan	$39,920,000	$47,024,000	$38,873,814
Percent of Purchase Financed by King County	67%	78%	65%
Remaining Gap	$10,580,302	$1,780,803	$11,872,337

The acquisition model using bond financing on its own results in no new units of affordable housing. The model indicates that in all scenarios, County debt at 4.52 percent is insufficient to fill the capital needs of acquiring multifamily housing projects and converting them to affordable workforce housing.

The model indicates that projects still have funding gaps in the range of $2 to 12 million per project. After receiving bond financing, additional soft debt is needed to close the gaps. Model B, acquisition and conversion of multifamily rental housing, may be feasible for properties available for less than the assumed sale price ($350,000 per unit) and targeting higher incomes, as the market for East King County can collect an 80 percent AMI rent. Properties with lower prices and higher rents would need to be evaluated for capital needs and market demand.

Alternatively, as exhibited by other cities, a specific fund may be established that provides short-term bond-funded investments that rely on property refinancing and recapitalizations to repay the principal and interest of the bonds, similar to the impact equity models. Due to the success of KCHA in this area, it may be advantageous to explore whether an alternative financing structure not reliant on 30-year amortized debt is viable.

Risk Level

High

As a direct lender in multifamily housing, loan underwriting, servicing and workouts for projects will place significant risk on King County's credit. These risks can be mitigated to a degree, but the program modeling does not afford any margin for interest-rate mark-up or reserve funding to cover losses that may occur. As a subordinate lender, the County benefits from a first lender's loan underwriting, but it also is a riskier position to take in the event of a default.

On the positive side, these buildings are already generating rent that can be used for debt service payments. On the negative side, existing buildings' ages, unit sizes, vacancy rates, and physical conditions could increase operations and maintenance costs, increasing the risk of projects not paying their debt service.

Vacant Land

The Workgroup separated acquisition for buildings from acquisition for vacant land in the analysis. The Workgroup did not evaluate acquisition of vacant land because that activity does not generate rent to repay debt service, as called for by the Motion. This makes the acquisition of land with bond financing a high-risk activity. The County currently operates the Interim Loan Program which provides predevelopment financing, including land acquisition, for affordable projects serving populations with incomes at or below 50 percent AMI.[335] The Interim Loan Program is a deferred loan product that is repaid from the permanent financing sources, in approximately two to four years.

Model C: Revolving Loan Fund for Construction of Ownership Housing

Program Description

In this program model, the County finances the construction of permanently affordable homeownership. Unlike the two rental models, this would be short-term, not permanent, financing. This program model is not tied to a specific ownership model, so it could support a community land trust, shared equity co-op, condominium, or individual housing unit with a resale restriction to ensure long term affordability. The model considers whether there is economic benefit for nonprofit developers to access King County bond financing for short-term construction loans.

Financing Tool

The County would issue general obligation bonds and make construction loans to developers of new homeownership developments, potentially through a partner lending institution, such as a Community Development Financial Institution (CDFI). The terms of the loans are likely to be for two to five years, and the interest is set at the County's five-year bond rate (2.96 percent for nonprofits as of May 2025). The County's loan would be repaid upon sale of the home and made available to re-lend if County spending authority is sufficient to recycle the funds.

County debt would be repaid as interest-only through the construction period and then paid off in full when the homes sell.

Shovel Ready

The County's nonprofit housing developers have shovel ready projects in the development pipeline. These developers layer multiple fund sources to fund the construction of their projects, and most public sources are available to fund the construction period. However, they also rely on construction loans to be repaid through the sales of homes. These construction loans are sized to fit the affordable sales price and represent 20 to 60 percent of the Total Development Costs. These developers have difficulty sourcing construction loans, especially for innovative co-op styles.

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[335] King County. (2025). *Housing Finance Program.* [Link]

Potential Partners, Including Underrepresented Housing Developers

There are multiple other programs supporting affordable homeownership that could complement a revolving construction loan fund. The WSHFC administers the Covenant Homeownership Program, which provides down payment assistance to people impacted by housing discrimination to become homeowners.

The Black Homeownership Initiative and other affordable homeownership development agencies, including underrepresented housing developers, have expressed strong interest in supporting a revolving construction loan fund for homeownership development and are working on a report for the State Legislature through the Housing Development Consortium.

This model relies on a partnership with a homeownership lender, possibly a CDFI. While the County provides financing during construction, administering a construction loan requires monthly monitoring, loan servicing, and billing that is not within the capabilities of the Workgroup. The costs for administering this model internally or through such a partnership are not included in the following financial analysis.

Area Median Incomes Served

Affordable homeownership units would be affordable to households with incomes between 60 and 80 percent AMI.

Potential Public Benefits

Affordable homeownership increases housing stability as a mortgage is a relatively stable and predictable housing cost. Affordable homeownership is also a key anti-displacement tool, protecting households from being priced out if housing costs increase across the surrounding neighborhood.

Existing construction financing for affordable homeownership has the highest interest rates of any program model analyzed in this plan. The increased availability of homeownership funding for nonprofits is a priority in Model F, capital funding expansion.

Feasibility

The Workgroup's analysis found that this program model on its own produces no units of affordable housing because the construction period financing costs make up a small share of the typical housing development costs. Consultation with nonprofit homeownership agencies indicated other sources of support are needed such as development support with investments that remain in the project such as land trust models or projects with resale covenants.[336]

Model C, revolving loan fund for construction of ownership housing, assumes the County offers a two-year construction term and a rate of 2.96 percent, a significant rate savings compared to current quoted rates between seven percent and 10 percent. The factors used to illustrate the potential benefits of the program include different loan sizes based on different project costs. The results illustrate a potential benefit to projects ranging from $25,000 to $40,000 per unit, as shown in Exhibit 24.

[336] Input from engagement meeting with affordable homeownership agencies. (2025, January 28).

Exhibit 24: Model C Minimal, Moderate, and Maximum Investment Level Scenarios

	Minimal	Moderate	Maximum
TDC (per unit)	$550,000	$725,000	$875,000
Loan to Cost	45%	45%	45%
Total Debt Amount	$247,500	$326,250	$393,750
Debt Term (in years)	2	2	2
Private Debt			
Interest Rate	8%	8%	8%
Construction Interest	$39,600	$52,200	$63,000
Interest as Percent of TDC	7%	7%	7%
County Bond Debt			
Interest Rate	2.96%	2.96%	2.96%
Construction Interest	$14,652	$19,314	$23,310
Interest as Percent of TDC	2.67%	2.67%	2.67%
Difference in Private and County Debt			
Interest Rate Difference	5.04%	5.04%	5.04%
Construction Interest Difference	$24,948	$32,886	$39,690
Affordability			
Affordable Purchase Price (80% AMI)	$420,000	$420,000	$420,000
Affordability Gap	$130,000	$305,000	$455,000

The affordable purchase price is estimated based on a 30-year mortgage payment equal to the 80 percent rent limit and a ten percent downpayment.

Project-level data from nonprofit housing developers indicate that they typically spend less than $32,000 per unit (four percent of TDC) on construction financing, as shown in Exhibit 25. However, based on the budgets of actual affordable housing developers as shown in Exhibit 25, cost savings is less than $15,000 per unit because they are more efficient than the model above assumes. The nonprofit developers generally pay four percent of their total development costs on construction finance and spend on average $24,159 per unit on these costs. The savings from a lower interest rate alone is a small project benefit.

Exhibit 25: Model C Example Projects

Per Unit	Project 1	Project 2	Project 3
Interest Rate	7%	10%	8%
Construction Loan	$196,562	$318,134	$315,000
Loan to TDC	22.75%	44.05%	56.92%
TDC	$864,035	$722,223	$553,422
Construction Financing Costs	$31,078	$27,826	$24,570
Percent of TDC	3.60%	3.85%	4.44%

Nonprofit affordable homeownership developers have difficulty obtaining both low-cost construction loans and permanent sources. An alternative recommendation may be to set up a revolving fund source that is available for construction and repaid on sales. However, this type of assistance is not realistic as defined in the Motion as a bond-financed credit instrument and is more compatible with Model F., capital funding expansion.

Potential Public Benefit

Affordable homeownership developers shared difficulties securing construction financing and paying higher interest rates than the other program models analyzed in this section. However, funding for this model alone does not produce significant public benefit. The analysis concludes that homeownership programs need other forms of financial subsidy.

Risk Level

High

Affordable homeownership development would pose different risks to the County than financing rental housing. Homeownership development projects have historically been significantly smaller, typically fewer than a dozen townhomes or detached single family homes. A smaller scale project defaulting would have a smaller financial impact to King County and would therefore be lower risk on a project-to-project basis.

The construction program is limited but is secured by permanent financing sources. Presuming funding will not proceed without identifying those permanent fund sources, County financial risks are lessened. However, because affordable housing developers are having difficulty securing financing and paying higher rates, it has been a higher risk model than large multifamily rental housing due to the limited sources of subordinate funding for homeowners. Development of larger multifamily ownership housing is relatively untested in King County and would therefore be higher risk. Due to King County's inexperience in managing construction financing, this is categorized as a high-risk investment and could be lessened with partnership with experienced lenders.

D. Alternate Models Considered

The Workgroup developed and analyzed alternate models expressly identified in the Motion (Master Leasing) and other existing County programs (credit enhancement and expansion of capital funding, to consider whether these tools could advance the Regional Workforce Housing Initiative. Each of the models requires different funding commitments from King County and achieves different results. The credit enhancement and expansion of capital funding have the lowest risk and greatest potential for public benefit.

Model D: Master Leasing

Program Description

Master leasing is an arrangement that could enable the County to support new buildings but is not dependent on using its bond capacity. The building would be privately financed, but the County would guarantee the rental income for the property and could potentially assume full ownership of the property when the debt is paid off. King County funds agencies through VSHSL and Health Through Housing that utilize master leasing to serve target populations and guarantee rental incomes.

Financing Tool

The County contracts with a housing provider to guarantee rental income for a set period of time or the life of the project. The private developer obtains capital financing and manages the property. The County specifies the population to be served and contributes to operating deficits. Over the life of the project, if rental income exceeds operating costs, the provider shares revenue with the County. In one model of master leasing, when the capital financing debt is paid in full, the County may retain ownership of the asset, though not all master leasing arrangements result in County ownership.

Shovel Ready

There are permit ready developments in need of financing who have expressed interest in obtaining a Master Lease arrangement with the County.

Potential Partners, Including Underrepresented Housing Developers

For-profit and nonprofit developers would welcome this arrangement, and the County could use it to support underrepresented housing developers.

Area Median Incomes Served

These are set by the County and could serve all incomes. King County funds would be restricted to low-income households, consistent with current laws, but these could be a minor share of the units. The lower the incomes served, the lower rental revenues are over the life of the property, thus increasing the master leasing subsidy costs.

Potential Public Benefits

Master leasing provides stable affordable housing options for residents of the County. This is potentially most impactful for residents unable to obtain a private lease due to personal circumstances, such as those with past experiences of eviction and homelessness.

Feasibility

The models for a project serving 60 to 80 percent AMI indicates that the County would need to provide operating subsidies to cover losses for the first decade of a building's operations, and potentially longer. The County's existing operating subsidies are fully committed for homeless service programs, leaving no available funding for additional master leasing. Additionally, owners may defer maintenance if the master leasing arrangement involves eventual County ownership, raising future operations and maintenance costs once ownership is transferred.

Risk Level

High

The model carries high risk in the market because rents have declined and operating costs increased across housing throughout the County, so that rental revenues are insufficient to cover building operations and financing costs. The County would have to secure a new source of operating funds to make lease payments for buildings until operating revenues are sufficient to cover debt obligations.[337]

The master leasing model is not appropriate for the Regional Workforce Housing Initiative. Unlike the other models in this Plan, it would not utilize the County's debt capacity. The Workgroup's analysis showed the model would further strain operating subsidies, potentially diverting them from households experiencing or at risk of homelessness.

Model E: Credit Enhancement Program Updates

Program Description

The King County Council originally authorized the credit enhancement program in 1997.[338] For the last decade, the sole beneficiary has been the King County Housing Authority, to increase large scale preservation activities. KCHA is a strong housing authority with a track record of significant and successful housing development.[339] KCHA utilized the program to secure better interest rates for bonds it issued to acquire multifamily housing developments. Specifically, KCHA received a small interest rate reduction from its bondholders or primary lender. Presently, KCHA has an excellent credit rating and would not receive significant benefit from the program, so King County and KCHA allowed their agreement for credit enhancement participation to conclude. KCHA has no plans to utilize it in the near term.[340]

For the credit enhancement program, the County pledges to loan funds to a borrower if it does not have sufficient funds to refill a bond debt service reserve fund or to make its debt service payments. Under a contingent loan agreement, the County agrees to make loans to refill a bond debt service reserve fund or to pay debt service on bonds issued by or a loan incurred by the borrower. The credit rating on the borrower's debt is enhanced by the contingent loan agreement. Bond investors purchase the borrower's bonds or private lenders make a loan to the borrower. The County charges a fee to the borrower for enhancing the credit on the borrower's debt, and to cover the risk that the County may be called upon to make loans under the contingent loan agreement. The fee covers administration and may be used to fund a reserve account to pay for any loan obligations.

Financing Tool

The contingent loan agreement obligates the County to make loans if and when necessary to refill the bond debt service reserve fund or to pay debt service on the borrower's debt. The credit enhancement program does not require the County to issue bonds (except if necessary to fund loans not covered by cash reserves), but it would affect the County's balance sheet and debt capacity.

Bond investors or private lenders provide the capital sources with their own independent underwriting terms and conditions. In order to expand this tool to other borrowers, the County may have an obligation to pay off a private loan and take ownership of a project. Exercising a County ownership

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[337] Consultation with Acting Deputy Housing and Community Development Division Director, Kristin Pula. (2025, April).

[338] The Seattle Medium. (2008, April 30). *Council Backs Affordable Workforce Housing.* [Link]

[339] King County Housing Authority. [Link]

[340] Input from engagement meeting with the King County Housing Authority. (2025, January 16).

option may require participating projects to meet underwriting criteria similar to the requirements for bond financing.

Shovel Ready

There are affordable housing projects in the pipeline that are facing financing challenges that may benefit from a loan guarantee. The County would need one year for program design and consultation with potential developers and private lenders to expand credit enhancement. The Workgroup would identify lending partners that would provide more favorable financing terms as a result of a project having credit enhancement. Partnerships with private lenders may involve developing shared underwriting criteria and reviewing loan document conditions to set projects up for success.

Potential Partners, Including Underrepresented Housing Developers

The current credit enhancement program partner, KCHA, finds limited utility in this program because of the strength of its own credit rating. However, with revised guidelines and a code amendment to effectuate them, the model may benefit nonprofit developers, other housing authorities, or public development authorities. The underrepresented housing developers with limited balance sheets may benefit the most.

Area Median Incomes Served

Due to the obligation of County debt, the credit enhancement program would be designed to serve projects with no more than 25 percent of the housing serving moderate income households, those over 80 percent AMI. The Workgroup's analysis indicates that most of the housing made possible by this program would serve households under 80 percent AMI. If paired with other housing subsidies, it may reach lower income households.

Potential Public Benefits

Expanding credit enhancement carries the potential for substantial public benefit. It may open pathways for organizations to develop and operate housing that currently face challenges securing financing or may provide access to lower interest rates, resulting in lower total development cost. This could also be used as an anti-displacement tool to support development in communities at risk of displacement such as Skyway and White Center. The impact of the program would also depend on the County taking higher risk to guarantee loans for a wider range of developers. This risk could be mitigated by specific project underwriting and underlying investment by exiting or expanded Housing Finance Program deferred loans.

The County has limited experience administering this program in recent years and would need to develop policies and expertise to implement it effectively. The County would need to develop the program further to determine whether credit enhancement could improve a project's credit rating enough for a new, community-based developer without a balance sheet to obtain their first loan and a path to fund a reserve to cover any potential defaults of a borrower.

If successful, the credit enhancement program could stimulate the production of more housing, and restricting units to households with certain incomes through a covenant or regulatory agreement can ensure housing remains affordable long-term. It would also reduce competition for income-qualified households seeking housing. Creating more buildings that have a wider range of income levels could also provide a public benefit of reducing economic segregation and increasing mixed income communities.

Feasibility

The legal pathway is clear for assisting low-income housing developments through credit enhancement. A bond declaratory judgment would provide clarity regarding the program's inclusion of moderate-income housing.[341]

The benefit of the program for supporting underrepresented housing developers depends on private lenders' willingness to provide more favorable financing terms to projects with County credit enhancement. The County's level of tolerance for risk and total credit authorization limit also affect the potential benefits that program could provide.

Risk Level

Low

The risk to the County in a credit enhancement program is dependent on factors such as underwriting criteria, loan size, and the applicant's development track record. The County can mitigate risk by limiting credit limits, funding a reserve account, and identifying a revenue source to back debt payments owed by the borrower. King County is not included on the primary deed and note, and therefore is not obligated to take over debt servicing or to take on the property through a foreclosure. King County can further mitigate its risks by charging an origination and monitoring fee to pay for administration and to fund a reserve account. However, the higher these fees, the less attractive the loan guarantee is to borrowers.

Model F: Capital Funding Expansion

Program Description

The last alternative may be viewed as expanding the County's current housing capital program. The County typically provides deferred loans to affordable multifamily and homeownership projects through a competitive allocation process. When bonds are used to finance Housing Finance Program loans, the county repays them through a dedicated revenue source. Currently, the Housing Finance Program uses revenues from lodging taxes and short-term lodging revenues.[342]

Because the financing of these projects does not rely on repayment from rents, these units can serve lower-income households than they could if projects had to make full debt service payments from rents. Transit-Oriented Development (TOD) loans currently require a one percent annual interest payment from borrowers. This payment funds DCHS staff who administer the program and does not go toward the County's debt service payment. Due to available public leverage, the County achieves one new unit of affordable housing for approximately $80,000 of County investment.

The County would need a new revenue source to expand its existing deferred loan program to serve the full income range of workforce households because many current housing funding sources are legally required to serve households earning 50 percent AMI and below. TOD funds are technically available to support affordable housing projects serving households earning 80 percent of AMI and below, but due to other funding priorities, they primarily serve lower income populations. Appendix F. describes the current Housing Finance Program funding sources and uses.

[341] See Subsection IV.D. "Legal Analysis" for more information.

[342] See Appendix F. for enabling legislation for all housing capital fund sources.

With a new revenue source, the Housing Finance Program could include a solicitation for workforce housing projects that serve both moderate-income and low-income households through a competitive application process. With a new revenue source, the County could continue to prioritize existing funding for units serving low and very low-income households while expanding the types of projects and populations its serves to include higher income bands of the workforce.

Because projects serving over 60 percent AMI are not typically eligible for other sources of equity like tax credits, the County should expect to contribute higher than current Housing Finance Program amounts ($80,000 per unit) to produce these units for higher income households.

Financing Tool

The Housing Finance Program administers deferred loans for homeownership and multifamily housing developments over 50 years. Most have no interest payments over the life of the loan. The County uses dedicated tax revenue to pay the debt service on taxable general obligation bonds and finance housing construction.

Shovel Ready

The affordable housing pipeline is significant, and developers are constrained by the limited soft debt available. All funding for low-income housing is constrained at the local, state, and federal level, so there are projects delayed indefinitely due to funding limitations. Additional soft debt would enable these projects to begin construction.

Potential Partners, Including Underrepresented Housing Developers

The County primarily partners with nonprofits and housing authorities, and many developments involve partnerships with private consultants or developers. Underrepresented housing developers typically require a soft source of capital to jumpstart their efforts in the affordable housing sector. The Equitable Development Initiative Phase 1 and Phase 2 plans discuss community-based organizations need for capacity and predevelopment funding.[343]

Area Median Incomes Served

Based on this research, developers struggle to finance projects, including those with significant portions of units affordable to households over 60 percent AMI. Reaching these households may require deeper County investment, since other public funding sources are not eligible. If project financing for moderate-income households is a policy priority, a bond declaratory judgment would provide legal clarity.

Potential Public Benefits

Soft debt infused into the housing sector can catalyze the production of affordable housing and overcome the funding gap left by where hard debt reaches its maximum. The program can directly benefit low-income members of the workforce.

Incentivizing production of moderate-income housing will take additional time and legal review. However, such investments could benefit the existing affordable housing portfolio, if higher rents and operating incomes make projects more sustainable. The existing supply of affordable housing is reliant on limited operating subsidies, and without sufficient operating income, a project encounters deferred

[343] King County. (2023 and 2024). *King County Equitable Development Initiative Implementation Plan Phase 1 and Phase 2*. [Link]

maintenance and potential loss of value. Other than debt obtained for LIHTC, the heavily subsidized housing portfolio is not leveraging significant private debt (10 to 20 percent of TDC).

Feasibility

County funds are paired with other public sources to expand the supply of set aside units for vulnerable populations in the current programs. These public funds generally represent 10 to 15 percent of the total project sources. Private developers and nonprofits commit to long-term provision of affordable housing, which King County monitors but is not obligated to step in to operate if an organization defaults. Workforce housing that serves moderate-income households in addition to low-income households would not be able to leverage other public sources and would require high rates of County investment to make up for the gap in funding sources.[344]

The public prioritization of workforce housing and mixed-income projects are achievable with a bond declaratory judgement that outlines the extent to which County bond-financed affordable housing projects can serve moderate-income households in addition to low-income households.[345] Without a new revenue source, the County could not serve households with incomes over 80 percent of AMI. Some existing County funds could be reprioritized to target the 60 to 80 percent AMI range through existing funding mechanisms, but such a policy choice would directly reduce funding to serve lower income households. The Executive does not recommend repurposing existing funds away from low-income housing investments. Given the higher need of lower income households, workforce housing should not come at the cost of existing revenues used for low- and very low-income households.

Risk Level

Low

The County budget controls will maintain a relatively low risk for the County's credit rating when it borrows for this program. Program revenues must be secured and may be committed through the County's standard budget appropriation ordinance process. The housing developed by this program will have a covenant on title to ensure affordability for 50 years under the current Housing Finance Program terms.

E. Implementation Considerations

This section analyzes implementation considerations that are applicable to a rent-restricted multiple-unit housing program, a revolving construction loan fund, and alternative models analyzed above.

Opportunity Costs

The Workgroup analyzed program models and the consequences on existing affordable housing finance programs for a possible negative affect. The County prioritizes the greatest housing needs which the private market has a limited ability to serve. This includes the Equitable Development Initiative, anti-displacement efforts, and in general, rental housing affordable to households with incomes at or below 50 percent AMI and homeownership housing affordable to households with incomes at or below 80

[344] See Subsection IV.B. "Available Bonds and Interest Rates and Potential Value to Workforce Housing Projects" for more information.

[345] See Subsection IV.D. "Legal Analysis" for more information.

percent AMI.[346, 347, 348] If the County pursued this new bond funding resource, in order to avoid a negative financial effect on the General Fund and potentially the County's bond rating, a new revenue source is required to supplement the revenue from rents for a multiple-unit housing program and the home sales proceeds for a revolving construction homeownership program.[349] With additional new funding to supplement the rental and home sale revenues in a deferred loan or a grant structure, a new program could produce additive workforce units to the housing portfolio. This may make it possible to spread existing housing resources that leverage tax credits to assist more projects to launch projects in the County's Housing Finance Program pipeline (many of which are shovel ready) to speed up their development. Projects that utilize the County affordable housing financing sources must follow all requirements for those resources, and the current funding priorities as articulated in King County Comprehensive Plan policy H-109.[350, 351, 352, 353]

See Appendix F. for a listing of current funding resources.

Staffing and Administrative Needs

The County would need additional staff for each program model analyzed in this Plan. This staff capacity would grow depending on the scale of the program and the number of developments financed.
See Section VI. Next Actions, "Resources Needed to Implement" for additional information on estimated staffing costs.

Potential Partnerships and Public-Private Partnerships

Potential partners include housing authorities (King County Housing Authority, Seattle Housing Authority, Renton Housing Authority), nonprofit affordable housing developers, community-based organizations and underrepresented developers, public development authorities such as Seattle Social Housing, and private developers and lenders. Public-private partnerships may involve several key roles and types of entities. Private developers may serve as co-developers to boost the capacity of nonprofit organizations that may not have sufficient development expertise. Private lenders play an essential role as partners in all scenarios, particularly in the credit enhancement program where they provide all the debt financing. Participation for private market developers may include actions such as selling acquisition projects or owning a project with a master leasing agreement with the County. Public-private partnerships are essential in tax credit transactions for providing significant equity and are one of the most significant tools for developing affordable housing.

Leveraging County Debt

Limited options exist for leveraging additional public sources for workforce housing. Current federal and state financing sources, especially LIHTC, are overly subscribed, and there are a queue of projects

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[346] See Subsection II.E. "Countywide Housing Need by AMI Level" for the housing need numbers used countywide for the 2024 Comprehensive Plan updates conducted by each jurisdiction in King County.
[347] King County. (2023 and 2024). *King County Equitable Development Initiative Implementation Plan Phase 1 and Phase 2*. [Link]
[348] King County. (2021). *Skyway-West Hill and North Highline Anti-displacement Strategies Report.* [Link]
[349] See Subsection IV.C. "Risk Assessment" for an assessment of risk to the County's credit rating and bond financing funding gaps.
[350] King County. (2024). *2024 King County Comprehensive Plan*, Housing and Human Services Chapter: H-109. [Link]
[351] RCW 36.100.040. [Link]
[352] RCW 67.28.180. [Link]
[353] King County. Housing Finance Program Funding Opportunities. [Link]

awaiting funding awards in the pipeline.[354, 355] LIHTC serves projects with income set asides at 60 percent AMI or lower. LIHTC is competitive, so projects that serve lower incomes may be prioritized for funding. However, the current level of LIHTC could be utilized strategically to bring that pipeline of projects online faster. This requires a new funding source to provide a deferred loan product for LIHTC projects, which in turn, would enable funders to distribute these tax credits to more projects in smaller amounts. This strategy would enable LIHTC projects in the funding pipeline to move forward more quickly.

Geographic Distribution

Proximity to Transit

Potential program projects should be within the urban growth area and in rural towns served by sewers with frequent transit service. While acknowledging the importance of access to transit, this Plan does not recommend a hard requirement to locate projects within a half mile of transit stations. Such a requirement could eliminate suitable existing projects or building sites that are near, but not within half a mile of transit.

Areas at Higher Risk of Displacement

The private housing market drives households with economic options to purchase or rent housing in areas that are moderately priced, placing significant displacement risk on communities with relatively lower priced housing. Subareas in the County such as Skyway and White Center face significant displacement risk.[356] Therefore, part of the analysis included reviewing the credit enhancement program for potential expansion to include community-based and underrepresented organizations to provide funding that supports anti-displacement strategies.

Public Land

Appendix C shows a list of publicly owned properties from Sound Transit and surplus properties for the County.

Environmental Standards

The County's publicly funded affordable housing projects use the Washington State Evergreen Sustainability Development Standard (ESDS).[357] The Washington State Building Code and Washington State Energy Code, based on the 2021 edition of the International Building Code, already provide a high standard of energy efficiency as compared to other markets across the country.[358] The ESDS program updates regularly to require energy requirements, among other topics, to require standards above and beyond the current Washington State Building Code and Washington State Energy Code. Input from community experts reflected a range of positions regarding environmental standards for a workforce housing initiative. This included a desire to save costs by requiring no green building standard beyond building code to using innovative and high performing environmental standards such as LEED Platinum, Passive House, or Living Building.[359] The Workgroup proposes using ESDS, and, on a case-by-case basis, layering on an additional green building standard such as LEED Platinum, Passive House, or Living

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[354] FUSION. (2025). *How Expanding LIHTC Can Solve the Affordable Housing Crisis.* [Link]
[355] Input from engagement meeting with market rate housing developers. (2025, January 22).
[356] King County. (2021). *Skyway-West Hill and North Highline Anti-displacement Strategies Report.* [Link]
[357] Washington State Department of Commerce. (2025). *Evergreen Sustainable Development Standard (ESDS).* [Link]
[358] Washington State Building Code Council. [Link]
[359] U.S. Green Building Council. *LEED rating system.* [Link]

Building. Acquisition programs may be exempt from green building standards, unless there is a substantial renovation.

Fair Labor Practices

Prevailing Wage

Projects constructed through the Regional Workforce Housing Initiative may be required to pay prevailing wages. Community input reflected a range of positions regarding labor standards for a potential program. This ranged from a desire to save costs by requiring no labor standards, to requiring using all union trades to advance livable wage jobs and wage security. Prevailing wage is handled differently across the County and state. The Department of Commerce does not make prevailing wage determinations for their projects, as they have cited precedent that loans made for affordable housing are not a trigger for prevailing wage requirements, and that the Department of Labor and Industries make these requirements.[360, 361] The Seattle Office of Housing requires prevailing wage for rental, but not for homeownership investments.[362] The Washington State Department of Labor and Industries does not offer blanket determinations.

Wage Theft Prevention

The 2022 Fair Work Center report "Wage Theft in King County: Analysis and Recommendations for Improving Labor Standards Enforcement," concludes wage theft is a pervasive problem in King County.[363] Labor organizations the Workgroup interviewed suggested clear communications regarding required labor standards and additional monitoring and inspection of construction draws, or course of construction payments by a third party, as best practice for protecting workers' wages. Other measures include on the job posters in both English and Spanish listing pay levels for each trade and increasing awareness regarding wage theft in the affordable housing funding community through ongoing education and amplifying the issue through public funders groups.

Priority Hire Community Workforce Agreement

King County's Priority Hire Program provides training in the construction industry on the County's public works construction projects of $5 million or more. The Regional Workforce Housing Initiative projects may not be considered public works projects, but Priority Hire goals could be explored in further implementation planning for a new program.

Wrap Around Services

Wrap around services is a general term regarding addressing the needs of vulnerable tenants. This includes medical and behavioral health services, logistical assistance for daily needs, employment services, and other supports depending upon the individual. The King County Housing Finance Program works closely with affordable housing providers to help with the development of program models that right size supportive services. The Executive does not recommend including wrap around services in a new program aimed at serving higher incomes, as doing so could compromise existing programs with scarce resources with a mission to serve vulnerable populations.

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[360] Washington State Department of Commerce. (2024, January). *Housing Trust Fund Handbook.* [Link]
[361] Washington State Department of Labor and Industries. *Prevailing Wage Rates.* [Link]
[362] Seattle Office of Housing. *2024-2026 Housing Fund Policies*. [Link]
[363] See Appendix D. "Glossary" for definition of wage theft and other terms.

F. Demonstration Project

Given the limited viability of the models assessed in this Plan and additional program design needs, the Executive is not recommending a solicitation for a demonstration project at this time.[364] However, should an opportunity arise in the future, the Executive could propose a demonstration project to test feasibility for Council consideration.

See Section VI. "Next Actions" for a discussion of the potential options to advance the Regional Workforce Housing Initiative.

[364] See Appendix D. "Glossary" for definition of demonstration project and other terms.

VI. Next Actions

This section identifies next actions the County could take to implement this initiative. Each option includes a description of the proposed action, information about how it responds to the workgroup's findings, discussion of the impact it could have on housing production and the broader housing landscape, and the resources it would require for implementation. As a supplement to the next actions, the Executive prepared a sample phasing plan demonstrating how the proposed options could be combined and scaled over five years to utilize $1 billion in County credit and bonds to support a regional workforce housing initiative. The Executive selected the phasing timeline and the total investment levels for each component for illustrative purposes. These aspects of the plan can shift in response to additional research and policy consideration.

The legal and program model analysis in this Plan identified the benefits and challenges associated with different types of bond financing and program models that could be considered to support a regional workforce housing initiative. The workgroup's analysis indicates that financial feasibility is affected by numerous variables that can vary over time or from project to project. County bond financing can provide relative interest savings compared to private debt financing while also encouraging programmatic goals such as larger unit sizes, higher green building standards, and strong labor standards. However, the analysis contained in this report indicates that the County's debt capacity alone does not close the funding gap for most workforce housing.

The Executive identified the investment of new housing capital funding that can be deployed as soft debt or patient capital (Model F) as being able to achieve the greatest impact for the Regional Workforce Housing Initiative. The Executive also identified the acquisition and conversion of existing multifamily rental housing (Model B) and the credit enhancement program (Model E) as requiring the lowest levels of administrative resources and direct public subsidy while supporting the goals of the Regional Workforce Housing Initiative. Additionally, the Executive finds that a bond declaratory judgement in favor of supporting workforce housing would determine the extent to which any of models could serve households with incomes above 80 percent of AMI in addition households with incomes at or below 80 percent of AMI.[365]

Given the significance of the legal and program model analysis findings related to legal authority and new revenue needs and the multitude of potential next actions, the Executive did not prepare legislation to effectuate any recommendations in response to the Motion. Instead, the Executive identified the following next steps as most worthy of further consideration: 1) build a legal case to support workforce housing, 2) secure new revenue for affordable workforce and low-income housing capital funding bonds, 3) create a bond-financed housing acquisition and conversion loan pilot program, and 4) update the credit enhancement program. These options and the resources needed to implement them are outlined below.

Confirming Legal Basis to Support Workforce Housing

The Motion describes a housing model wherein rents reflect full cost recovery of developing and operating housing. The Workgroup's financial analysis show that development and operational costs for housing currently exceed the expected income from rents or home sales affordable to low-income

[365] See Section IV. "Legal and Risk Analysis" for more information about steps to mitigate risk.

households.[366, 367] The Workgroup's legal and risk analysis found that the County has clear authority to use bond proceeds to fund grants or loans for affordable housing serving households whose income is 80 percent AMI or below.[368] However, the County's authority to serve moderate-income households, that is households with incomes between 80 and 120 percent of AMI, would benefit from additional legal clarity.[369] A Washington State court ruling that finds that the use of County debt for affordable housing for moderate-income in addition to low-income households serves a public purpose would provide this clarity.

The Executive determined that this legal case is an essential threshold requirement to advance the original intent of the Motion. A legal case for government support of workforce housing would clarify the extent to which moderate-income households could be served within County bond-financed affordable housing.

To support next actions, the County could dedicate resources and time to conduct additional legal research and analysis to document the expected public benefits resulting from the provision of County bond financing for workforce housing. The Executive could then take appropriate actions to bring a bond declaratory judgment action to confirm the authority for government support of workforce housing.[370]

Justification and Potential Impact

The County has clear authority to use County debt to fund grants or loans for affordable housing serving households with incomes at or below 80 percent of AMI. However, the County's authority to use County debt to fund affordable housing that also serves households with incomes greater than 80 percent of AMI would benefit from the clarity of a bond declaratory judgment.

Greater flexibility to include moderate-income households could decrease the gap between housing costs and rental incomes in workforce housing. This would allow public subsidy to go further while also generating more new housing that is affordable to the workforce. Prohibitive or more restrictive requirements related to the inclusion of moderate-income households would expand the gap between housing costs and rental incomes. This condition would align with current practices in DCHS's current housing capital programs and support the continuation of leveraging public subsidy to provide deeper levels of gap funding to create affordable housing.

A bond declaratory judgement would significantly shape County workforce housing programs and establish a precedent for other public agencies to build on in the future. Without additional clarity to support serving moderate-income households, the Executive would continue to design all housing

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[366] See Section V. Program Model C. "Analysis" for more information about financial gaps between costs and income.

[367] The Growth Management Act defines low-income households as households with an income between 50 and 80 percent of AMI. See Section II. Background D. "Plan Methodology, Definition of Workforce Housing" for more discussion of income levels and terminology used throughout the report.

[368] See Section IV. Legal and Risk Analysis D. "Legal Analysis" for more information about statutory requirements related to serving households with incomes greater than 80 percent of AMI.

[369] The Growth Management Act defines moderate-income households as households with an income between 80 and 120 percent of AMI. See Section II. Background D. "Plan Methodology, Definition of Workforce Housing" for more discussion of income levels and terminology used throughout the report.

[370] See Section IV. Legal and Risk Analysis E. "Steps to Mitigate Risk, Bond Declaratory Judgement" for more information.

programs to primarily serve low-income households to mitigate legal risks. However, with the clarity of a favorable bond declaratory judgment, the County would have legal grounds to invest in workforce housing projects. Such a ruling would also provide a precedent that other public agencies could rely on in addressing housing affordability more broadly.

Resources Needed to Implement

Sufficient staff capacity, funding to retain legal counsel, and time to identify appropriate actions would be required to build a legal case to support workforce housing. The Workgroup estimates that $250,000 for attorney fees would be needed to bring a declaratory judgement action to a Superior Court decision. If the Superior Court decision were appealed to the State Supreme Court, the Workgroup estimates an additional $300,000 would be needed. The Workgroup estimates that up to $1 million in total would be needed to cover legal counsel, attorney and consultant fees, and staff time to advance this action. It would take between nine and 12 months to identify appropriate next actions for pursuing a bond declaratory judgment to support funding workforce housing.

New Revenue for Affordable Workforce and Low-Income Housing Capital Funding Bonds

A new revenue source for housing capital funding would enable the County to fill gaps in financing for workforce housing projects and low-income affordable housing projects with soft debt and patient capital. By pairing new revenue with general obligation bonds, the County would be able to finance more projects, serve more households, and address a more diverse range of housing needs.[371] If new revenue were available to sustain debt service payments, the County would utilize tax-exempt or taxable general obligation bonds as appropriate for the specific project and developer.

In this option, instead of loaning bond proceeds to projects that have to pay the debt service from rental income, the County would pay the bond debt service from a new, dedicated revenue source and then loan the proceeds to projects as deferred loans or patient capital with extended repayment plans, so projects can close financial gaps and stabilize while still meeting affordability requirements until the loan terms are satisfied. If such a program were created, the County would increase its investments in the types of housing that are most needed, while continuing to prioritize serving households at 50 percent of AMI and below.

Given the condition of the County's General Fund, additional revenue authority will be necessary to deploy this recommendation. The County has historically supported state legislative proposals for additional revenue authority, such as an expanded Real Estate Excise Tax and a property tax rate increase, but these options have not been approved by the Washington State legislature.[372, 373] The only new revenue tool available as of May 2025 is the 0.1 percent criminal justice sales tax authority granted by ESHB 2015 (2025).[374] The Legislature also expanded the base sales tax with ESSB 5814.[375] Even so, the County is facing significant risks to sustaining homeless housing and shelter programs brought on by the expiration of temporary federal ARPA funds, threats to additional federal funds such as Continuum of Care grants, and the state's insufficient investments to fully maintain the housing and homelessness

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[371] See Section II. Background E. "Housing Market Conditions" for additional information about housing needs.
[372] The Real Estate Excise Tax for Affordable Housing was introduced as HB 1867 in the 2025 session. [Link]
[373] The property tax increase up to three percent was introduced as HB 1334 in the 2025 session. [Link]
[374] ESHB 2015 (2025). [Link]
[375] ESSB 5814 (2025). [Link]

services it has funded in this region. These funding constraints are exacerbated by rising operating costs for affordable housing projects that the County has already invested in.

Several Housing Finance Program funding sources are required to serve households earning 50 percent of AMI and below. The more flexible funding sources in the Housing Finance Program are most often used to leverage other funds and serve deeper affordability levels. Each year, the requests for Housing Finance Program resources exceed the funding available. Given the limited ability to reprioritize existing resources, additional flexible funding is required to support workforce housing development. This is especially critical given the Workgroup's findings that bond financing alone is insufficient to make projects viable.[376] Additionally, workforce housing projects would require higher levels of County investment than typical affordable housing projects because they will be ineligible for other commonly leveraged funding sources such as LIHTC.

Given these challenges, the County would need to increase housing capital funding in order to fully utilize any new bonding authority to support workforce housing**.** Once funding is secured, DCHS would deploy new funds through a competitive RFP with specific funding criteria related to workforce housing needs and other programmatic goals. New funding could be set aside for new construction of affordable workforce and low-income housing as well as acquisition and preservation. New revenue for housing capital could be dedicated at different rates for rental and homeownership projects.

Justification and Potential Impact

This plan finds that general obligation bonds are beneficial for the development and acquisition of housing, but affordable workforce housing requires soft debt in addition to hard debt to be financially feasible. Rents and home sales that are affordable to the workforce are less than the costs to develop and operate housing. Since debt would need to be repaid by income from rents or home sales, bond debt alone is insufficient to make workforce housing both affordable to workforce households and financially viable. Public subsidy is needed to close the gap between costs and income. Provider engagement and financial analysis indicate that workforce housing projects need deferred loans without interest or patient capital with adequate time to stabilize to be financially feasible.

Under this strategy, the impact of new housing capital funding would be scaled to the total amount of the new investment. For illustrative purposes, the Workgroup estimates that $100 million in housing capital funding paired with funding to support program administration could create between 800 and 900 units of permanently affordable housing.

Resources Needed to Implement

Additional staff time, funding for legal counsel and consultant support, and time would be needed to implement this program update. Staff would be needed to incorporate workforce housing standards and priorities into the Housing Finance Program guidelines, solicit and review applicants, provide underwriting to ensure project viability, and execute and monitor contracts for awarded projects. The Executive could scale this initiative depending on the funding available but would require ongoing operating funding to cover debt service, administrative costs, and legal counsel. The Executive estimates that at least six months would be needed to prepare a solicitation for any new funds once secured.

Exhibits 26 and 27 show an example of a phasing plan that would utilize $1 billion in credit and bonds for the Regional Workforce Housing Initiative through a combination of hard debt, soft debt, and loan

[376] See Section V. Program Model Analysis C. "Analysis"

guarantees. Of the $1 billion, $500 million in bond capacity is shown as supporting housing capital funding. The Workgroup estimates the revenue needed to support program operations for this sample program over the initial two-year start-up period would be approximately $25 million. Annual revenue needed would grow from approximately $8.8 million in year one to $36.8 million in year five as the cumulative bond debt increases. This sample phasing plan outlines an approximate operating budget of $102-125 million over the first five years for affordable housing capital funding bonds. Annual revenue needed to make debt service payments would level off in years six to 30. The total debt cost over 30 years for $500 million in bonds for housing capital funding would be approximately $1.2 billion.

Bond-Financed Acquisition and Conversion Loan Pilot Program

A pilot acquisition and conversion loan program would provide debt financing to acquire housing projects that have already been constructed for use as affordable workforce or low-income housing. This program would support public agencies and 501(c)(3) nonprofit organizations to acquire existing, occupied multifamily housing or provide a permanent loan for newly constructed multifamily housing. The County would utilize tax-exempt or taxable general obligation bonds as appropriate for the specific project and developer. The County would ensure that all work undertaken after a selected project's acquisition, such as rehabilitation or renovation, would be subject to County labor and environmental standards.[377] This pilot program could be deployed directly by DCHS or in partnership with KCHA.

The households to be served by this program depend on the legal case for serving moderate-income households.[378] Without additional legal clarity from a bond declaratory judgement, the Executive would design the pilot program to serve households with incomes at or below 80 percent AMI. If a test case and a favorable ruling are achieved, the Executive could design the pilot program to serve both low- and moderate-income households when the inclusion of moderate-income households would support overall financial feasibility and extend County funding for low-income affordable housing.

The County would only provide underwriting for bond-financed debt if a proposed project demonstrates all necessary financial resources to cover the entire anticipated cost of a project. This approach to underwriting would mitigate risks to the County's general fund by reducing the likelihood that a project would not be able to repay its debt. It also establishes a high expectation of financial sustainability and assumes that pilot projects would secure private gap funding. Gap funding refers to additional financial resources used to cover the difference between the total project's cost and the amount already obtained through funding sources.

Awarded projects in the pilot program would use rental income to cover loan repayment. However, DCHS would need a source of non-bond funds to administer the program. In order to establish this pilot program, the Executive would further explore options to minimize risk to the County's general fund and bond rating if an awarded project could not make all or some of its debt service payments on the loan principal and interest in the future. These options include a mark-up on the County's interest rate to support administrative costs and offset financial risk or a reserve account.

Justification and Potential Impact

An acquisition loan program meets the needs of workforce housing providers and builds on the acquisition strategy employed by KCHA. Engagement with housing developers and housing finance experts indicated that LIHTC and MFTE housing projects have encountered barriers to refinancing after

[377] See Appendix D. "Glossary" for definition of environmental and labor standards and other terms.
[378] See Subsection IV.D. "Legal Analysis" for more information.

construction is completed. These barriers prevent developers from closing on financing for subsequent new developments. A County bond program would help stabilize struggling projects and allow agencies to refinance projects. An acquisition loan program would be able to support this refinancing and preserve affordability for the life of the building.

The acquisition loan program that the Workgroup evaluated in the program model analysis resulted in a comparatively smaller funding gap than the new construction program.[379] The Workgroup acknowledges that the scenarios tested have limitations and do not consider all potential site-specific possibilities and outcomes. Given the relative size of the funding gap calculated, the Workgroup finds that County bond financing is more likely to make an acquisition project viable.

The impact of an acquisition and conversion loan pilot program would be scaled to the total amount of the new investment. For illustrative purposes, the Workgroup estimates that $100 million in bond capacity paired with new non-bond funding for program administration could permanently preserve between 700 and 900 units of affordable housing.

Resources Needed to Implement

Additional staff, bond authority, operational funding, and time would be needed to implement the workforce housing acquisition and conversion loan pilot program. The Executive would need new staff positions to develop an implementation plan and program guidelines for the pilot program, conduct engagement and legal review, solicit and review applications, provide underwriting, execute contracts for awarded projects, and monitor compliance. The Executive could scale this pilot program depending on the funding available but would need sufficient operating funding to cover administrative costs and legal counsel. The Executive estimates that at least 12 months would be needed after program authorization to prepare a solicitation for this pilot program.

Exhibits 26 and 27 show an example of a phasing plan that would utilize $1 billion in credit and bonds for the Regional Workforce Housing Initiative through a combination of hard debt, soft debt, and loan guarantees. Of the $1 billion, $300 million in bond capacity are shown supporting the acquisition and conversion loan pilot program. The Workgroup estimates that the annual revenue needed to support program operations for this sample program would be approximately $5.4 million. This sample phasing plan outlines an approximate operating budget of $20 million to $34 million over the first five years of an affordable low-income and workforce housing acquisition and conversion loan pilot program. Annual revenue needed to operate the program would remain relatively level year-over-year as long as awarded projects can fully service their debt.

Credit Enhancement Program Update

Updates to the credit enhancement program, governed by KCC 24.28.050, would allow the County to guarantee debt payments for workforce and low-income affordable housing projects.[380] Such updates may enable eligible governmental or 501(c)(3) nonprofit developers to secure more favorable financing terms from private lenders. Credit enhancement does not require the issuance of bonds but does require a percentage of the total guaranteed debt to be set aside in a reserve account. The current credit enhancement program has primarily been used by KCHA in recent years.

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[379] See Subsection V.C. "Analysis."

[380] King County Code Title 24.28. *Credit Enhancement Programs.* [Link]

The credit enhancement program could be updated to review and expand the list of eligible users, adjust reserve and fee amounts to account for increased risk and staff time underwriting projects and organizations, and ensure the program's design is consistent with housing funding priorities. The Executive would seek legal counsel before revising the program and preparing a draft ordinance to revise KCC 24.28.050. These updates would increase the County's risk by guaranteeing the debt of more housing owners. An equitable approach to this program update would include a focus on underrepresented developers who typically have smaller housing portfolios. Additional research and analysis would be needed to determine the appropriate reserve ratio and fees to support the updated program.

Justification and Potential Impact

With appropriate cash reserves, updates to the credit enhancement program could increase participation from historically and currently underrepresented housing developers in the construction, acquisition, or rehabilitation of affordable workforce and low-income housing. This program may reduce costs for borrowers and improve the financial feasibility of developing low-income and workforce housing without the issuance of County bonds. Each credit enhancement loan guarantee would be evaluated on the financial viability of the project and public benefit.

The legislation creating and governing the credit enhancement program includes requirements for funding a reserve account within the Housing and Community Development Fund managed by DCHS. To serve the organizations that would most benefit from credit enhancement, the County may need to accept higher levels of risk and increase the cash reserves to balance risks.

The potential impact of a credit enhancement program update would be scaled to the total amount of the new investment. For illustrative purposes, the Workgroup estimates that renewed authorization to extend up to $200 million in credit enhancement backed by reserve funding could support four to eight projects with contingent loan agreements between $25 million and $50 million each.

Resources Needed to Implement

Additional staff time and legal counsel and consultant support would be needed to update the credit enhancement program. Staff and consultant resources would be used to review the County's risk appetite, revise underwriting guidelines, identify appropriate reserve and fee rates, and prepare a draft ordinance to reflect these changes. The Executive would prepare a draft ordinance with proposed programmatic changes within one year of adoption of legislation directing implementation.

Exhibits 26 and 27 show an example of a phasing plan that would utilize $1 billion in credit and bonds for the Regional Workforce Housing Initiative through a combination of hard debt, soft debt, and loan guarantees. Of the $1 billion, $200 million in loan guarantees is shown supporting the credit enhancement program. The Workgroup estimates that the annual revenue needed to support program operations for this sample program would be approximately $3.9 million. This sample phasing plan outlines an approximate operating budget of $16.4 million for the first five years. Annual revenue needed to operate the program would remain constant year-over-year as long as awarded projects can fully service their debt without making use of the loan guarantee.

Sample Five-Year Plan to Support $1 Billion in Credit and Bonds for Affordable Workforce and Low-Income Housing

To meet Motion 16690 requirements, the Executive prepared a sample five-year phasing plan to support $1 billion in credit and bonds for affordable workforce and low-income housing based on the next actions outlined in the four previous subsections. This sample plan would require approximately $158 million in new revenue in its first five years to support annual operating and debt service costs alongside credit and bond investments. The total cost over 30 years would be approximately $1.2 billion.

The County could phase in and scale the Regional Workforce Housing Initiative as new revenue is secured and budget authority is appropriated. Exhibit 26 shows a sample five-year plan to support affordable workforce and low-income housing using $1 billion in County credit and bonds. The sample plan includes housing capital funding for rental housing ($375 million) and homeownership ($125 million), acquisition and conversion loan pilot program ($300 million), and reauthorization of credit enhancement ($200 million). Collectively, these investments may generate between 6,400 and 8,400 affordable workforce and low-income housing units.

Given the legal and risk analysis as well as the conceptual program models analysis, the reader should exercise caution in drawing conclusions from this sample plan. If additional revenue is identified, the Executive would conduct additional analysis to further develop program guidelines and assumptions for each type of program and the expected unit creation based on updated economic conditions.

Exhibit 26: Sample Five-Year Plan to Support $1 Billion in County Bonds and Credit for Affordable Housing

Credit and Bond Authority	Year 1	Year 2	Year 3	Year 4	Year 5	5-Year Total
Housing Capital Funding – Rental	$75M	$75M	$75M	$75M	$75M	**$375M**
Housing Capital Funding – Homeownership	$25M	$25M	$25M	$25M	$25M	**$125M**
Acquisition & Conversion Pilot Loan Program	$60M	$60M	$60M	$60M	$60M	**$300M**
Credit Enhancement	$0	$50M	$50M	$50M	$50M	**$200M**
Total	**$160M**	**$210M**	**$210M**	**$210M**	**$210M**	**$1 Billion**
Estimated Housing Units Created or Preserved	**1,200 to 1,400**	**1,300 to 1,700**	**1,300 to 1,700**	**1,300 to 1,700**	**1,300 to 1,700**	**6,400 to 8,400**

The following assumptions were made to create *Exhibit 26. Sample Five-Year Plan to Support $1 Billion in County Bonds and Credit for Affordable Housing*:

- **Housing capital funding**: Annual allocation authority for new affordable housing capital investments is divided at 75 percent for rental projects and 25 percent for homeownership projects. Bond debt would be reissued as deferred loans. The County would repay bond debt over 30 years.
- **Acquisition and conversion pilot loan program**: The program would have annual spending targets. Repayment terms would be set with borrowers to repay bond financing in full.
- **Credit enhancement**: Year one would be dedicated to program design. Starting in year two, the program utilizes authority for credit enhancement annually.
- **Unit estimates** are based on a range of County investment levels per unit between $110,000 and $150,000.

The sample plan requires new County revenue to service the bond debt, fund cash reserves, and cover administrative costs. Exhibit 27 shows a $1.2 billion operating budget related to the $1 billion in credit and bond authority in Exhibit 26. This operating budget includes sustained costs for debt service payments, program administration such as staffing and legal counsel, and program income from loan repayments and fees. The debt service on bonds reflects a blended interest rate of six percent to reflect the use of both taxable and tax-exempt bonds. The sample plan would generate some fee revenue, and the acquisition and conversion loan pilot program will receive loan repayments based on individual lending terms. Those sources of program income will offset a portion of the operating costs. The Workgroup estimates that approximately $158 million in revenue would be needed to support the first five years of the sample phasing plan. Debt service payments make up the largest portion of operating costs. The sample plan results in approximately $1.2 billion in total operating costs to be paid by the County over 30 years.

Exhibit 27: Sample Five-Year Operating Budget to Accompany $1 Billion in County Bonds for Affordable Housing

Operating Budget	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total	30-Year Cost Total
Bond Debt Service	$11.7M	$23.2M	$34.9M	$46.5M	$58.1M	$174M	**$1.7B**
Reserve Fund	$4.5M	$8.25M	$8.25M	$8.25M	$8.25M	$37.5M	**$37.5M**
Program Fees	$0	($250K)	($1.25M)	($1.25M)	($1.25M)	($4M)	**($6M)**
Loan Repayments	($4.5M)	($8.7M)	($13.1M)	($17.4M)	($21.8M)	($65.4M)	**($654M)**
Staff, Admin, Legal Costs	$4.2M	$2.8M	$2.8M	$2.8M	$2.8M	$15M	**$70M**
Total Revenue Needed	**$16M**	**$25M**	**$32M**	**$39M**	**$46M**	**$158M**	**$1.2B**
FTE	**10**	**10**	**10**	**10**	**10**	**10**	**10**

The following assumptions were made to create Exhibit 27 *Sample Five-Year Operating Budget to Accompany $1 Billion in County Bonds and Credit for Affordable Housing*:

- **Bond debt service** assumes a six percent interest rate and 30-year amortized loans through a blend of tax-exempt and taxable bonds.
- **Reserve funds** are set aside at a rate of 7.5 percent of new acquisition loan and credit enhancement authority, or enough to cover one year of debt service in the event of a default. Program fees may reduce this expense.
- **Program fees** are generated for credit enhancement (0.5 percent generated per annual authority), and Housing Capital funding (one percent of loans originated).
- **Loan repayments** on acquisition loans are 100 percent repaid by borrowers at a six percent interest rate.
- **Staff, admin, and legal costs** are estimated at five percent of Capital allocations for capital and acquisition loan program (divided by 3.3 years) or 1.5 percent per year; and one percent per credit enhancement program. Year one of credit enhancement program requires startup costs.
- **Total cost** includes total bond debt costs over a 30-year period, loan repayments from the acquisition and conversion loan pilot program over a 30-year period, reserve funds equivalent to one year of debt service for each credit enhancement and acquisition loan project, and ongoing staffing and administrative costs.

VII. Conclusions

As required in the Motion, this Plan provides analysis around the opportunity to deploy $1 billion in County bonding authority to address the regional need for more affordable housing. King County needs 308,677 net new housing units by 2044.[381] Over 172,000 (56 percent) of these units need to be affordable to households making between zero and 50 percent AMI, who are often experiencing homelessness or facing barriers to housing stability such as discrimination, exclusion, aging, disability, and economic hardship.[382] Additionally, 54,000 (18 percent) of these units are needed for households making between 50 and 120 percent AMI to respond to population growth and the growing disparity between the cost to construct housing and the amount King County households can afford to pay for housing.[383]

This Plan identifies that County bond financing can provide a relative benefit to workforce housing but is not sufficient on its own to meaningfully address the gap between development costs and income from affordable rents or home sales. These market conditions mean that a debt product alone cannot fully resolve the affordable housing funding gap. Therefore, government will need to provide additional intervention and/or subsidy to lower development costs for these buildings to ensure our region's affordable housing needs are met.

This Plan includes a threshold requirement to build a legal case including developing a County bond ordinance to support workforce housing before creating any programs that would serve moderate-income households in addition to low-income households. This Plan also identifies three options to utilize the County's credit and bonding authority to catalyze more housing development affordable to the workforce: utilizing County bonds backed by new housing revenue to provide housing capital funding, utilizing County bonds to finance third-party acquisition of existing housing, and guaranteeing loans through a credit enhancement program to lower financing costs for housing developers. These options would complement and not replace the County's existing priority to serve households with the lowest incomes. New revenue authority totaling $1.2 billion over 30 years will be needed to support $1 billion in bonds and credit for a regional workforce housing initiative, which may support the creation or preservation of approximately 6,400 to 8,400 affordable homes.

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[381] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]
[382] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]
[383] King County. (2021). *2021 King County Countywide Planning Policies*. [Link]

VIII. Appendices

A. Full Text of Motion 16690

A MOTION requesting the executive develop a regional workforce housing initiative implementation plan.

WHEREAS, the Countywide Planning Policies define workforce housing as "housing that is affordable to households with one or more workers [...with a] particular need for workforce housing that is reasonably close to regional and sub-regional job centers and/or easily accessible by public transportation," and

WHEREAS, Countywide Planning Policy H-15 aims to increase housing choices for everyone, particularly those earning lower wages, that is colocated with, accessible to, or within a reasonable commute to major employment centers and affordable to all income levels, and

WHEREAS, King County established the regional affordable housing task force in 2017 through Motion 14873, with the charge to develop a recommended countywide affordable housing strategy, and

WHEREAS, the regional affordable housing task force's five-year action plan, accepted through Motion 15372, includes census data that showed that more than one hundred twenty-four thousand low- and moderate-income households in King County are cost burdened, with communities of color and renters disproportionately likely to be severely cost burdened, and

WHEREAS, the regional affordable housing task force's five-year action plan includes a goal to strive to eliminate cost burden for households earning eighty percent area median income and below, with a priority for serving households at or below fifty percent area median income, and

WHEREAS, King County currently has approximately nine billion dollars of debt capacity, and

WHEREAS, the King County council believes that people should be able to live close to where they work, which helps with climate, congestion, morale, and sense of community, and

WHEREAS, households are sometimes forced to relocate due to increased housing costs, evictions, or the loss of neighborhood community connections, and

WHEREAS, the King County council believes that people should be protected from displacement and should be able to stay in their home and community for as long as they choose, and

WHEREAS, in January 2022, the Puget Sound Regional Council's Regional Housing Needs Assessment shows anticipated future housing needs by income group, showing a need between 2020 and 2050 for one hundred thirteen thousand units for households between fifty-one and eighty percent area median income and one hundred eighty-six thousand units for households between eighty-one and one hundred twenty percent area median income, and

WHEREAS, workforce housing helps people live close to where they work and works to address King County's housing affordability crisis, and

WHEREAS, increasing the availability of workforce housing supply relieves pressures on the rest of the market and increases housing affordability, and WHEREAS, King County lacks sufficient availability of permanently rent restricted homes available to all, including low- and moderate-income households at or below one hundred and twenty percent area median income;

NOW, THEREFORE, BE IT MOVED by the Council of King County:

A. The council requests the executive develop a regional workforce housing initiative implementation plan with two parts: part one should consider options to utilize excess debt capacity to partner with housing agencies and housing developers to provide permanently rent-restricted, multiple-unit housing; and part two should consider utilizing excess debt capacity to develop a revolving construction loan fund wherein housing developers borrow from the county to construct housing units that would be sold to income qualified homebuyers.

B. For the purpose of the implementation plan, workforce housing should be defined as housing that is affordable to households with one or more workers that is located near jobs and services necessary for residents to meet their day-to-day needs, such as grocery stores and public transportation.

C. The implementation plan should seek to utilize at least one billion dollars in excess debt capacity towards this regional workforce housing initiative.

D. The development of the implementation plan shall be completed with input from labor organizations, labor unions, and experts in fair housing, affordable housing, community development, management, public and private financing, and historically and currently underrepresented housing developers in development or construction of housing.

E. Recommendations in the implementation plan should prioritize King County's ability to maintain a strong bond rating.

F. Recommendations in the implementation plan should seek to increase the availability of transit-oriented development within one-half mile of a transit station.

G. Recommendations in the implementation plan should include how to increase participation of historically and currently underrepresented housing developers, including those led by Black, Indigenous, and People of Color in development or construction of housing should either or both options of the implementation plan be deployed.

H. Recommendations in the implementation plan should include a determination of any shovel ready projects and sites for which the county could partner in the near term.

I. Recommendations in the implementation plan should include an estimate on how many units could be built with the one billion dollars in financing requested in section D. of this motion, as well as the mix of income levels that would make the plan sustainable for both models requested in part one and part two of the implementation plan.

J. The executive should consider funding one or more demonstration projects prior to completion and transmittal of the implementation plan that are ready to commence construction and could benefit from county funding using the principles outlined in this motion.

K. The executive should consider land and building acquisition funding as part of the workforce housing initiative, particularly in areas at risk of displacement, in recognition of the fact that there are few affordable housing funding sources that allow for acquisition funding, while there is vacant land suitable for affordable housing throughout the county.

L. Part one of the implementation plan, regarding the utilization of excess debt capacity to partner with housing agencies and housing developers to provide permanently rent-restricted, multiple-unit housing, should consider scenarios wherein rent would reflect full cost recovery of developing and operating the units, specifically principal and interest payments for the incurred debt. The rent charged to residents should remain constant, other than to reflect interest rate changes on debt service and rising operating costs for the property manager.

M. Part one of the implementation plan should include at least the following:

1. An analysis of financing options that utilize the issuance of excess debt capacity to fund the construction, rehabilitation, or conversion of permanently rent-restricted multiple-unit housing, including multibedroom, family sized units, with an analysis of options for environmental standards, such as LEED and Passive House, where feasible;
2. Recommendations on potential partnerships with housing agencies and housing developers, including the King County Housing Authority, the Seattle Housing Authority, the Renton Housing Authority, and the Seattle Social Housing Developer, with accompanying analysis of any statutory requirements on housing agencies to provide housing to households with certain income levels. The recommendations should assess how to best harness the strengths of public-private partnerships in providing debt financing support for

both new construction and acquisitions, revenue through master lease agreements, and wraparound services where appropriate. Any funding provided to housing agencies should be used for the capital and operating costs of housing units and not the operations of the housing agencies;

3. A plan for partnering with private sector businesses to provide impact equity for the development of the units;
4. Options for leveraging county debt incurred in the development of the units to receive additional state and federal investments;
5. Recommendations on which income levels would be housed in such units, with a preference for serving individuals and households with the lowest possible income levels that are financially feasible;
6. A pro forma analysis on the feasibility of constructing new multiple-unit housing versus acquiring and rehabilitating or converting existing multiple-unit housing based on the income restrictions and funding mechanism proposed, with priority given to projects that increase the stock of affordable housing workforce units;
7. An explanation of how all projects resulting from the regional workforce housing initiative will prioritize fair labor practices, including the payment of prevailing wage rates to workers, policies to prevent wage theft, and the utilization of King County's priority hire community workforce agreement program, when required;
8. A risk assessment analyzing the level of risk this model could present to the County;
9. A review of similar programs in other jurisdictions and any lessons learned from those programs;
10. An analysis of opportunity costs associated with pursuing this model, particularly if this model would negatively affect the County's work for meeting low-income housing needs; and
11. An analysis of potential impacts to the general fund or the county's AAA bond rating, as well as recommendations for mitigating those impacts.

N. Part two of the implementation plan, regarding the utilization of excess debt capacity to develop a revolving construction loan fund, should consider scenarios wherein housing developers borrow from the county to construct housing units that would be sold to income qualified homebuyers. The loans should get repaid to the county by the housing developer upon sale of the home to an income-qualified homebuyer, which should be defined in the implementation plan.

O. Part two of the implementation plan should include at least the following components:

1. An analysis of financing options that utilize the issuance of excess debt capacity to develop a revolving construction loan fund to fund the construction of housing units that would be sold to income qualified homebuyers, with an analysis of options for environmental standards, such as LEED and Passive House, where feasible;
2. Recommendations on potential partnerships with housing developers;
3. A plan for partnering with private sector businesses to provide impact equity for the development of the units;
4. Options for leveraging county debt incurred in the development of the units to receive additional state and federal investments;
5. Recommendations on which income levels an individual or household would need to be qualified to purchase such units, with a preference for serving individuals and households with the lowest possible income levels that are financially feasible;

6. An explanation of how all projects resulting from the regional workforce housing initiative will prioritize fair labor practices, including the payment of prevailing wage rates to workers, policies to prevent wage theft, and the utilization of King County's priority hire community workforce agreement program, when required;
7. A risk assessment analyzing the level of risk this model could present to the County;
8. An inventory of public sites that could be developed and utilized for housing, such as properties owned by Sound Transit or the state;
9. A review of similar programs in other jurisdictions and any lessons learned from those programs;
10. An analysis of opportunity costs associated with pursuing this model, particularly if this model would negatively affect the county's work for meeting low- income housing needs; and
11. An analysis of potential impacts to the general fund or the county's AAA bond rating, as well as recommendations for mitigating those impacts.

P. In the event the executive determines that bonding at least one billion dollars without tax revenue backing is infeasible or inadvisable for any reason, the executive may consider proposing an alternative approach or approaches to support expanding workforce and more affordable housing, including, but not limited to, proposing: pilot or demonstration projects; alternative levels or mechanisms for funding; and different policy approaches than those outlined in this motion.

Q. The executive should electronically file the implementation plan requested by this motion, as well as any necessary legislation to effectuate the recommendations of the implementation plan and establish the regional workforce housing initiative, no later than June 15, 2025, with the clerk of the council, who shall retain the original and provide an electronic copy to all councilmembers, the council chief of staff, the chief policy officer, and the lead staff for the budget and fiscal management committee, or its successor. The implementation plan should be accompanied by a proposed motion that should acknowledge receipt of the implementation plan. The council's approval of legislation to effectuate the recommendations of the plan would establish the regional workforce housing initiative.

B. Required Implementation Plan Elements from Motion 16690 and Responsive Sections

Exhibit 28 lists the sections of Motion 16690 and responsive sections in the Plan. The Workgroup organized the Motion requirements to address common analysis themes for Part 1 - permanently rent-restricted, multiple-unit housing and Part 2 - a revolving construction loan fund for homeownership. Part 1 and Part 2 requirements are addressed in each section of the Plan to provide clarity of concepts. Exhibit 28 provides a guide to find these mandatory elements in the Plan.

Exhibit 28: Required Plan Elements from Motion 16690 and Responsive Sections

Section	Motion 16690	The Plan
A.	The council requests the Executive develop a Regional Workforce Housing Initiative Plan with two parts:	I. Executive Summary
A.	Part one should consider options to utilize excess debt capacity to partner with housing agencies and housing developers to provide permanently rent-restricted, multiple-unit housing; and	I. Executive Summary IV. Legal and Risk Analysis V. Program Model Analysis
A.	Part two should consider utilizing excess debt capacity to develop a revolving construction loan fund wherein housing developers borrow from the County to construct housing units that would be sold to income qualified homebuyers.	I. Executive Summary IV. Legal and Risk Analysis V. Program Model Analysis
B.	For the purpose of the Plan, workforce housing should be defined as housing that is affordable to households with one or more workers that is located near jobs and services necessary for residents to meet their day-to-day needs, such as grocery stores and public transportation.	I. Executive Summary II. Background Workforce Housing
C.	The Plan should seek to utilize at least one billion dollars in excess debt capacity towards this regional workforce housing initiative.	I. Executive Summary IV. Legal and Risk Analysis
D.	The development of the Plan shall be completed with input from labor organizations, labor unions, and experts in fair housing, affordable housing, community development, management, public and private financing, and historically and currently underrepresented housing developers in development or construction of housing.	I. Executive Summary III. Engagement
E.	Recommendations in the Plan should prioritize the County's ability to maintain a strong bond rating.	I. Executive Summary IV. Legal and Risk Analysis V. Program Model Analysis

F.	Recommendations in the Plan should seek to increase the availability of transit-oriented development within one-half mile of a transit station.	V. Program Model Analysis E. Implementation Considerations Geographic Distribution *Proximity to Transit*
G.	Recommendations in the Plan should include how to increase participation of historically and currently underrepresented housing developers, including those led by Black, Indigenous, and People of Color in development or construction of housing should either or both options of the Plan be deployed.	V. Program Model Analysis C. Analysis *Potential Partners, Including Underrepresented Housing Developers*
H.	Recommendations in the Plan should include a determination of any shovel ready projects and sites for which the County could partner with in the near term.	V. Program Model Analysis C. Analysis *Shovel Ready*
I.	Recommendations in the Plan should include an estimate on how many units could be built with the one billion dollars in financing requested in Section D. of this Motion, as well as the mix of income levels that would make the Plan sustainable for both models requested in part one and part two of the Plan.	V. Program Model Analysis E. Implementation Considerations Geographic Distribution *Proximity to Transit*
J.	The Executive should consider funding one or more demonstration projects prior to completion and transmittal of the Plan that are ready to commence construction and could benefit from County funding using the principles outlined in this Motion.	V. Program Model Analysis F. Demonstration Project
K.	The Executive should consider land and building acquisition funding as part of the Workforce Housing Initiative, particularly in areas at risk of displacement, in recognition of the fact that there are few affordable housing funding sources that allow for acquisition funding, while there is vacant land suitable for affordable housing throughout the county.	V. Program Model Analysis Model B: Acquisition and Conversion to Affordable Workforce Housing (includes Vacant Land) Model F Expand Housing Finance Program (HFP) – Standard County Affordable Housing Financing E. Implementation
L.	Part one of the Plan, regarding the utilization of excess debt capacity to partner with housing agencies and housing developers to provide permanently rent-restricted, multiple-unit housing, should consider scenarios wherein rent would reflect full cost recovery of developing and operating the units, specifically principal and interest payments for the incurred debt. The rent	V. Program Model Analysis A. Introduction

	charged to residents should remain constant, other than to reflect interest rate changes on debt service and rising operating costs for the property manager.	
M.	Part one of the Plan should include at least the following:	V. Program Model Analysis
M.1.	An analysis of financing options that utilize the issuance of excess debt capacity to fund the construction, rehabilitation, or conversion of permanently rent-restricted multiple-unit housing, including multibedroom, family sized units, with an analysis of options for environmental standards, such as LEED and Passive House, where feasible;	II. Background H. Review of Similar Programs IV. Legal and Risk Analysis B. Available Bonds and Interest Rates and Potential Value to Workforce Housing Projects King County Tax-Exempt General Obligation Bond's Potential Impact to Financial Feasibility C. Risk Assessment V. Program Model Analysis
M.2.	Recommendations on potential partnerships with housing agencies and housing developers, including the King County Housing Authority, the Seattle Housing Authority, the Renton Housing Authority, and the Seattle Social Housing Developer, with accompanying analysis of any statutory requirements on housing agencies to provide housing to households with certain income levels. The recommendations should assess how to best harness the strengths of public-private partnerships in providing debt financing support for both new construction and acquisitions, revenue through master lease agreements, and wraparound services where appropriate. Any funding provided to housing agencies should be used for the capital and operating costs of housing units and not the operations of the housing agencies;	IV. Legal and Risk Analysis D. Legal Analysis Statutory Requirements to Serve Area Median Income Levels V. Program Model Analysis Models A, B, C, D, E. No models reviewed or recommended contemplate subsidizing organization operations. E. Implementation Consideration Potential Partnerships Leveraging County Debt
M.3.	A plan for partnering with private sector businesses to provide impact equity for the development of the units;	IV. Legal and Risk Analysis B. Available Bonds and Interest Rates and Potential Value to Workforce Housing Projects King County Financing and Impact Equity Funds
M.4.	Options for leveraging County debt incurred in the development of the units to receive additional state and federal investments;	V. Program Model Analysis Model F: Housing Finance Program Expansion E. Implementation Considerations Leveraging County Debt

M.5.	Recommendations on which income levels would be housed in such units, with a preference for serving individuals and households with the lowest possible income levels that are financially feasible;	V. Program Model Analysis Model F: Housing Finance Program Expansion
M.6.	A pro forma analysis on the feasibility of constructing new multiple-unit housing versus acquiring and rehabilitating or converting existing multiple-unit housing based on the income restrictions and funding mechanism proposed, with priority given to projects that increase the stock of affordable housing workforce units;	V. Program Model Analysis Model B: Acquisition and Conversion of Rental Housing
M.7.	An explanation of how all projects resulting from the Regional Workforce Housing Initiative will prioritize fair labor practices, including the payment of prevailing wage rates to workers, policies to prevent wage theft, and the utilization of the County's Priority Hire Community Workforce Agreement program, when required;	V. Program Model Analysis E. Implementation Considerations *Fair Labor Practices* Priority Hire Community Workforce Agreement
M.8.	A risk assessment analyzing the level of risk this model could present to the County;	V. Program Model Analysis C. Analysis
M.9.	A review of similar programs in other jurisdictions and any lessons learned from those programs;	II. Background H. Review of Similar Programs
M.10.	An analysis of opportunity costs associated with pursuing this model, particularly if this model would negatively affect the County's work for meeting low-income housing needs; and	V. Program Model Analysis E. Implementation Considerations Opportunity Costs
M.11.	An analysis of potential impacts to the general fund or the County's AAA bond rating, as well as recommendations for mitigating those impacts.	IV. Legal and Risk Analysis
N.	Part two of the Plan, regarding the utilization of excess debt capacity to develop a revolving construction loan fund, should consider scenarios wherein housing developers borrow from the County to construct housing units that would be sold to income qualified homebuyers. The loans should get repaid to the County by the housing developer upon sale of the home to an income-qualified homebuyer, which should be defined in the Plan.	V. Program Model Analysis Model C: Revolving Loan Fund for Construction of Ownership Housing
O.	Part two of the Plan should include at least the following components:	See below
O.1.	An analysis of financing options that utilize the issuance of excess debt capacity to develop a revolving construction loan fund to fund the construction of housing units that would be sold to	V. Program Model Analysis Model C: Revolving Loan Fund for Construction of Ownership Housing E. Implementation Considerations

	income qualified homebuyers, with an analysis of options for environmental standards, such as LEED and Passive House, where feasible;	Environmental Standards
O.2.	Recommendations on potential partnerships with housing developers;	V. Program Model Analysis Model C: Revolving Loan Fund for Construction of Ownership Housing E. Implementation Considerations Potential Partnerships and Public-Private
O.3.	A plan for partnering with private sector businesses to provide impact equity for the development of the units;	IV. Legal and Risk Analysis B. Available Bonds and Interest Rates and Potential Value to Workforce Housing Projects Comparison and Compatibility with Other, Non-King County Debt Sources King County Financing and Impact Equity Funds
O.4.	Options for leveraging County debt incurred in the development of the units to receive additional state and federal investments;	V. Program Model Analysis E. Implementation Considerations Leveraging County Debt
O.5.	Recommendations on which income levels an individual or household would need to be qualified to purchase such units, with a preference for serving individuals and households with the lowest possible income levels that are financially feasible;	V. Program Model Analysis Sections C. Models A-D Exhibit 20: Program Models
O.6.	An explanation of how all projects resulting from the Regional Workforce Housing Initiative will prioritize fair labor practices, including the payment of prevailing wage rates to workers, policies to prevent wage theft, and the utilization of the County's Priority Hire Community Workforce Agreement program, when required;	V. Program Model Analysis E. Implementation Considerations *Fair Labor Practices* Priority Hire Community Workforce Agreement
O.7.	A risk assessment analyzing the level of risk this model could present to the County;	V. Program Model Analysis Model C: Revolving Loan Fund for Construction of Ownership Housing Risk Level
O.8.	An inventory of public sites that could be developed and utilized for housing, such as properties owned by Sound Transit or the state;	V. Program Model Analysis E. Implementation Considerations Public Land
O.9.	A review of similar programs in other jurisdictions and any lessons learned from those programs;	II. Background F. Review of Similar Programs
O.10.	An analysis of opportunity costs associated with pursuing this model, particularly if this model	V. Program Model Analysis E. Implementation Considerations Opportunity Costs

	would negatively affect the County's work for meeting low-income housing needs; and	
O.11.	An analysis of potential impacts to the general fund or the County's AAA bond rating, as well as recommendations for mitigating those impacts.	IV. Legal and Risk Analysis C. Risk Assessment V. Program Model Analysis Model C: Revolving Loan Fund for Construction and Homeownership Housing Risk Level
P.	In the event the Executive determines that bonding at least one billion dollars without tax revenue backing is infeasible or inadvisable for any reason, the Executive may consider proposing an alternative approach or approaches to support expanding workforce and more affordable housing, including, but not limited to, proposing: pilot or demonstration projects; alternative levels or mechanisms for funding; and different policy approaches than those outlined in this motion.	VI. Next Actions Acquisition and Conversion Loan Pilot Program Credit Enhancement Program Update Housing Finance Program Expansion
Q.	The Executive should electronically file the Plan requested by this Motion, as well as any necessary legislation to effectuate the recommendations of the Plan and establish the Regional Workforce Housing Initiative, no later than June 15, 2025, with the Clerk of the Council, who shall retain the original and provide an electronic copy to all councilmembers, the Council Chief of Staff, the Chief Policy Officer, and the lead staff for the Budget and Fiscal Management committee, or its successor. The Plan should be accompanied by a proposed motion that should acknowledge receipt of the Plan. The Council's approval of legislation to effectuate the recommendations of the Plan would establish the Regional Workforce Housing Initiative.	To be transmitted to Council June 13, 2025. The Executive is not transmitting legislation at this time. Section VI Next Action. Given the significance of the legal and program model analysis findings related to legal authority and new revenue needs, the Executive did not prepare legislation to effectuate any next steps in response to the Motion.

C. List of Publicly Owned Properties

Exhibit 29 shows a list of Sound Transit's excess properties that are potentially suitable for affordable housing. Sound Transit operates a comprehensive Transit-Oriented Development program and is actively engaged in planning and facilitating development on its available properties. This overview excludes sites that, while currently undeveloped, are either reserved for future agency needs or already subject to agreements or negotiations with development partners.[384]

In compliance with RCW 81.112.350, Sound Transit must make at least 80 percent of its surplus land suitable for housing available first to eligible organizations – specifically nonprofit developers, housing authorities, or local governments – for the purpose of developing affordable housing. Projects on these sites must ensure that a minimum of 80 percent of residential units are affordable to households earning 80 percent or below of the AMI.[385]

Many Transit-Oriented Development properties were acquired with funding from the Federal Transit Administration, which places additional requirements on how they may be sold or leased. These federal rules can include stipulations around sale pricing, the mix and depth of affordability within housing projects, competitive bidding processes, the agency's ongoing oversight role, and other regulatory considerations.[386]

Sound Transit also collaborates with the County through a formal partnership that coordinates County housing resources with Sound Transit's Transit-Oriented Development efforts, aiming to maximize affordable housing outcomes.[387, 388]

Exhibit 29: List of Publicly Owned Sound Transit Excess Properties Potentially Suitable for Housing

Site Name	Address	City	Zip Code
Mount Baker Station TOD - East Portal Site	2809 26th Ave S	Seattle	98188
Mount Baker Station TOD - East Portal	S Stevens & 26th Ave	Seattle	98188
Federal Way Downtown Station TOD	S 319th St & 21st Ave S	Federal Way	98003
Federal Way Downtown Station TOD	S 319th St & 21st Ave S	Federal Way	98003
Federal Way Downtown Station	S 318th St & 21st Ave S	Federal Way	98003

[384] Communication with Sound Transit. (2025, April).
[385] RCW 81.112.350.
[386] Federal Transit Administration. Joint Development Frequently Asked Questions. [Link]
[387] King County Metro. (2023, December). *Construction to begin on 235-unit affordable housing project at King County Metro Northgate site.* [Link]
[388] Sound Transit. 92025, February). *BRIDGE Housing breaks ground at transit-oriented development project that will bring affordable housing to the City of Bellevue.* [Link]

TOD			
Federal Way Downtown Station TOD	S 317th St & 21st Ave S	Federal Way	98003
Kent Des Moines Station TOD - South Site	23634 Pacific HWY S	Kent	98032
Kent Des Moines Station TOD - South Site	23647 30th Ave S	Kent	98032
Kent Des Moines Station TOD - South Site	23646 Pacific Hwy S	Kent	98032
Kent Des Moines Station TOD - South Site	23700 Pacific Hwy S	Kent	98032
Kent Des Moines Station TOD - South Site	23800 Pacific Hwy S	Kent	98032
Kent Des Moines Station TOD - South Site	23810 Pacific Hwy S 98032	Kent	98032
Marymoor Village Station TOD - North Site	17285 NE 70th St	Redmond	98052
Marymoor Village Station TOD - North Site	17285 NE 70th St	Redmond	98052
Northgate Station TOD	SE Corner of NE 100th St and 1st Ave NE	Seattle	98125
Roosevelt Station TOD - North Site	1034 NE 67th St	Seattle	98115
Roosevelt Station TOD - North Site	6709 12th Ave NE	Seattle	98115
Roosevelt Station TOD - North Site	1027B NE 66th St	Seattle	98115
Roosevelt Station TOD - North Site	1023B NE 66th St	Seattle	98115
Roosevelt Station TOD - North Site	1027A NE 66th St	Seattle	98115
Roosevelt Station TOD - North Site	1023A NE 66th St	Seattle	98115
Rainier Valley Remnant Property	3315 MLK Jr Way S	Seattle	98144
Rainier Valley Remnant Property	S Horton St & MLK Jr Way S	Seattle	98144

Rainier Valley Remnant Property	3321 MLK Jr Way S	Seattle	98144
Rainier Valley Remnant Property	3405 MLK Jr Way S	Seattle	98144
Rainier Valley Remnant Property	3405 MLK Jr Way S	Seattle	98144
Rainier Valley Remnant Property	4703 31st Ave S	Seattle	98144
Rainier Valley Remnant Property	4703 31st Ave S	Seattle	98144
Rainier Valley Remnant Property	4703 31st Ave S	Seattle	98144
Rainier Valley Remnant Property	McCoy Pl S & 30th Ave S	Seattle	98144
Rainier Valley Remnant Property	3119 S Ferdinand St	Seattle	98144
Rainier Valley Remnant Property	6633 MLK Jr Way S	Seattle	98144
Rainier Valley Remnant Property	2822 Rainier Ave S	Seattle	98144

Exhibit 30 shows a list of County-owned surplus properties situated within the County's Urban Growth Area. Some sites have addresses while others lack an actual address and instead show the nearest street. Due to this, parcel numbers are best suited to locate a specific property. All sites are vacant or have been unused for two years.[389]

Exhibit 30: King County Surplus Property

Site Name	Address	City	Zip	Parcel Number	Current Use
Tax Lot 9061	S 115th St	Seattle	98168	1023049061	Vacant Land
Kent Meridian - North	SE 227th Pl	Kent	98031	1622059005	Other Undeveloped
Houghton Landfill Site	11724 NE 60th ST	Kirkland	98033	1759701890	Solid Waste Landfill Site
Henderson Sewer Project	S Henderson St	Seattle	98118	2124700145	Sewer Interceptor
South Park Marina 9-2006-001 #3	1239 S Rose St	Seattle	98108	2185000895	Undeveloped Building Site
Fairwood Interceptor	145th Ave SE	Renton	98058	2723059001	Sewer Interceptor
Fairwood Interceptor	140th Ave SE	Renton	98058	2723059023	Other Undeveloped
Fairwood	140th Ave SE	Renton	98058	2723059024	Vacant

[389] Communications with King County Facilities Management Division Administrator. (2025, April).

West Woodland C Substation	140th Ave SE	Renton	98058	2768300455	Dc Substation
Doug James Substation	700 S Cloverdale St	Seattle	98108	7883603130	Transfer System
Juanita Pump Station	9290 NE Juanita Dr	Kirkland	98034	9194102880	Pump Station

D. Glossary

Where applicable, select terms and associated definitions were derived from King County's 2024 Comprehensive Plan. Other terms were adapted from various sources and vetted for RWHI relevancy through the Workgroup.

Acquisitions
An Acquisition is the process of gaining ownership or control of an existing building for use as workforce housing.

Affordable Housing
Affordable housing is housing where the monthly costs, whether its rental or homeownership, does not exceed 30 percent of a household's monthly income.

Amortization
Amortization is the process used to determine loan repayments with a set schedule of payments of principal and interest over a set period of time. A longer amortization period results in lower monthly payments. The Term of the loan is the number of years that payments are owed. If the Amortization is longer than the Term, then you will have a balloon payment in the last payment since a portion of the loan will be outstanding.

Area Median Income
Area median income is the midpoint income for King County, where half of the households earn more than the median, and half of the households earn less, as established by the United States Department of Housing and Urban Development adjusted for household size.

Bonds
A bond is a financing tool often used by governments to raise capital by borrowing from investors, typically to fund large projects. Bonds are also used to finance non-profit projects and affordable housing. Like a loan, bonds provide upfront funding that is repaid over time with interest.

Bond Declaratory Judgement
A bond declaratory judgement confirms the legality of issuing bonds for a specific purpose. It provides assurance that the proposed bond financing complies with applicable laws and can be used as intended.

Bond Rating
A bond rating is an assessment of the creditworthiness of a borrower. King County currently holds a AAA bond rating, the highest possible rating. The higher the rating, the lower interest expense charged to the borrower.

Bonds, General Obligation (GO)
General obligation bonds, often referred to as GO bonds, are backed by the full faith and credit of the issuer, generally a government agency.

Bonds, Revenue
Revenue bonds are a type of bond where the repayment is secured by a specific non-tax revenue source.

Bonds, Taxable
Taxable bonds are a type of bond where the interest income is subject to federal taxation. Taxable bonds are not as limited in their use as tax-exempt bonds.

Bonds, Tax-exempt
Tax-exempt bonds are a type of bond that is exempt from federal taxation. Since these bonds are exempt for federal taxation, they are charged a lower interest rate. Tax-exempt bonds are typically used to support a public benefit, such as government purposes or affordable housing.

Bonds, 501(c)(3)
501(c)(3) bonds are a type of bond that are typically used to support a public benefit, such as affordable housing or other non-profit purposes, and is owned or operated by a nonprofit organization with a 501(c)(3) status.

Cash Reserve Fund
A cash reserve fund is a dedicated pool of funds set aside to cover debt service payments if a project is unable to meet its obligations. King County may establish a cash reserve fund to reduce financial risk and reassure investors. The reserve can be funded from bond proceeds.

Credit Enhancements
A credit enhancement is a financial mechanism where the County provides support to back a loan or bond for an affordable housing project. This support makes the investment more attractive to lenders, resulting in lower interest rates, which in turn lowers the cost of the project. In exchange for the cost savings, the developer agrees to set aside income-restricted units within the project.

Community-based Organization
A community-based organization is a public or private nonprofit organization that is representative of a community or significant segments of a community, is committed to a community's health, wellbeing, empowerment, and/or provides social services or community organizing for individuals in the community.

Cost Burden and Severe Cost Burden
When a household spends more than 30 percent of its income on housing, it is considered cost burdened. Severe cost burden means more than 50 percent of a household’s income goes toward housing costs.

Covenant
A covenant is a legally binding agreement placed on a property that could be used to require certain units to remain affordable to households at specified income levels. Rent-restricted covenants typically limit the maximum rent that can be charged and are recorded on the property title to ensure long-term affordability, often for a set number of years.

Debt Capacity
Debt capacity refers to the maximum amount of debt King County can responsibly take on and repay, based on its financial resources, legal limits, and creditworthiness.

Debt Service
Debt service refers to the total amount of money required to repay the principal and interest on a bond or loan over a specific period of time. If a financed project fails to cover its debt service, the responsibility may fall on the issuing or guaranteeing entity, such as King County.

Debt Service Coverage Ratio (DSCR)
Debt Service Coverage Ratio, also known as DSCR, is a financial metric to measure a project's ability to generate enough income to cover its debt service obligations, plus a cushion, so debt service payment can always be made.

Deed Restriction
A deed restriction is a legal agreement attached to a property's deed that limits how the property can be used, such as requiring that it be rented to income-qualifying households.

Deferred Loan
A deferred loan is a type of loan where repayment does not need to occur for a specified period of time or specified repayment requirements, such as having sufficient funds to make a payment. This payment would be treated as deferred.

Demonstration Project Area
A demonstration project area increases the uses allowed in the base zoning to test new experimental land use and planning regulations in a small area, such as for workforce housing.

Displacement
Displacement means the involuntary relocation of current residents or businesses from their current or previous home, neighborhood, or community. This is a different phenomenon than when property owners voluntarily sell their interests to capture an increase in value. Physical displacement is the result of eviction, acquisition, rehabilitation, or demolition of property, or the expiration of covenants on rent- or income-restricted housing. Economic displacement occurs when residents and businesses can no longer afford escalating costs. Cultural or ethnic displacement occurs when people choose to move because their neighbors and culturally related businesses have left the area.

Down Payment Assistance
Down payment assistance is a tool to support access to homeownership by providing homebuyers with financial assistance to help cover a down payment.

Equity
Equity refers to the level of ownership an agency or individual has in an asset. It is the difference between the market value of a property and any debts associated with it.

Environmental Standards
Environmental standards refer to the construction, development, and operation of housing units in accordance with the latest green building and sustainable development practices. Examples include LEED or Passive House.

Financial Feasibility
Financial feasibility refers to the likelihood that a project's sources of funding are to cover the costs of development, and that the project can continue to operate with revenues covering expenses plus the debt service required for project loans.

Financing Gaps
Financing gaps refers to the amount of funding or subsidy needed in order to become financially feasible.

Full Funding
Full funding refers to obtaining all necessary financial resources to cover the entire anticipated cost of a project.

Gap Funding
Gap funding refers to additional financial resources needed to cover the difference between the total project's cost and the amount already obtained and/or committed through funding sources.

Hard Debt
Hard debt refers to a loan that requires routine principal and interest payments.

The King County Housing Finance Program
The King County Housing Finance Program is an existing program that administers funds for the development and preservation of affordable housing throughout King County. It does this through an annual Request for Proposals process. Partnerships are encouraged among local governments, public housing authorities, nonprofit housing developers, for-profit developers, and service providers in order to produce the greatest number of units for the most reasonable public investment, and to provide appropriate supportive services to residents with special needs.

Housing Need
Housing need refers to the number of housing units needed in King County by the end of the planning period to ensure sufficient and attainable housing for all households.

Impact Equity
Impact equity refers to investments made in projects that focus on positive social outcomes, such as affordable housing, as well as financial returns.

Income, Extremely Low-
Extremely low-income means households earning less than or equal to 30 percent of area median income for their household size.

Income, Low-
Low-income means households earning greater than 50 percent to less than or equal to 80 percent of area median income for their household size.

Income, Moderate-
Moderate-income means households earning greater than 80 percent to less than or equal to 120 percent of area median income for their household size.

Income, Very Low-
Very low-income means households earning greater than 30 percent to less than or equal to 50 percent of area median income for their household size.

Income-restricted Housing
Income-restricted housing is housing that provides lower-income people with an affordable place to live. To be eligible to live in one of these units, a prospective tenant's gross monthly income must be below a certain income threshold. The unit is also limited in price so as to be affordable to households at certain income levels.

Interest Rates
Interest rates are a percentage of the debt amount that the borrower pays the lender for the use of funds over time. Lower interest rates reduce the total cost of repaying debt.

Labor Standards
Labor standards refer to fair labor practices that protect workers, including but not limited to the payment of prevailing wage rates, implementing policies to prevent wage theft, and in the example of King County, utilizing the Priority Hire Community Workforce Agreement program when required.

Loan Guarantee
A loan guarantee is when a third party, such as King County, commits to repaying the loan if the borrower defaults on repayment. This reduces the risk to the lender, which can lower the cost of borrowing and/or make it possible for smaller or less established borrowers to access financing.

Loan to Value (LTV) Ratio
The Loan to Value ratio is a financial metric that measures the ratio of the loan to the appraised value of the property. Lenders may limit the amount of financing they will lend to a project based on this ratio..

Loan Underwriting
Loan underwriting is the process a lender undertakes to assess the creditworthiness of the lender and the risk of the project requesting financing.

Low-Income Housing Tax Credits (LIHTC)
Low-Income Housing Tax Credits is a federal program that incentivizes the development of income-restricted housing through tax credits.

Master Leasing
Master leasing is a financing arrangement where a public agency agrees to lease an entire building and guarantees rental income to the property owner. Over time, the agency may gain full ownership of the property once the debt is repaid.

Market Rate Housing
Market rate housing is housing that is rented or sold at prices determined by the market. There are no income restrictions or affordability requirements.

Operating Costs
Operating costs refer to the ongoing expenses that are needed to manage and maintain a property. Costs may include utilities, maintenance, staffing, insurance, and administrative costs.

Patient Capital
Patient capital refers to capital that is invested with lenient or longer-term repayment requirements.

Preservation
Preservation refers to maintaining existing affordable housing units, so they remain in the market and continue to serve lower income households.

Prevailing Wage
Prevailing wage is the standard hourly wage rate set by Washington State's Department of Labor and Industries for each construction trade, based on the wages most commonly paid to workers in the largest city within each county.

Pro Formas
Pro formas, sometimes called an Operating Pro Forma, refer to the projected financial performance of a project that estimate future income, expenses, and cash flow. Estimates come from past project experience or industry sources and market information.

Rent Recovery
Rent recovery refers to a financial model where rental revenue is sufficient to cover operating expenses, required reserves, and repayment of associated debt.

Return and Reserve Requirements
Reserve requirements refer to an estimated amount of funds needed to be set aside from revenue to cover future needs. These needs may include capital reserves to fund major repairs, replacements, or operating reserves to fund unforeseen expenses.

Revolving Construction Loan Fund
A revolving construction loan fund provides loans for the construction of affordable units for homeownership. As loans are repaid, the funds are recycled and loaned out again for new projects. This structure allows the fund to be reused over time, supporting ongoing development.

Risk
Risk refers to the level of possibility that a project will require additional financial support from King County and/or negatively impact King County's bond rating.

Senior Lender
The senior lender provides a significant amount of a projects financing and is the first lender to receive repayment of debt. The senior lender leads the underwriting process, conducting due diligence and providing oversight and project management. Senior lenders may also have a larger financial stake in the project, which increases the impact to their agency if a project is not financially viable.

Shovel Ready
Shovel ready describes a development project that has completed all necessary planning, permitting, and approvals and is ready to begin construction. Shovel ready projects are attractive because construction delays can be financially costly.

Soft Debt
Soft debt refers to a loan with payment terms either contingent upon available cash flow, or a deferred or forgivable at the end of term.

Subordinate Debt
Subordinate debt provides a capital funding source which is in a secondary or further subordinated position on title to a senior lender or other lenders to a project. This debt inherently carries more risk.

Subordinate Lender
The subordinate lender may provide less financing than other lenders but is willing to take more repayment risk as others are paid first. This willingness allows for other debt to the project without increasing risk to other lenders.

Subsidy
Financial assistance that can make a project more financially feasible. A subsidy may, or may not, be repaid.

Transit-oriented Development
Transit-oriented development refers to a style of development that often includes a mix of housing, commercial space, services, and job opportunities near public transportation. These developments encourage transit use and reduce automobile dependence through thoughtful design that is sufficiently dense, prioritizes pedestrians, often reduces parking, and enhances access and mobility between residences, jobs, and services.

Volume Cap
Volume cap, also called bond cap, is the federal limit on tax-exempt private activity bonds that a state may issue each year. The amount is based upon the state's population.

Wage Theft
Wage theft is an illegal practice where an employer does not pay its workers the full wages they are legally entitled to.

Workforce Housing
The Motion defines workforce housing as "housing that is affordable to households with one or more workers that is located near jobs and services necessary for residents to meet their day-to-day needs, such as grocery stores and public transportation."[1] The Workgroup aligned workforce housing to low- and moderate-income households, which, per the Growth Management Act, are households earning between 50-120 percent AMI.

Workouts
Workouts refer to a negotiated restructuring of loan terms between a borrower and lender.

Wrap Around Services
Wrap around services is a general term regarding addressing the needs of vulnerable tenants. This includes medical and behavioral health services, logistical assistance for daily needs, employment services, and other supports depending upon the individual.

E. Area Median Income and Restricted Rental Rates

Exhibit 31 shows the income and rent limits by household size and unit size by 30 percent, 50 percent, 60 percent, and 80 percent AMI.

Exhibit 31: Income and Rent Limits by Household Size, Unit Size, and Area Median Income (AMI), 2024

	30% AMI	50% AMI	60% AMI	80% AMI
1 person	$31,650	$52,700	$63,240	$77,700
2 persons	$36,200	$60,250	$72,300	$88,800
3 persons	$40,700	$67,800	$81,360	$99,900
4 persons	$45,200	$75,350	$90,420	$110,950
5 persons	$48,850	$81,400	$97,680	$119,850
6 persons	$52,450	$87,450	$104,940	$128,750
7 persons	$56,050	$93,400	$112,080	$137,600
8 persons	$59,700	$99,450	$119,340	$146,500
Studio	$791	$1,317	$1,581	$1,942
1 bedroom	$848	$1,411	$1,694	$2,081
2 bedrooms	$1,017	$1,695	$2,034	$2,497
3 bedrooms	$1,175	$1,959	$2,351	$2,885
4 bedrooms	$1,311	$2,186	$2,623	$3,218
5 bedrooms	$1,446	$2,410	$2,892	$3,551

F. Housing Finance Program Funding Sources and Uses

Exhibit 32 summarizes funding sources for the Housing Finance Program and their uses, origin, enabling legislation, AMI restrictions, requirements and priorities.

Exhibit 32: Housing Finance Program Funding Sources and Uses

Funding Source	Primary Use	Fund Origin	Enabling legislation	Income Level	Other requirements	HFP priorities and commitments
Transit-Oriented Development (TOD) Bonds	Affordable workforce housing within one half mile of a transit station (Transit-oriented development projects)	Local	• RCW 67.28.180 • Motion No. 14687 • Motion 15393 • Motion 15432 • Ord. No. 18835 • Ord. No. 19546 • Ord. No. 19861	80% AMI or below	Projects using pre-2025 funds must be located within ½ mile of a high-capacity transit station; Inclusive of the City of Seattle; 2025 TOD allows projects within ½ mile of a transit station.	Varies with each year of TOD funding. All $187M TOD bond funds for 2016-2020 have been committed. Over $40M of TOD bond funds from 2023-2024 have been committed, resulting in a current balance of $4.86M. Over $28M from the 2025 TOD bond funds have been committed, resulting in a current balance of $14.7M for competitive awards.
Short-Term Lodging Tax (STLT)	Permanent affordable housing	Local	• RCW 36.100.040 • Ord. No. 19546 • Ord. No. 19861	80% AMI and below	Portions of funds are bonded and set aside for projects serving specific populations or purposes: people with disabilities, projects developed by and for communities facing displacement, and unincorporated Skyway-West Hill	Bonded funds prioritize projects serving immigrants, refugees, and/or BIPOC populations with disabilities (Disability Housing), projects in specific areas (Skyway), or projects led by place-based community-based organization in long-term community stewardship and income levels below 60% AMI for rentals and 50-80% AMI for homeownership (Equitable Community Driven Development). Over $18M has been awarded, $4.5M is committed for 2025 EDI RFP, resulting in a balance of $2.45M in available funds.

Funding Source	Primary Use	Fund Origin	Enabling legislation	Income Level	Other requirements	HFP priorities and commitments
MIDD Behavioral Health Sales Tax (MIDD);	Households with individual with chronic mental illness and/or substance abuse issue facing or at risk of homelessness	Local	• Ord. No. 15949 • Ord. No. 18407	30% AMI and below	Governed by the MIDD 2 Implementation Plan	
HOME Investment Partnership Program (HOME)	Development and/or preservation of affordable housing	Federal	• U.S. Department of Housing and Urban Development (HUD)	60% AMI or below for rental; 80% AMI or below for ownership	15% allocated to a Community Housing Development Organization; Davis-Bacon wage requirements; maintain long-term federal compliance; National Environment Policy Act (NEPA) requirement; Not available for projects within City of Seattle	Extremely low-income households and people experiencing homelessness
Jail Divestment for Community Investment	Serving youth and young adults, disproportionately incarcerated racial-ethnic and gender diverse communities	Local			Projects must pair with services and programs to divert youth and young adults from incarceration and the legal system; Youth ages of 12 to 17, young adult ages of 18 to 24; Only available to projects within City of Seattle	Projects serving people experiencing homelessness and housing for vulnerable populations.

Funding Source	Primary Use	Fund Origin	Enabling legislation	Income Level	Other requirements	HFP priorities and commitments
Regional Affordable Housing Program (RAHP)	Serving households experiencing homelessness or who have special needs	State	• RCW 36.22.250	50% AMI or below	Interlocal Cooperative Agreement formulas split funs across Seattle, East King and South King. Requires reserve funds for operations and maintenance; Remainder for capital housing awards	
Veterans, Senior, and Human Services Levy (VSHSL) – Veterans Only	Serving veterans and their households who are extremely low-income.	Local	• RCW 84.52.105 • Ord. No. 18555	30% AMI or below	Veterans defined as anyone who has served at least one day in the U.S. military, including households with a member who has served as either an active duty or a reservist member of the U.S. military or National Guard	In accordance with the VSHSL Implementation Plan
2331 Document Recording Fee	Serving households with greatest barriers in securing and remaining in permanent housing with high service need	Local	• RCW 36.22.179	40% AMI or below		Individuals experiencing chronic homelessness; youth and young adults with a history of rental instability or other challenges; Individuals with moderate or low service needs; Individuals at risk of homelessness

Funding Source	Primary Use	Fund Origin	Enabling legislation	Income Level	Other requirements	HFP priorities and commitments
Interim Loan Program	Serving extremely low-and very low-income households with a priority for households experiencing homelessness.	Local	• King County Code 24.22	50% AMI or below	Provides low-cost financing for the acquisition of property that will be developed for extremely low- and very low-income households. 25% of units are set aside for serving homeless households.	Follows HFP funding priorities with an emphasis on homeless and/or vulnerable populations.

G. King County Subregions

Exhibit 33 shows the three subregions King County was divided into to determine program model feasibility based on subregional market variation. Exhibit 34 shows the Seattle-Shoreline Subarea, Exhibit 35 shows the East King County Subarea, and Exhibit 36 shows the South King County Subarea.

Exhibit 33: King County Subregions

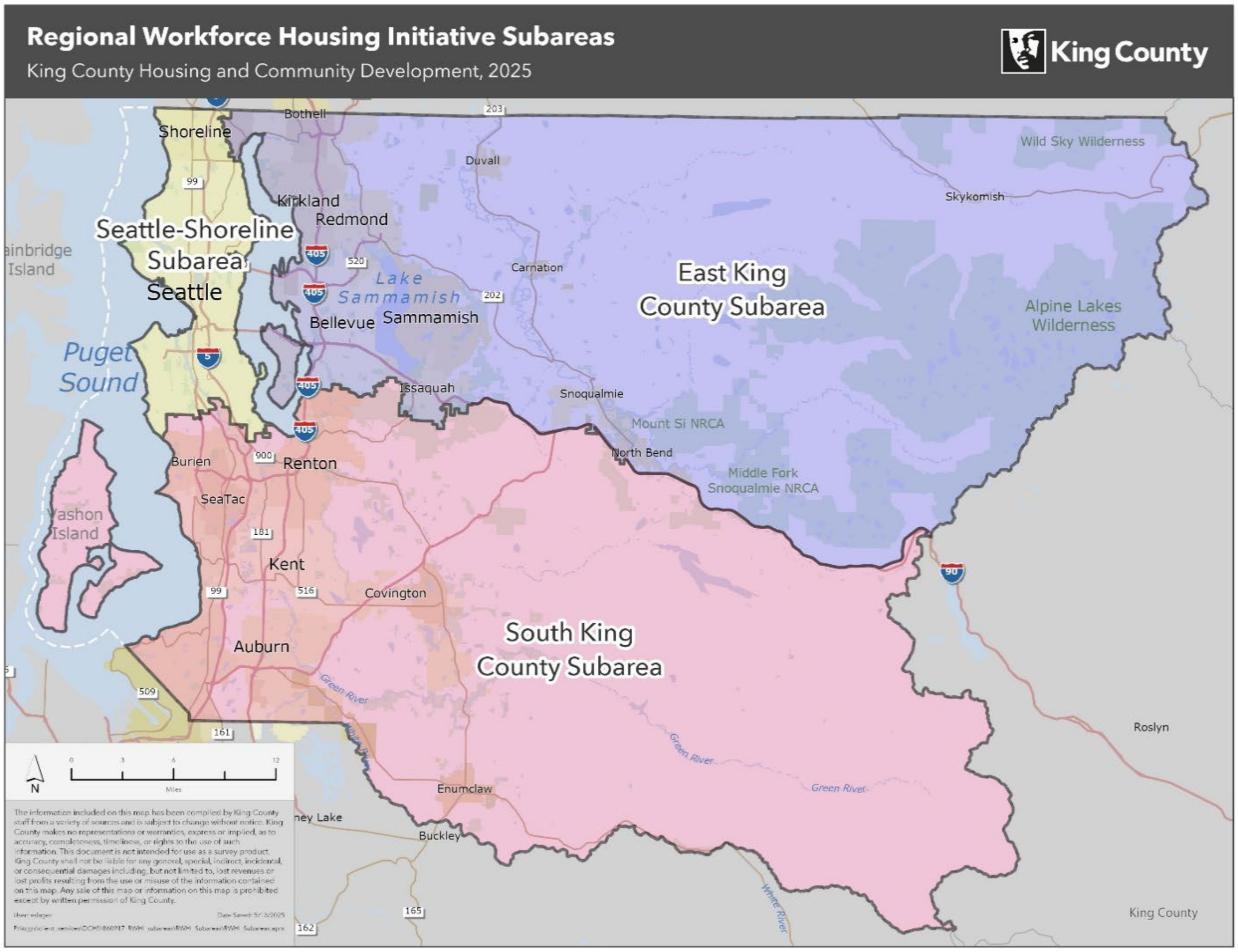


Exhibit 34: Seattle-Shoreline Subarea

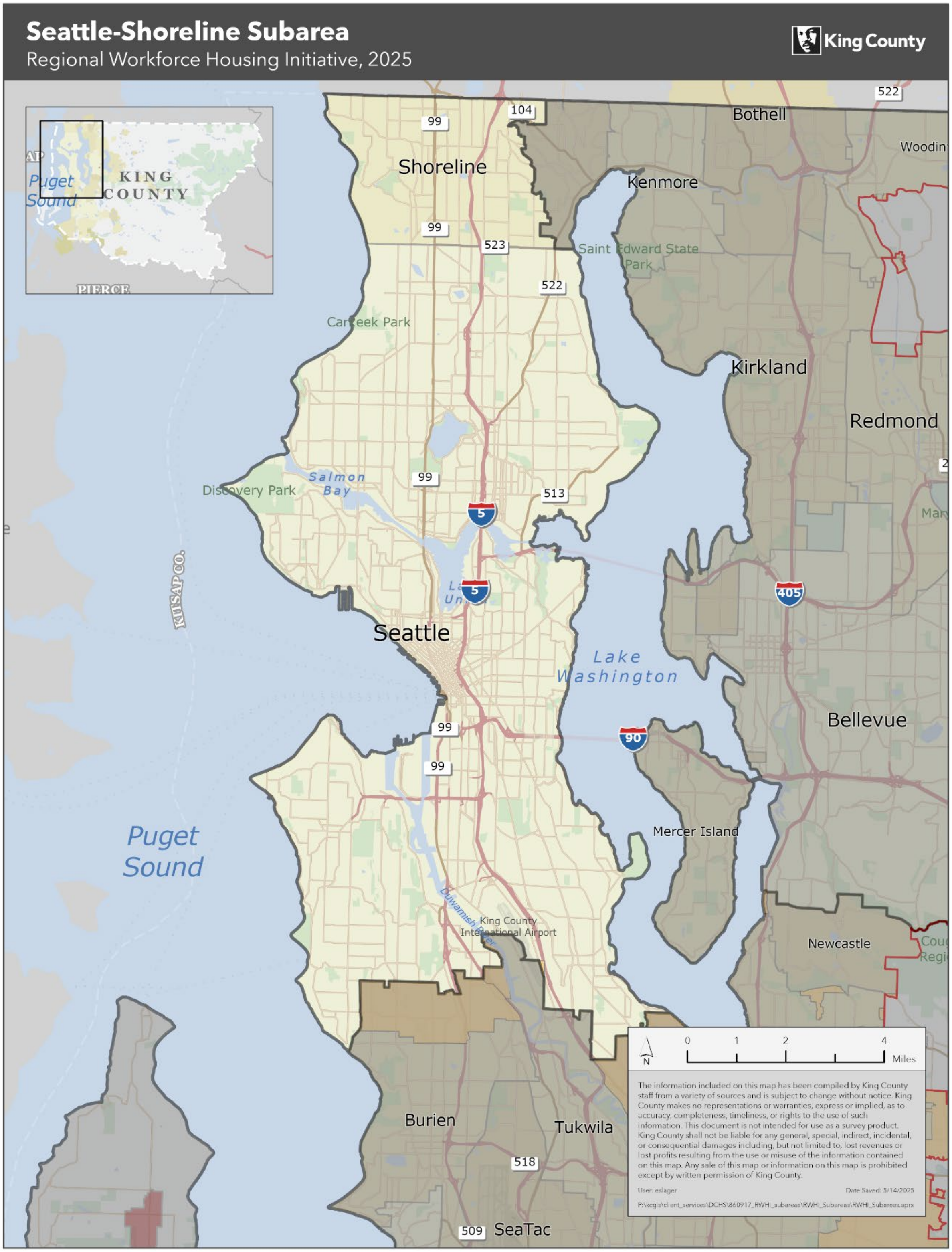


Exhibit 35: East King County Subarea

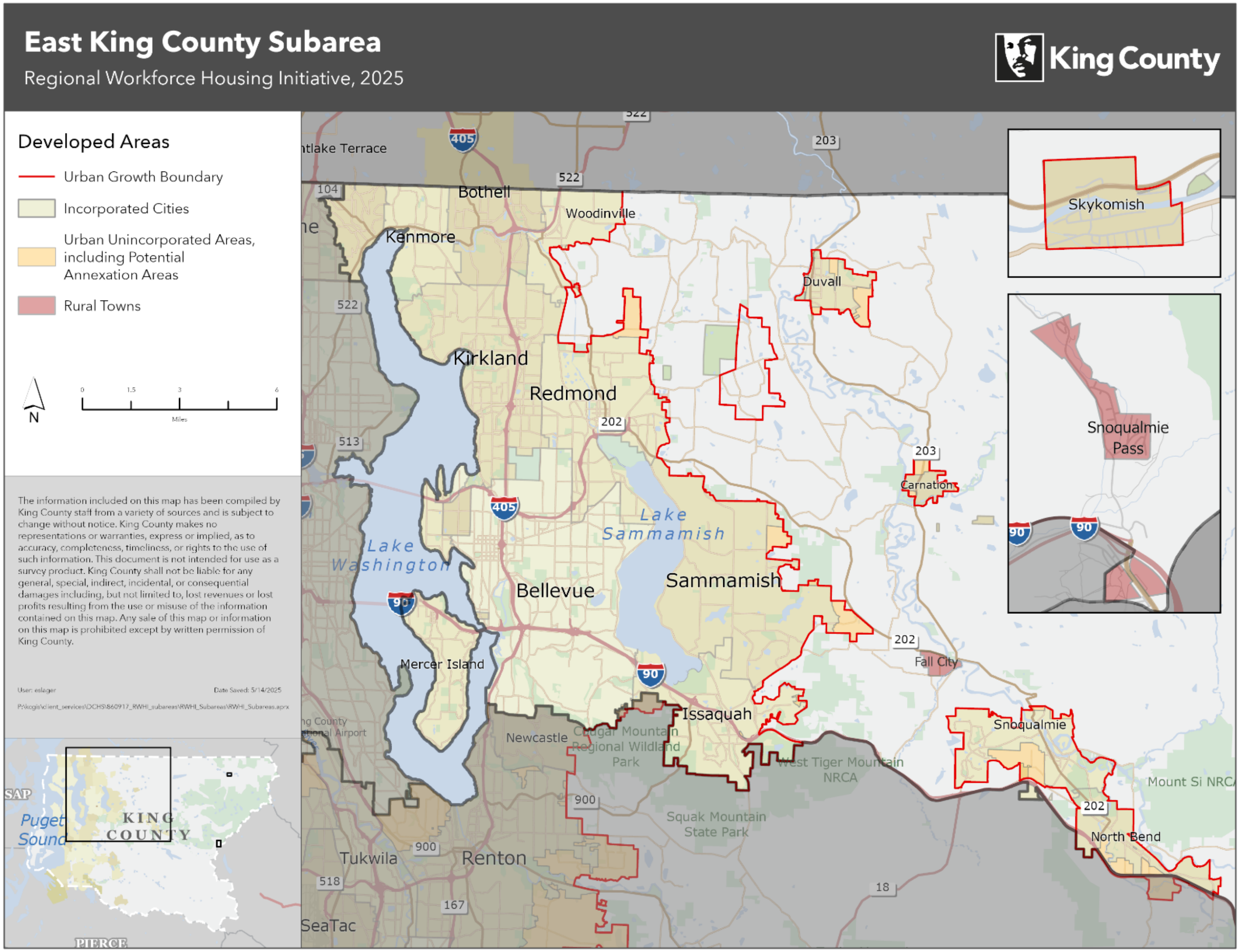
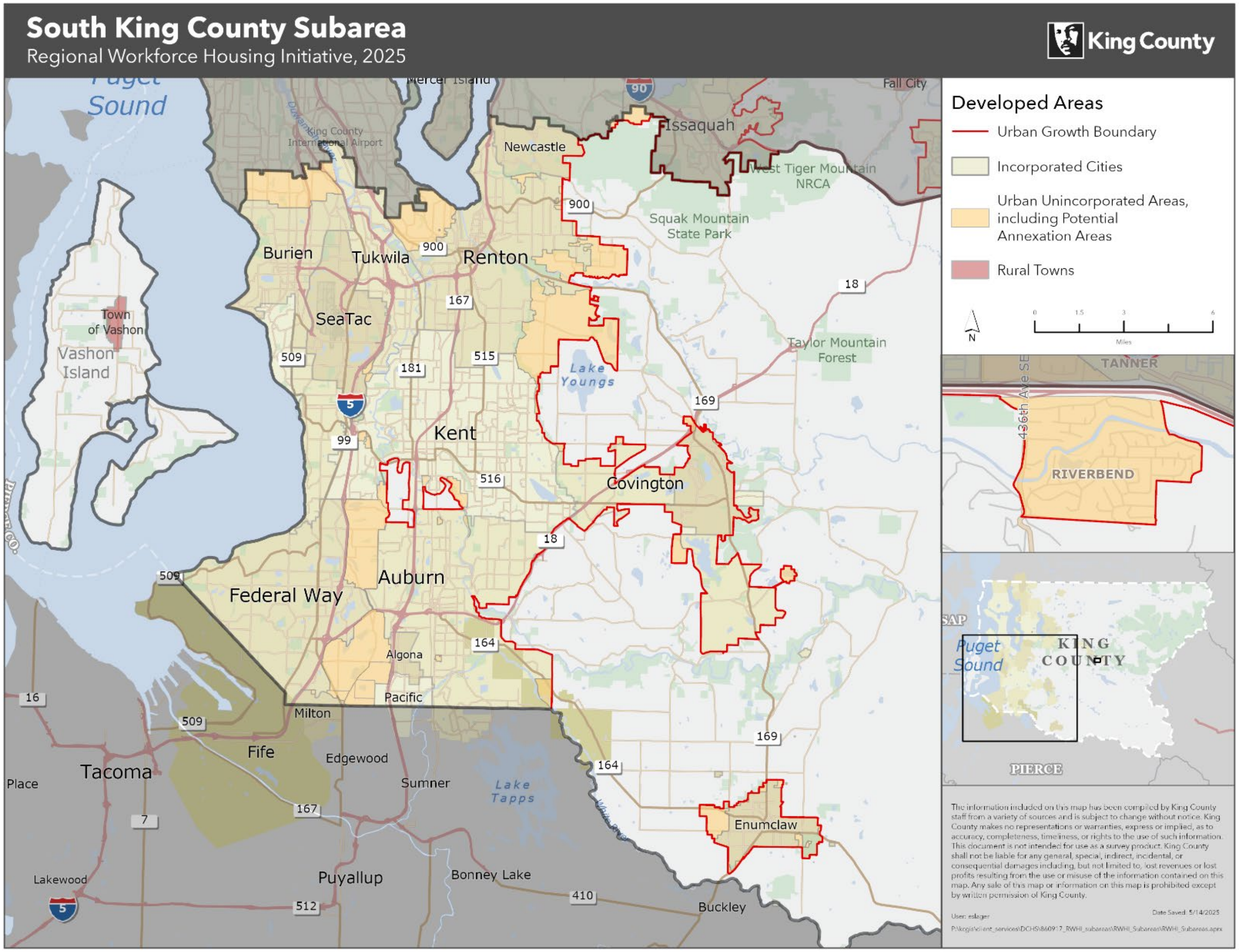


Exhibit 36: South King County Subarea



H. Engagement Meetings and Themes

The exhibits in this section list the engagement meetings and themes that emerged from each meeting. Exhibit 37 shows large topical meetings, whereas Exhibit 38 demonstrates the conducted informational interviews. Some rows are bolded to give them a visual weight to show the prominence of the specific theme discussed during each meeting. The chart matrix was created using a combination of transcripts and meeting notes.

Exhibit 37: Topical Meetings

Group	Themes
Housing Development Consortium	Analyze what AMIs in projects can support debt products based on legal and risk analysis
	Operating expenses and significant increases in costs are contributing to a funding gap
	Corporate sponsorship programs (Amazon & Microsoft) are a popular solution for low interest rates and patient money
	Current market opportunities for acquisitions and conversions
	Homeownership program grants and subsidies are helpful for homebuilders and homebuyers
	Loan guarantees should be used as a credit enhancement tool to support access to loans for developers
	Market realities – underwriting has to take into account real, verifiable local dynamics
	Revolving construction loans for financing homeownership projects
	Subordinate debt (longer term, perhaps 20 year) could work to bring down need for private equity and supplement the senior debt
Public Funders	**Current market opportunities for acquisition and conversion**
	Increase down payment assistance to help homeowners to align with the increase in home prices
	Jurisdictional staff frustration over the lack of AMI range designation in the Motion's definition of workforce housing
	Land acquisition and land banking should occur now to secure opportunities to build especially near current or future transit centers
	Layering requirements, such as green building, prevailing wage, and 3+ bedroom units all increase total development costs
	Loan guarantees should be used as a credit enhancement tool to support access to loans for developers
	Market realities – underwriting has to take into account real, verifiable local dynamics
	Oversupply of studio and one-bedroom apartments in the current rental market
Market Rate Developers	The 4% LIHTC program is oversubscribed and limited in the range of AMIs it can serve; due to constrained access to funding, developers are increasingly seeking alternative financing sources

	AMI growth over time is not steady between bands, resulting in further disparity
	Analyze what AMIs in projects can support debt products based on legal and risk analysis
	BIPOC developers need additional support to access loans
	Building operating expenses and significant increases in costs are contributing to a funding gap
	Consider waiving environmental standards for cost savings or providing public subsidy to pay for it
	Consider waiving prevailing wage standards for cost savings or providing public subsidy to pay for it
	Corporate sponsorship programs (Amazon & Microsoft) are a popular solution for low rates and patient money
	Current market rates are often below affordable within certain AMI bands in the rental market
	Finance approval is harder for projects that have larger units because less revenue will be brought in overall with fewer units
	Layering requirements, such as green building, prevailing wage, and 3+ bedroom units all increase total development costs
	Loan guarantees should be used as a credit enhancement tool to support access to loans for developers
	Low-interest rate loans bring down the overall interest rate through a blended rate and make funding more affordable
	Market realities – underwriting has to take into account real, verifiable local dynamics
	Master leasing is a possible solution to create accessible, rent-restricted, affordable housing
	Not being able to "pencil" stalls projects
	Oversupply of studio and one-bedroom apartments in the current rental market
	Prioritize creating units with three and four bedrooms
	Rapid financing process is preferred for any funding product versus funding that's available only during open windows for applications
	Subordinate debt (longer term, perhaps 20 year) could work to bring down need for private equity and supplement the senior debt
	Tax-exempt bonds offer lower interest rates
	Urgency – all manner of funds is needed as soon as possible
Community-driven Developers and	The 4% LIHTC program is oversubscribed and limited in the range of AMIs it can serve; due to constrained access to funding, developers are increasingly seeking alternative financing sources

Community-based Organizations	AMI growth over time is not steady between bands creating disparity
	Analyze what AMIs in projects can support debt products based on legal and risk analysis
	BIPOC developers need additional support to access loans
	Co-op ownership (security interest versus deed) for homeownership projects is a possible funding tool
	Consider serving 80% and below for rentals or homeownership
	Consider serving 80% - 110% for rentals or homeownership
	Covenant homeownership down payment assistance is a helpful tool for black homeowners
	Homeownership is a means for growing generational wealth
	Homeownership program grants and subsidies are helpful for homebuilders and homebuyers
	Loan guarantees should be used as a credit enhancement tool to support access to loans for developers
	Oversupply of studio and one-bedroom apartments in the current rental market
	Preservation (reinvestment in aging income restricted projects) is needed
	Share mortgage for homeownership projects is a possible funding tool
	Subordinate debt (longer term, perhaps 20 year) could work to bring down need for private equity and supplement the senior debt
	Support reparative actions to rebuild communities that were affected by displacement in black communities
	Tax-exempt bonds offer lower interest rates
	All manner of funds is needed as soon as possible
	Workforce housing is not currently defined consistently
Homeownership Agencies	Patient money with lower interest rates and long terms is an attractive finance tool
	ADUs for creating affordability units on property or multigenerational living in place
	Affordable qualification retention as AMI changes to avoid losing housing
	AMI calculations are being configured for multiple generations living in a household starting at age 18
	Analyze what AMIs in projects can support debt products based on legal and risk analysis
	BIPOC developers need additional support to access loans
	Complexity in a capital stack increases costs dues to administrative and legal fees and reporting requirements
	Consider serving 80% and below for rentals or homeownership

	Consider serving up to 120% for homeownership
	Consider serving up to 140% for homeownership
	Covenant homeownership down payment assistance is a helpful tool for black homeowners
	Demand for subsidies is larger than the supply, delaying projects due to lack of funding
	Homeownership is a means for growing generational wealth
	Homeownership program grants and subsidies are helpful for homebuilders and homebuyers
	HomeSight social justice program has down payment assistance
	Increase down payment assistance to help homeowners to align with the increase in home prices
	Jurisdictional staff frustrations over the lack of AMI range designation in the Motion's definition of workforce housing
	Loan guarantees should be used as a credit enhancement tool to support access to loans for developers
	Loan guarantees should be used as a credit enhancement tool to support access to mortgages
	Market realities – underwriting has to take into account real, verifiable local dynamics
	Permanent loans for homebuyers (mortgage) at a lower percentage rate
	Predevelopment loans for community-based, small home developers as a possible product
	Rapid financing process is preferred for any funding product versus funding that's available only during open windows for applications
	Revolving construction loans for financing homeownership projects
	Subsidies can be created for affordable homes through higher profit on sales of market rate homes
	Tax-exempt bonds offer lower interest rates
Affordable Housing Developers	The 4% LIHTC program is oversubscribed and limited in the range of AMIs it can serve; due to constrained access to funding, developers are increasingly seeking alternative financing sources
	Acquisition permit-ready projects could have a revised permit to convert to larger units
	Analyze what AMIs in projects can support debt products based on legal and risk analysis
	Any product should serve all areas of the county, including areas with lower AMIs (i.e. have a below market product)

	Building operating expenses and significant increases in costs are contributing to a funding gap
	Consider waiving environmental standards for cost savings or providing public subsidy to pay for it
	Consider waiving prevailing wage standards for cost savings or providing public subsidy to pay for it
	Corporate sponsorship programs (Amazon & Microsoft) are a popular solution for low rates and patient money
	Covenants are needed for rentals to keep rents low
	Current market opportunities for acquisition and conversion
	Land acquisition and land banking should occur now to secure opportunities to build especially near current or future transit centers
	Land needs transit should be? developed first before housing can be developed
	Land surplus should be used to develop workforce housing
	Layering requirements, such as green building, prevailing wage, and 3+ bedroom units all increase total development costs
	Loan guarantees should be used as a credit enhancement tool to support access to loans for developers
	Low-interest rate loans bring down the overall interest rate through a blended rate and make funding more affordable
	Not being able to "Pencil" stalls projects
	Prioritize creating units with three and four bedrooms
	Rapid financing process is preferred for any funding product versus funding that's available only during open windows for applications
	Subordinate debt (longer term, perhaps 20 year) could work to bring down need for private equity and supplement the senior debt
	Tax-exempt bonds offer lower interest rates
	All manner of funds is needed as soon as possible
Washington State Housing Finance Commission	The 4% LIHTC program is oversubscribed and limited in the range of AMIs it can serve; due to constrained access to funding, developers are increasingly seeking alternative financing sources
	Analyze what AMIs in projects can support debt products based on legal and risk analysis
	Building operating expenses and significant increases in costs are contributing to a funding gap
	Corporate sponsorship programs (Amazon & Microsoft) are a popular solution for low rates and patient money
	Current market opportunities for acquisition and conversion

	Increase down payment assistance to help homeowners to align with the increase in home prices
	Loan guarantees should be used as a credit enhancement tool to support access to loans for developers
	Low-interest rate loans bring down the overall interest rate through a blended rate and make funding more affordable
	Market realities – underwriting has to take into account real, verifiable local dynamics
	Master leasing is a possible solution to create accessible, rent-restricted, affordable housing
	Permanent loans for homebuyers (mortgage) at a lower percentage rate
	Protect programs that serve deeply affordable and special needs populations (do not shift existing resources away from these programs)
	Recycled cap bonds allow the reuse of 80/20 bonds. 80/20 bonds are bonds that fund mixed rental, provided that 80% are affordable
	Revolving construction loans should be/shouldn't be used? for financing homeownership projects
	Subordinate debt (longer term, perhaps 20 year) could work to bring down need for private equity and supplement the senior debt
Local Jurisdictional Staff	AMI growth over time is not steady between bands, creating disparity
	Any product should serve all areas of the county, including areas with lower AMIs. (i.e. they have a below market product)
	Consider serving 80% and below for rentals or homeownership
	Current market rates are often below affordable within certain AMI bands in the rental market
	Homeownership program grants and subsidies are helpful for homebuilders and homebuyers
	Jurisdictional staff frustrations over the lack of AMI range designation in the Motion's definition of workforce housing
	Market rate developers (private) can build more efficiently than nonprofit
	Market realities – underwriting has to take into account real, verifiable local dynamics
	Prioritize creating units with three and four bedrooms
	Regulation and enforcement are needed to prevent housing cost inflation

Exhibit 38 lists all informational interviews and themes from each meeting.

Exhibit 38: Informational Interviews

Group	Themes

King County Housing Authority	Patient money with lower interest rates and long terms is an attractive finance tool
	Affordable qualification retention as AMI changes to avoid losing housing
	Analyze what AMIs in projects can support debt products based on legal and risk analysis
	Consider waiving environmental standards for cost savings or providing public subsidy to pay for it
	Current market rates are often below affordable within certain AMI bands in the rental market
	Finance approval is harder for projects that have larger units because less revenue will be brought in overall with fewer units
	The Housing Authority could serve as co-lender or potential partner facilitate access to tax-exempt bonds and offer greater flexibility in how the bond proceeds are used
	The Housing Authority could serve as a co-lender or potential partner to facilitate the implementation of any new product
	Layering requirements, such as green building, prevailing wage, and 3+ bedroom units all increase total development costs
	Long eviction times contribute to lack of operating revenue
	Low-interest rate loans bring down the overall interest rate through a blended rate and make funding more affordable
	Market rate developers (private) can build more efficiently than nonprofit
	Market realities – underwriting has to take into account real, verifiable local dynamics
	Prioritize creating units with three and four bedrooms
	Tax-exempt bonds offer lower interest rates
	All manner of funds is needed as soon as possible
Center for Public Enterprise	The 4% LIHTC program is oversubscribed and limited in the range of AMIs it can serve; due to constrained access to funding, developers are increasingly seeking alternative financing sources
	Covenants are needed for rentals to keep rents low
	The Housing Authority could serve as a co-lender or potential partner to facilitate with implementation of any new product
	Not being able to "Pencil" stalls projects
	Revolving construction loans for financing homeownership projects
Seattle Foundation	Patient money with lower interest rates and long terms is an attractive finance tool

	Any product should serve all areas of the county, including areas with lower AMIs (i.e. those that have a below market product)
	Building operating expenses and significant increases in costs are contributing to a funding gap
	Consider serving 80% and below for rentals or homeownership
	Corporate sponsorship programs (Amazon & Microsoft) are a popular solution for low rates and patient money
	Low-interest rate loans bring down the overall interest rate through a blended rate and make funding more affordable
	Permanent loans for homebuyers (mortgage) at a lower percentage rate
	Preservation (reinvestment in aging income restricted projects) is needed
	Prioritize creating units with three and four bedrooms
	The rapid financing process is preferred for any funding product versus funding that's available only during open windows for applications
	Subordinate debt (longer term, perhaps 20 year) could work to bring down need for private equity and supplement the senior debt
Amazon	Patient money with lower interest rates and long terms is an attractive finance tool
	The 4% LIHTC program is oversubscribed and limited in the range of AMIs it can serve; due to constrained access to funding, developers are increasingly seeking alternative financing sources
	Building operating expenses and significant increases in costs are contributing to a funding gap
	Consider serving 80% and below for rentals or homeownership
	Corporate sponsorship programs (Amazon & Microsoft) are a popular solution for low rates and patient money
	Covenants are needed for rentals to keep rents low
	Current market rates are often below affordable within certain AMI bands in the rental market
	Low-interest rate loans bring down the overall interest rate through a blended rate and make funding more affordable
	Market realities – underwriting has to take into account real, verifiable local dynamics
	Not being able to "Pencil" stalls projects
	Preservation (reinvestment in aging income restricted projects) is needed

	Prioritize creating units with three and four bedrooms
	The rapid financing process is preferred for any funding product versus funding that's available only during open windows for applications
	Subordinate debt (longer term, perhaps 20 year) could work to bring down need for private equity and supplement the senior debt
Seattle Social Housing Developer	Consider using affordable qualification retention as AMI changes to avoid losing housing
	Consider serving up to 120% for rentals
	Covenants are needed for rentals to keep rents low
	Market realities – underwriting has to take into account real, verifiable local dynamics
	Not being able to "Pencil" stalls projects
	Preservation (reinvestment in aging income restricted projects) is needed
	Protect programs that serve deeply affordable and special needs populations (do not shift existing resources away from these programs)
	Revolving loan fund for financing rentals projects
	Subsidies can be created for affordable rentals through higher margins on market rate rentals in the same building
Sound Transit	Building operating expenses and significant increases in costs are contributing to a funding gap
	Consider waiving prevailing wage standards for cost savings or providing public subsidy to pay for it
	Land acquisition and land banking should occur now to secure opportunities to build especially near current or future transit centers
	Land considerations - federal land needs federal approval before development
	Land needs transit developed first before housing can be developed
	Layering requirements, such as green building, prevailing wage, and 3+ bedroom units all increase total development costs
	Not being able to "Pencil" stalls projects
Bellwether	Building operating expenses and significant increases in costs are contributing to a funding gap
	Consider serving 80% - 110% for rentals or homeownership
	Late and missing rents are contributing to lack of operating revenue

	Long eviction times contribute to lack of operating revenue
	Oversupply of studio and one-bedroom apartments in the current rental market
	Protect programs that serve deeply affordable and special needs populations (do not shift existing resources away from these programs)
Fair Housing Center	ADA considerations (i.e.: service animals, dark shades for sensory, etc.) are being overridden by HOAs and COAs
	ADA units should be prioritized for disabled versus first come first serve
	ADUs as a possible solution for ADA housing
	Building operating expenses and significant increases in costs are contributing to a funding gap
Renton Housing Authority	Consider serving 80% and below for rentals or homeownership
	Corporate sponsorship programs (Amazon & Microsoft) are a popular solution for low rates and patient money
	Current market opportunities for acquisition and conversion
	Current market rates are often below affordable within certain AMI bands in the rental market
	Late and missing rents are contributing to lack of operating revenue
	Long eviction times contribute to lack of operating revenue
	Oversupply of studio and one-bedroom apartments in the current rental market
	Prioritize creating units with three and four bedrooms
The Seattle Chamber of Commerce	Building operating expenses and significant increases in costs are contributing to a funding gap
	Consider serving 80% - 110% for rentals or homeownership
	Corporate sponsorship programs (Amazon & Microsoft) are a popular solution for low rates and patient money
	Prioritize creating units with three and four bedrooms
	Protect programs that serve deeply affordable and special needs populations (do not shift existing resources away from these programs)
	Workforce housing is not currently defined consistently
House Our Neighbors	Patient money with lower interest rates and long terms is an attractive finance tool
	Consider using affordable qualification retention as AMI changes to avoid losing housing

	Building operating expenses and significant increases in costs are contributing to a funding gap
	Covenants are needed for rentals to keep rents low
	Homeownership is a means for growing generational wealth
	Homeownership program grants and subsidies are helpful for homebuilders and homebuyers
	Many trades workers (moderate-income) cannot afford to live where they work
	Require strict green building standards and consider passive housing
	Require union labor and prevailing wage for workforce housing projects
	Consider revolving construction loans for financing homeownership projects
	Consider revolving loan fund for financing rentals projects
	Subsidies can be created for affordable rentals through higher margins on market rate rentals in the same building
	Workforce housing is not currently defined consistently
HomeSight	**Co-op ownership (security interest versus deed) for homeownership projects is a possible funding tool**
	Consider serving up to 120% for homeownership
	Covenant homeownership down payment assistance is a helpful tool for black homeowners
	Homeownership is a means for growing generational wealth
	Homeownership program grants and subsidies are helpful for homebuilders and homebuyers
	HomeSight social justice program has down payment assistance
	Increase down payment assistance to help homeowners to align with the increase in home prices
	Loan guarantees should be used as a credit enhancement tool to support access to loans for developers
	Consider revolving construction loans for financing homeownership projects
	Share mortgage for homeownership projects is a possible funding tool
Laborers Local 242	Consider serving 80% - 110% for rentals or homeownership
	Land surplus should be used to develop workforce housing
	Many trades workers (moderate-income) cannot afford to live where they work
	Regulation and enforcement are needed to prevent wage theft

	Require union labor and prevailing wage for workforce housing projects
MLK Labor	Many trades workers (moderate-income) cannot afford to live where they work
	Regulation and enforcement are needed to prevent wage theft and exploitation
	Labor organizations and unions should be engaged when creating guidelines for future workforce housing projects
	Need to create opportunities in environmentally sustainable construction jobs

After the Workgroup conducted preliminary analysis and identified initial recommendations, they hosted an engagement Loop Back meeting on April 11, 2025. All parties and individuals engaged throughout the process were invited to attend for a briefing on progress to-date. Below is a list of summarized input from this meeting:

- Concerns that King County is dismissing the Homeownership Revolving Construction Loan Fund because the program model requires additional homebuyer assistance for affordable purchase, when this was never the goal for affordable homeownership agencies. Affordable homeownership agencies want to be able to utilize this tool to reduce the cost of production.
- Affordable homeownership agencies want a loan without interest payments. Frustration that this was not modeled.
- Concerns over what organizations were contacted for program modeling and which were not.
- Concerns about the future housing market and projected rising construction costs, and that program models are based on the current market.
- Questions about why program modeling for rental units was limited to 100 percent AMI when the base legislation goes up to 120 percent AMI.
- Confidence that if King County offered a financing product that could lower the total blended rate, it would result in more housing supply, which is clearly needed. Anything that contributes to the capital stack at a lower rate will help increase housing supply.
- If the proposed program models can improve upon existing programs in any way, it will add value to the 4 percent tax credit program.
- Skepticism that proposed program models would increase supply of two to three-bedroom units.

I. One Page Informational Document

Exhibit 39 displays the Plan informational one-page document that was sent to all engaged parties prior to meeting. The purpose was to provide context and encourage active participation.

Exhibit 39: The Plan Informational One-page Document

King County Regional Workforce Housing Initiative

King County Council Motion 16690 directs the King County Executive to develop a **Regional Workforce Housing Initiative (RWHI) Implementation Plan** by June 13, 2025. The goals of the RWHI include allowing workers to reside closer to employment centers, leveraging King County's financial resources and partnerships to create sustainable, affordable housing solutions, and developing an implementation plan utilizing at least $1 billion in bond debt for workforce housing.

Implementation Plan

The RWHI implementation plan will consist of two parts:

1. consideration of options to utilize excess debt capacity to partner with housing agencies and housing developers to provide **permanently rent-restricted, multiple-unit housing**; and
2. consideration to utilize excess debt capacity to develop a **revolving construction loan fund** wherein housing developers borrow from the county to construct housing units that would be sold to income qualified homebuyers.

Engagement

King County staff are partnering with Grow America and Pacifica to develop program models and will seek input from public funders, private equity lenders, housing authorities, homeownership agencies, social housing models, labor organizations, and unions, for-profit housing developers, affordable housing developers, and community-driven housing developers to inform the RWHI implementation plan.

The implementation plan will consider models such as credit enhancements, direct loans to housing developers, loans to intermediaries to finance housing development, and a combination of loans and equity to housing developers. Each model will evaluate the following:

- borrowers' capacity to repay the loan;
- housing type, such as rental or homeownership;
- AMI levels needed to be feasible;
- financing type, including predevelopment, construction/bridge financing, and permanent loans;
- labor impacts;
- the role of green building; and
- the model's effectiveness in addressing equity.

Timeline

King County

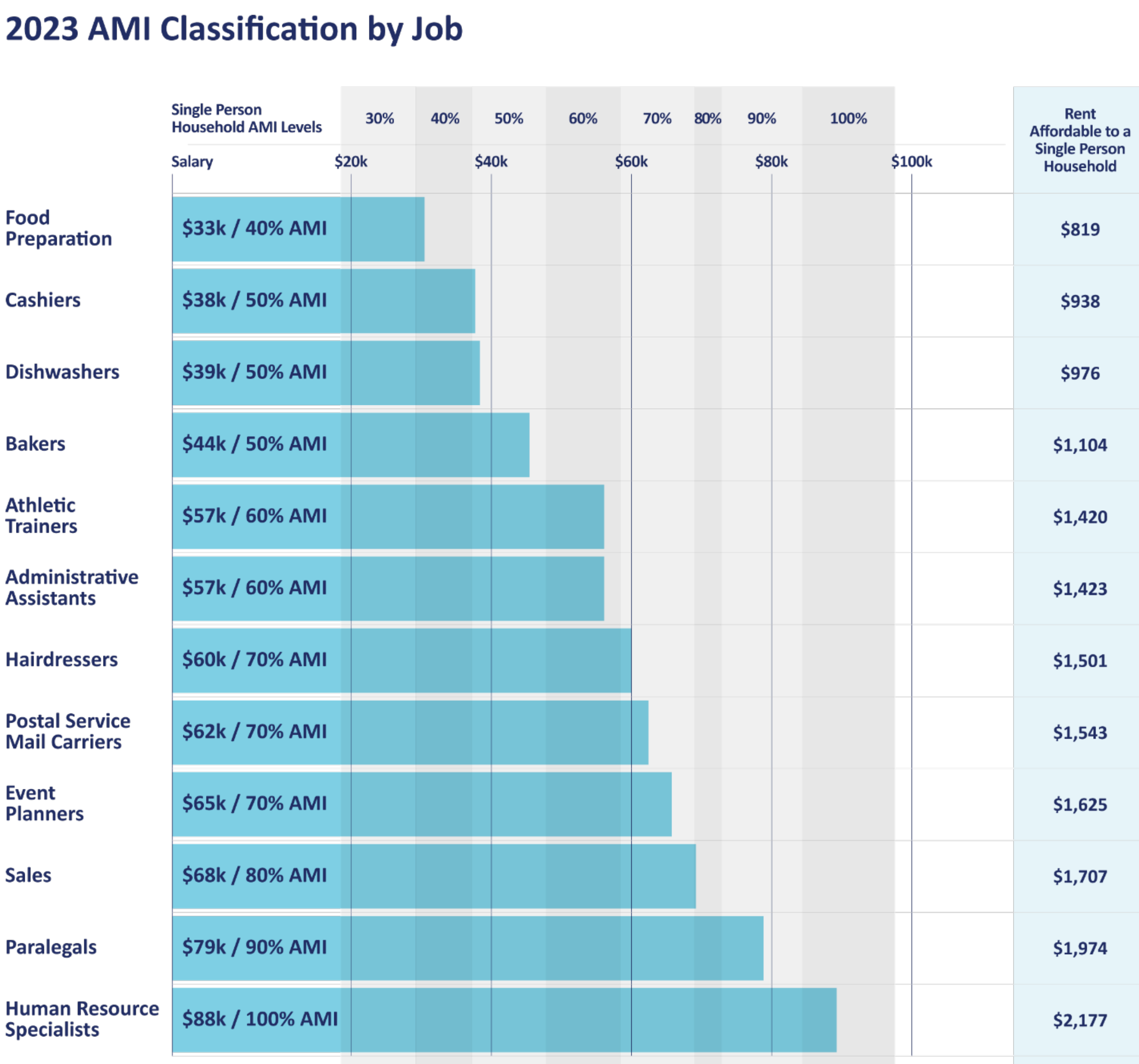
DCHS

Department of Community and Human Services

J. 2023 AMI Classification by Job

Exhibit 40 shows professions at various AMI ranges, spanning from around 40 percent AMI to 100 percent AMI, with the associated rent affordable to a single person household.

Exhibit 40: 2023 AMI Classification by Job



Sources: U.S. Bureau of Labor Statistics. Occupational Employment and Wage Statistics: Seattle-Tacoma-Bellevue, WA. Washington, D.C.: U.S. Department of Labor, 2023. Washington, D.C. : U.S. Department of Housing and Urban Development, 2023.

K. Program Model Analysis Documentation

Exhibit 41 shows an overview of the program model analysis for:

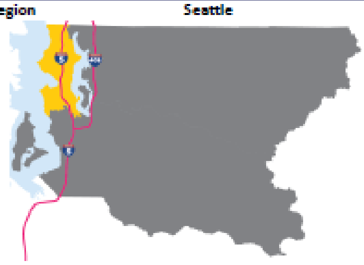
- Model A. Long-Term Financing for New Multifamily Rental Housing
- Model B. Acquisition and Conversion of Multifamily Rental Housing, and
- Model C. Revolving Loan Fund for Construction of Ownership Housing

Exhibit 41: Program Model Overview

Model A. Long-Term Financing for New Multifamily Rental Housing

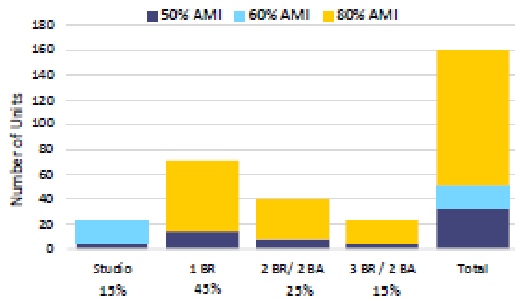
Property Assumptions

Subregion	Seattle



Number of units	160
Total development costs	$72,000,000
Per unit cost	$450,000
Vacancy rate	5%

Unit Mix Assumptions

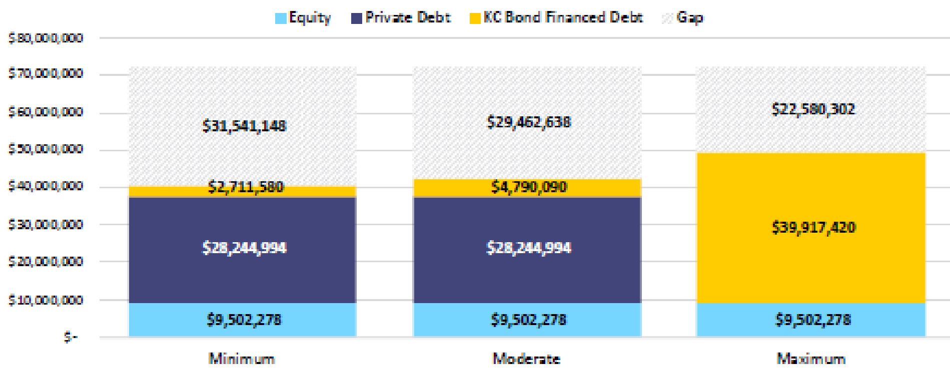


Debt Service Assumptions

Description	Private Debt	KC Debt Minimum	KC Debt Moderate	KC Debt Maximum
Debt Amount	$ 28,244,994	$ 2,711,580	$ 4,790,000	$ 39,917,420
Rate	6.15%	4.52%	4.52%	4.52%
Amortization	40 year	30 year	40 year	40 year
Term	30 year	30 year	30 year	30 year
Debt service coverage ratios (DSCR)	1.25%	1.15%	1.10%	1.10%
Loan to cost % (LTC)	39.20%	3.77%	6.65%	55.44%
Debt Service Amounts	**$ 1,900,456**	**$ 165,257**	**$ 259,153**	**$ 2,159,609**

Capital Stack Comparisons

Total development costs: **$72,000,000**



Net Operating Income / Cash Flow

Description	Minimum	Moderate	Maximum
Total Revenue (Rents + Other Income)	$ 3,847,968	$ 3,847,968	$ 3,847,968
Vacancy (5%)	$ (192,398)	$ (192,398)	$ (192,398)
Total Expenses	$ (1,280,000)	$ (1,280,000)	$ (1,280,000)
Net Operating Income	**$ 2,375,570**	**$ 2,375,570**	**$ 2,375,570**
Private Debt Service	$ 1,900,456	$ 1,900,456	N/A
King County Bond Financed Debt Service	$ 165,257	$ 259,153	$ 2,159,609
Cash Flow	**$ 309,857**	**$ 215,961**	**$ 215,961**

Operating Assumptions

Rents: King County 2024 Max Multifamily Rents less KCHA Utility Allowances

Other income: $250 per Unit (storage, parking, pet fees, damage fees, etc.)

OPEX: $8,000 per Unit

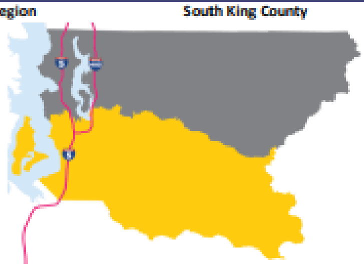
Data Sources

Data Sources: Property, debt service, and operating assumptions are based on HFP Program data and information from private developers; AMI mix is based on comparison to market rents using 2025 Costar data; Affordable rents are based on 2024 Income and Rent Limits Established by King County

Model A. Long-Term Financing for New Multifamily Rental Housing

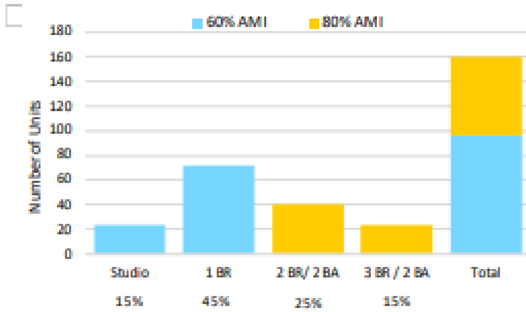
Property Assumptions

Subregion **South King County**



Number of units	160
Total development costs	$72,000,000
Per unit cost	$450,000
Vacancy rate	5%

Unit Mix Assumptions

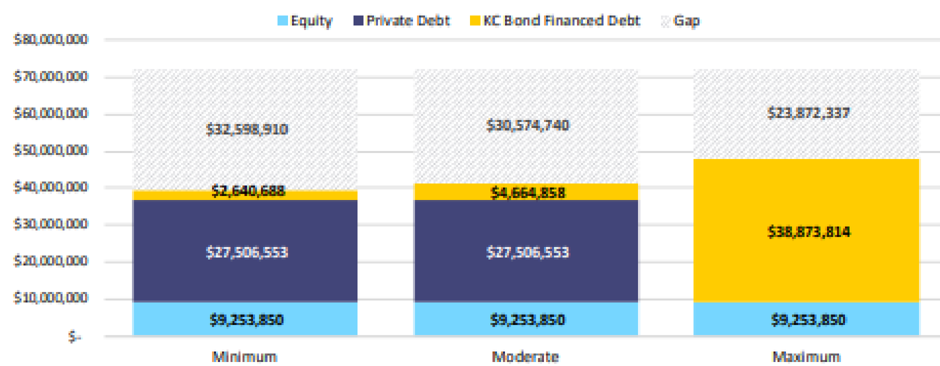


Debt Service Assumptions

Description		Private Debt		KC Debt Minimum		KC Debt Moderate		KC Debt Maximum
Debt Amount	$	27,506,553	$	2,640,688	$	4,664,858	$	38,873,814
Rate		6.15%		4.52%		4.52%		4.52%
Amortization		40 year		30 year		40 year		40 year
Term		30 year		30 year		30 year		30 year
Debt service coverage ratios (DSCR)		1.25%		1.15%		1.10%		1.10%
Loan to cost % (LTC)		38.00%		3.67%		6.48%		53.99%
Debt Service Amounts	**$**	**1,850,770**	**$**	**160,937**	**$**	**252,378**	**$**	**2,103,148**

Capital Stack Comparisons

Total development costs: **$72,000,000**



Net Operating Income / Cash Flow

Description		Minimum		Moderate		Maximum
Total Revenue (Rents + Other Income)	$	3,782,592	$	3,782,592	$	3,782,592
Vacancy (5%)	$	(189,130)	$	(189,130)	$	(189,130)
Total Expenses	$	(1,280,000)	$	(1,280,000)	$	(1,280,000)
Net Operating Income	**$**	**2,313,462**	**$**	**2,313,462**	**$**	**2,313,462**
Private Debt Service	$	1,850,770	$	1,850,770		N/A
King County Bond Financed Debt Service	$	160,937	$	252,378	$	2,103,148
Cash Flow	**$**	**301,755**	**$**	**210,314**	**$**	**210,314**

Operating Assumptions

Rents: King County 2024 Max Multifamily Rents less KCHA Utility Allowances

Other income: $250 per Unit (storage, parking, pet fees, damage fees, etc.)

OPEX: $8,000 per Unit

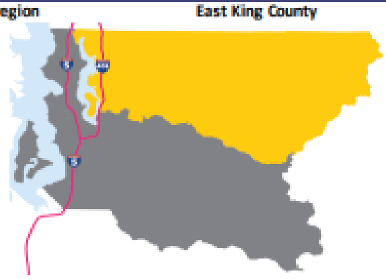
Data Sources

Data Sources: Property, debt service, and operating assumptions are based on HFP Program data and information from private developers; AMI mix is based on comparison to market rents using 2025 Costar data; Affordable rents are based on 2024 Income and Rent Limits Established by King County

Model A. Long-Term Financing for New Multifamily Rental Housing

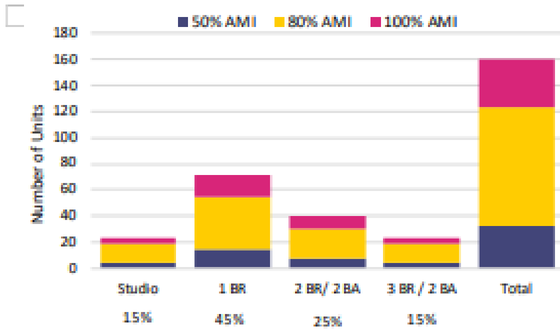
Property Assumptions

Subregion	**East King County**



Number of units	160
Total development costs	$72,000,000
Per unit cost	$450,000
Vacancy rate	5%

Unit Mix Assumptions

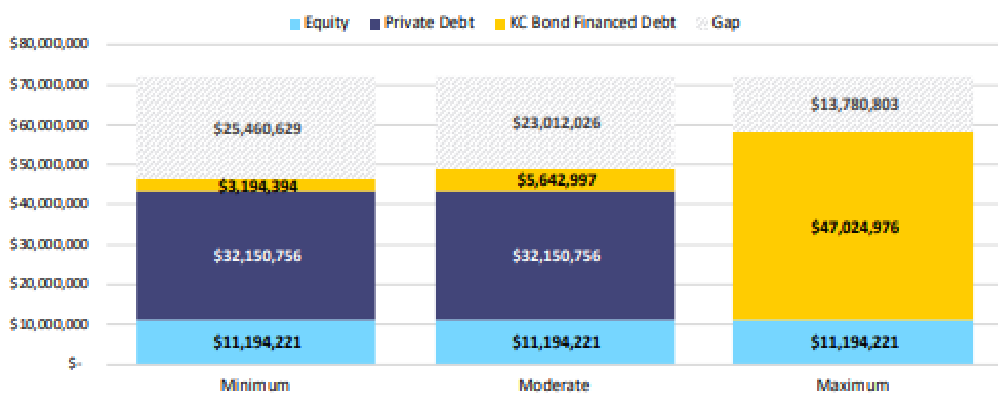


Debt Service Assumptions

Description		Private Debt		KC Debt Minimum		KC Debt Moderate		KC Debt Maximum
Debt Amount	$	32,150,756	$	3,194,394	$	5,642,997	$	47,024,976
Rate		6.15%		4.52%		4.52%		4.52%
Amortization		40 year		30 year		40 year		40 year
Term		30 year		30 year		30 year		30 year
Debt service coverage ratios (DSCR)		1.25%		1.15%		1.10%		1.10%
Loan to cost % (LTC)		44.70%		4.44%		7.84%		65.31%
Debt Service Amounts	**$**	**2,238,844**	**$**	**194,682**	**$**	**305,297**	**$**	**2,544,141**

Capital Stack Comparisons

Total development costs: **$72,000,000**



Net Operating Income / Cash Flow

Description		Minimum		Moderate		Maximum
Total Revenue (Rents + Other Income)	$	4,293,216	$	4,293,216	$	4,293,216
Vacancy (5%)	$	(214,661)	$	(214,661)	$	(214,661)
Total Expenses	$	(1,280,000)	$	(1,280,000)	$	(1,280,000)
Net Operating Income	**$**	**2,798,555**	**$**	**2,798,555**	**$**	**2,798,555**
Private Debt Service	$	2,238,844	$	2,238,844		N/A
King County Bond Financed Debt Service	$	194,682	$	305,297	$	2,544,141
Cash Flow	**$**	**365,029**	**$**	**254,414**	**$**	**254,414**

Operating Assumptions

Rents: King County 2024 Max Multifamily Rents less KCHA Utility Allowances

Other income: $250 per Unit (storage, parking, pet fees, damage fees, etc.)

OPEX: $8,000 per Unit

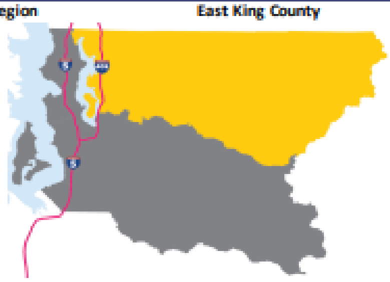
Data Sources

Data Sources: Property, debt service, and operating assumptions are based on HFP Program data and information from private developers; AMI mix is based on comparison to market rents using 2025 Costar data; Affordable rents are based on 2024 Income and Rent Limits Established by King County

Model A. Long-Term Financing for New Multifamily Rental Housing

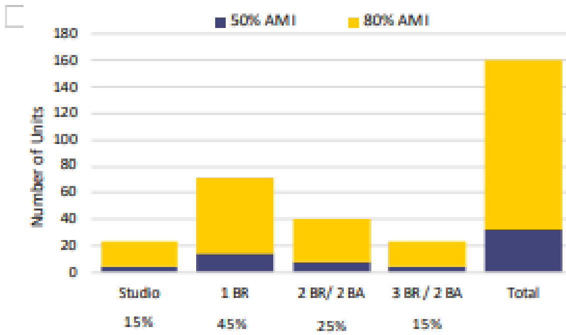
Property Assumptions

Subregion **East King County**



Number of units	160
Total development costs	$72,000,000
Per unit cost	$450,000
Vacancy rate	5%

Unit Mix Assumptions

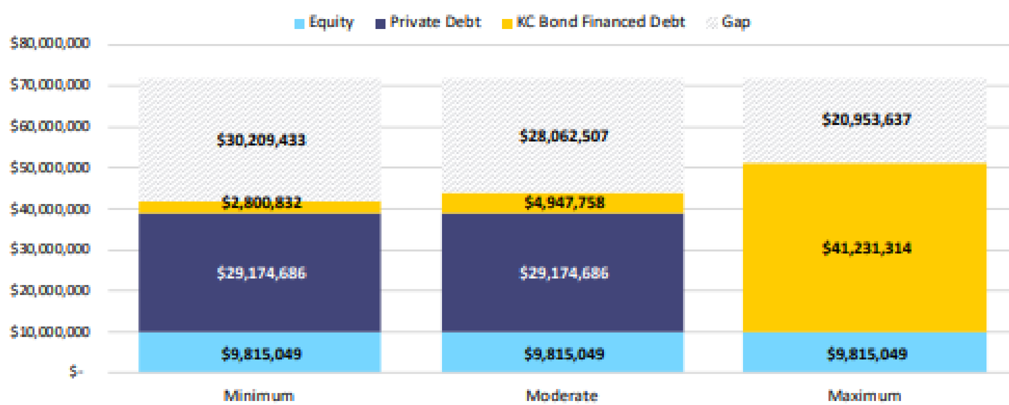


Debt Service Assumptions

Description		Private Debt		KC Debt Minimum		KC Debt Moderate		KC Debt Maximum
Debt Amount	$	29,174,686	$	2,800,832	$	4,947,758	$	41,231,314
Rate		6.15%		4.52%		4.52%		4.52%
Amortization		40 year		30 year		40 year		40 year
Term		30 year		30 year		30 year		30 year
Debt service coverage ratios (DSCR)		1.25%		1.15%		1.10%		1.10%
Loan to cost % (LTC)		40.00%		3.89%		6.87%		57.27%
Debt Service Amounts	**$**	**1,963,010**	**$**	**170,697**	**$**	**267,683**	**$**	**2,230,693**

Capital Stack Comparisons

Total development costs: **$72,000,000**



Net Operating Income / Cash Flow

Description		Minimum		Moderate		Maximum
Total Revenue (Rents + Other Income)	$	3,930,276	$	3,930,276	$	3,930,276
Vacancy (5%)	$	(196,514)	$	(196,514)	$	(196,514)
Total Expenses	$	(1,280,000)	$	(1,280,000)	$	(1,280,000)
Net Operating Income	**$**	**2,453,762**	**$**	**2,453,762**	**$**	**2,453,762**
Private Debt Service	$	1,963,010	$	1,963,010		N/A
King County Bond Financed Debt Service	$	170,697	$	267,683	$	2,230,693
Cash Flow	**$**	**320,055**	**$**	**223,069**	**$**	**223,069**

Operating Assumptions

Rents: King County 2024 Max Multifamily Rents less KCHA Utility Allowances

Other income: $250 per Unit (storage, parking, pet fees, damage fees, etc.)

OPEX: $8,000 per Unit

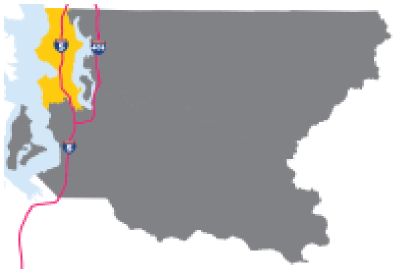
Data Sources

Data Sources: Property, debt service, and operating assumptions are based on HFP Program data and information from private developers; AMI mix is based on comparison to market rents using 2025 Costar data; Affordable rents are based on 2024 Income and Rent Limits Established by King County

Model B. Acquisition and Conversion of Multifamily Rental Housing

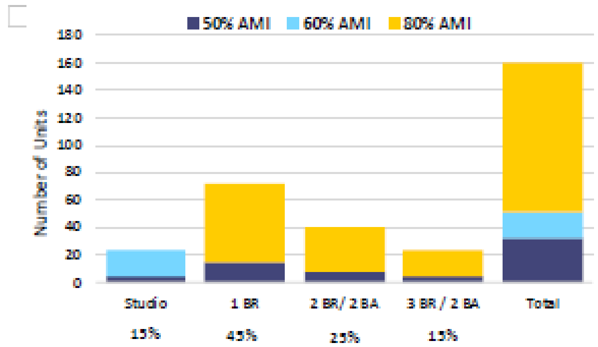
Property Assumptions

Subregion	Seattle



Number of units	160
Total development costs	$60,000,000
Per unit cost	$375,000
Vacancy rate	5%

Unit Mix Assumptions

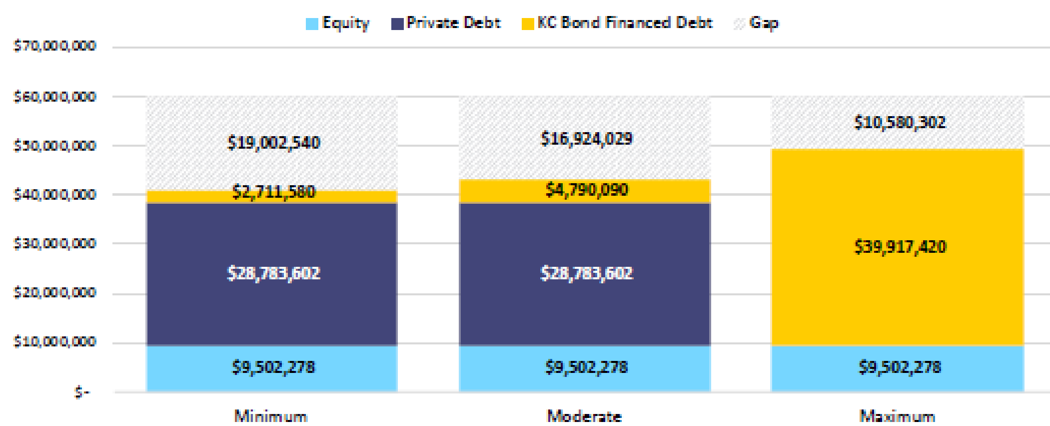


Debt Service Assumptions

Description		Private Debt		KC Debt Minimum		KC Debt Moderate		KC Debt Maximum
Debt Amount	$	28,783,602	$	2,711,580	$	4,790,090	$	39,917,420
Rate		6.00%		4.52%		4.52%		4.52%
Amortization		40 year		30 year		40 year		40 year
Term		30 year		30 year		30 year		30 year
Debt service coverage ratios (DSCR)		1.25%		1.15%		1.10%		1.10%
Loan to cost % (LTC)		48.00%		4.52%		7.98%		66.53%
Debt Service Amounts	$	**1,900,456**	$	**165,257**	$	**259,153**	$	**2,159,609**

Capital Stack Comparisons

Total development costs: **$60,000,000**



Net Operating Income / Cash Flow

Description		Minimum		Moderate		Maximum
Total Revenue (Rents + Other Income)	$	3,847,968	$	3,847,968	$	3,847,968
Vacancy (5%)	$	(192,398)	$	(192,398)	$	(192,398)
Total Expenses	$	(1,280,000)	$	(1,280,000)	$	(1,280,000)
Net Operating Income	$	2,375,570	$	2,375,570	$	2,375,570
Private Debt Service	$	1,900,456	$	1,900,456		N/A
King County Bond Financed Debt Service	$	165,257	$	259,153	$	2,159,609
Cash Flow	$	309,857	$	215,961	$	215,961

Operating Assumptions

Rents: King County 2024 Max Multifamily Rents less KCHA Utility Allowances

Other income: $250 per Unit (storage, parking, pet fees, damage fees, etc.)

OPEX: $8,000 per Unit

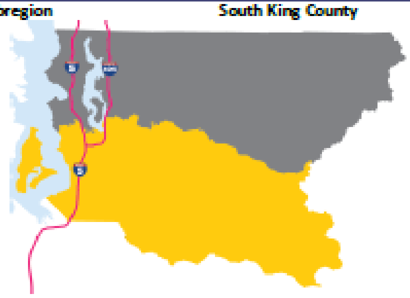
Data Sources

Data Sources: Property, debt service, and operating assumptions are based on HFP Program data and information from private developers; AMI mix is based on comparison to market rents using 2025 Costar data; Affordable rents are based on 2024 Income and Rent Limits Established by King County

Model B. Acquisition and Conversion of Multifamily Rental Housing

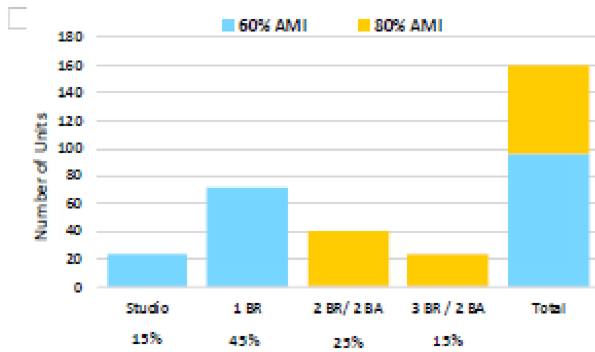
Property Assumptions

Subregion	South King County



Number of units	160
Total development costs	$60,000,000
Per unit cost	$375,000
Vacancy rate	5%

Unit Mix Assumptions

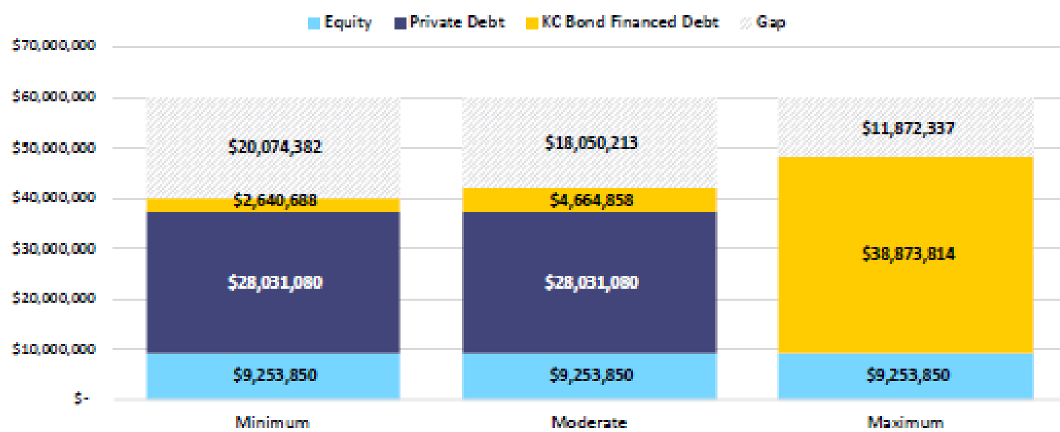


Debt Service Assumptions

Description		Private Debt		KC Debt Minimum		KC Debt Moderate		KC Debt Maximum
Debt Amount	$	28,031,080	$	2,640,688	$	4,664,858	$	38,873,814
Rate		6.00%		4.52%		4.52%		4.52%
Amortization		40 year		30 year		40 year		40 year
Term		30 year		30 year		30 year		30 year
Debt service coverage ratios (DSCR)		1.25%		1.15%		1.10%		1.10%
Loan to cost % (LTC)		47.00%		4.40%		7.77%		64.79%
Debt Service Amounts	$	1,850,770	$	160,937	$	252,378	$	2,103,148

Capital Stack Comparisons

Total development costs: **$60,000,000**



Net Operating Income / Cash Flow

Description		Minimum		Moderate		Maximum
Total Revenue (Rents + Other Income)	$	3,782,592	$	3,782,592	$	3,782,592
Vacancy (5%)	$	(189,130)	$	(189,130)	$	(189,130)
Total Expenses	$	(1,280,000)	$	(1,280,000)	$	(1,280,000)
Net Operating Income	$	2,313,462	$	2,313,462	$	2,313,462
Private Debt Service	$	1,850,770	$	1,850,770		N/A
King County Bond Financed Debt Service	$	160,937	$	252,378	$	2,103,148
Cash Flow	$	301,755	$	210,314	$	210,314

Operating Assumptions

Rents: King County 2024 Max Multifamily Rents less KCHA Utility Allowances

Other income: $250 per Unit (storage, parking, pet fees, damage fees, etc.)

OPEX: $8,000 per Unit

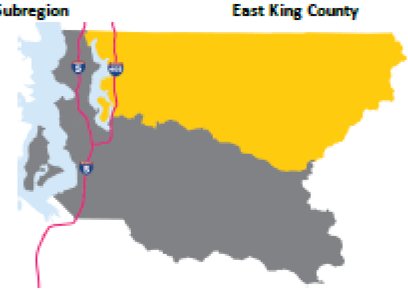
Data Sources

Data Sources: Property, debt service, and operating assumptions are based on HFP Program data and information from private developers; AMI mix is based on comparison to market rents using 2025 Costar data; Affordable rents are based on 2024 Income and Rent Limits Established by King County

Model B. Acquisition and Conversion of Multifamily Rental Housing

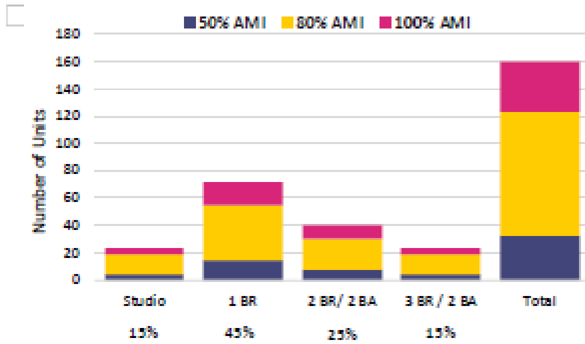
Property Assumptions

Subregion	East King County



Number of units	160
Total development costs	$60,000,000
Per unit cost	$375,000
Vacancy rate	5%

Unit Mix Assumptions

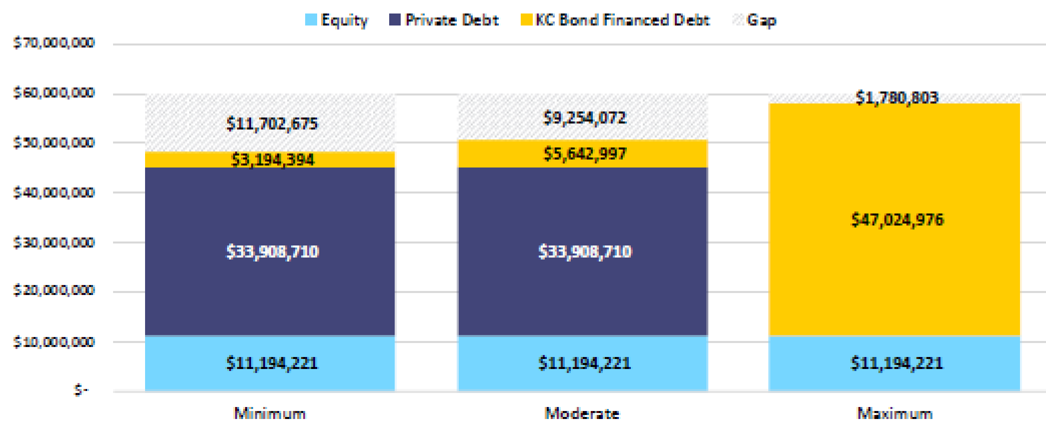


Debt Service Assumptions

Description		Private Debt		KC Debt Minimum		KC Debt Moderate		KC Debt Maximum
Debt Amount	$	33,908,710	$	3,194,394	$	5,642,997	$	47,024,976
Rate		6.00%		4.52%		4.52%		4.52%
Amortization		40 year		30 year		40 year		40 year
Term		30 year		30 year		30 year		30 year
Debt service coverage ratios (DSCR)		1.25%		1.15%		1.10%		1.10%
Loan to cost % (LTC)		56.50%		5.32%		9.40%		78.37%
Debt Service Amounts	**$**	**2,238,844**	**$**	**194,682**	**$**	**305,297**	**$**	**2,544,141**

Capital Stack Comparisons

Total development costs: **$60,000,000**



Net Operating Income / Cash Flow

Description		Minimum		Moderate		Maximum
Total Revenue (Rents + Other Income)	$	4,293,216	$	4,293,216	$	4,293,216
Vacancy (5%)	$	(214,661)	$	(214,661)	$	(214,661)
Total Expenses	$	(1,280,000)	$	(1,280,000)	$	(1,280,000)
Net Operating Income	**$**	**2,798,555**	**$**	**2,798,555**	**$**	**2,798,555**
Private Debt Service	$	2,238,844	$	2,238,844		N/A
King County Bond Financed Debt Service	$	194,682	$	305,297	$	2,544,141
Cash Flow	**$**	**365,029**	**$**	**254,414**	**$**	**254,414**

Operating Assumptions

Rents: King County 2024 Max Multifamily Rents less KCHA Utility Allowances

Other income: $250 per Unit (storage, parking, pet fees, damage fees, etc.)

OPEX: $8,000 per Unit

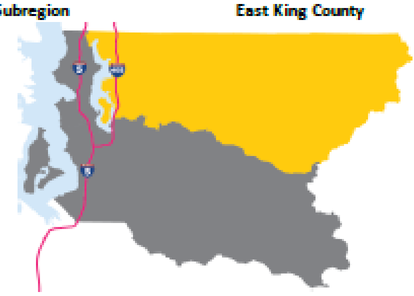
Data Sources

Data Sources: Property, debt service, and operating assumptions are based on HFP Program data and information from private developers; AMI mix is based on comparison to market rents using 2025 Costar data; Affordable rents are based on 2024 Income and Rent Limits Established by King County

Model B. Acquisition and Conversion of Multifamily Rental Housing

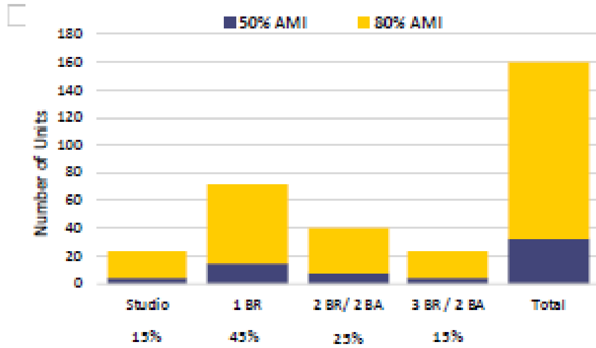
Property Assumptions

Subregion **East King County**



Number of units	160
Total development costs	$60,000,000
Per unit cost	$375,000
Vacancy rate	5%

Unit Mix Assumptions

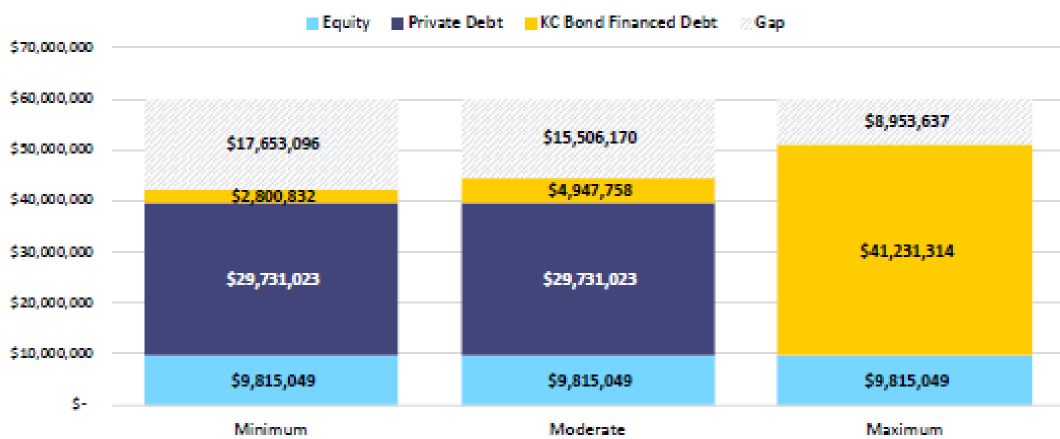


Debt Service Assumptions

Description		Private Debt		KC Debt Minimum		KC Debt Moderate		KC Debt Maximum
Debt Amount	$	29,731,023	$	2,800,832	$	4,947,758	$	41,231,314
Rate		6.00%		4.52%		4.52%		4.52%
Amortization		40 year		30 year		40 year		40 year
Term		30 year		30 year		30 year		30 year
Debt service coverage ratios (DSCR)		1.25%		1.15%		1.10%		1.10%
Loan to cost % (LTC)		50.00%		4.67%		8.25%		68.72%
Debt Service Amounts	$	1,963,010	$	170,697	$	267,683	$	2,230,693

Capital Stack Comparisons

Total development costs: **$60,000,000**



Net Operating Income / Cash Flow

Description		Minimum		Moderate		Maximum
Total Revenue (Rents + Other Income)	$	3,930,276	$	3,930,276	$	3,930,276
Vacancy (5%)	$	(196,514)	$	(196,514)	$	(196,514)
Total Expenses	$	(1,280,000)	$	(1,280,000)	$	(1,280,000)
Net Operating Income	$	2,453,762	$	2,453,762	$	2,453,762
Private Debt Service	$	1,963,010	$	1,963,010		N/A
King County Bond Financed Debt Service	$	170,697	$	267,683	$	2,230,693
Cash Flow	$	320,055	$	223,069	$	223,069

Operating Assumptions

Rents: King County 2024 Max Multifamily Rents less KCHA Utility Allowances

Other income: $250 per Unit (storage, parking, pet fees, damage fees, etc.)

OPEX: $8,000 per Unit

Data Sources

Data Sources: Property, debt service, and operating assumptions are based on HFP Program data and information from private developers; AMI mix is based on comparison to market rents using 2025 Costar data; Affordable rents are based on 2024 Income and Rent Limits Established by King County

Model C. Revolving Loan Fund for Construction of Ownership Housing

Model description - Short-term construction loans for homeownership developers with a resale restriction to ensure long term affordability

Program Assumptions

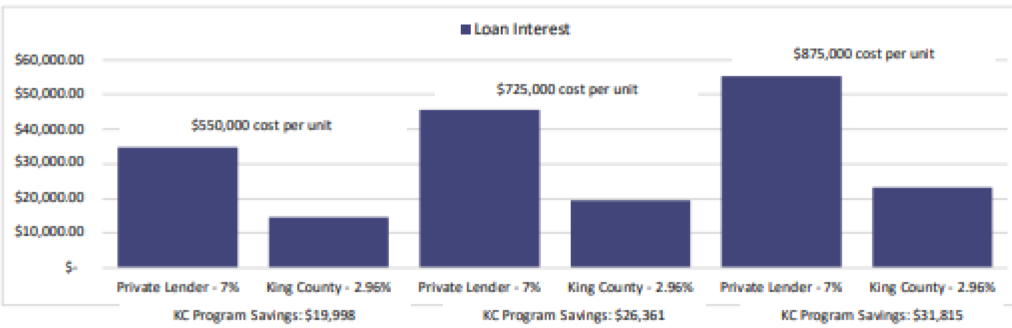
Subregions	**Seattle / East King County / South King County**	Per unit cost to develop	$550,000 - $875,000
Construction type	New construction homes/townhomes/condos/co-op units	Potential borrower	Nonprofit entity
Number of units	Per unit examples shown below	AMI mix	Buyers restricted at 60% - 80%
Bedroom mix	N/A		

Loan Assumptions

Description	**King County Bond Financed Construction Loan**
Debt amount	45% of development costs
Rate	2.96%
Amortization	Interest only
Term	2 - 5 years
Interest carry period	2 years
Repayment	Sales proceeds

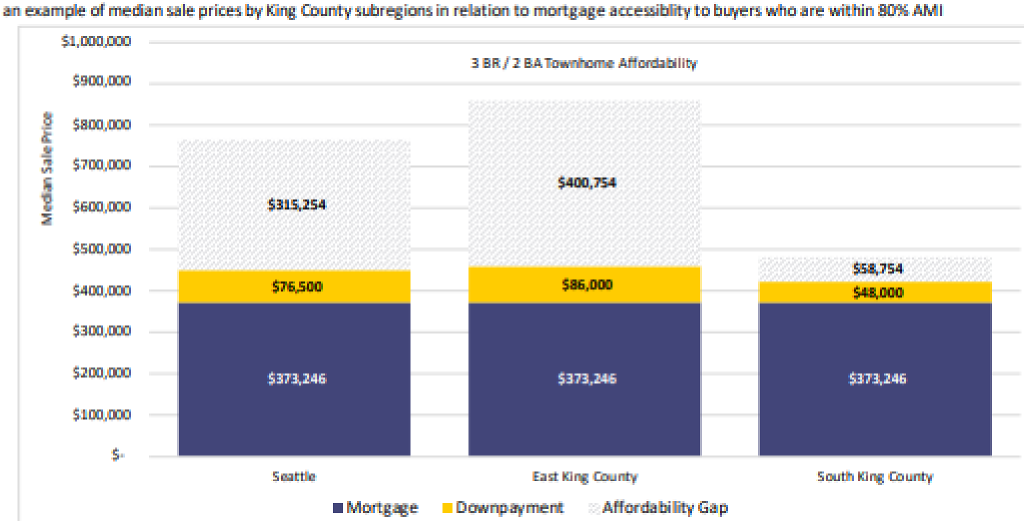
Interest Savings Comparisons

Borrowing money at a lower interest rate reduces the cost to the borrower. This chart shows the program savings using the above loan details applied below using 3 example units at different total development costs



Context for Loan Repayment - Affordability Gap by Subregion for Potential Homebuyers

This program is specific to the construction phase but the affordability and access to subsidy for the homebuyer affects the repayment of the loan. This chart shows an example of median sale prices by King County subregions in relation to mortgage accessiblity to buyers who are within 80% AMI



Downpayment is 10% of the sales price

Data Sources

Data Sources: Property, debt service, and operating assumptions are based on HFP Program data and information from private developers; Median sales prices by subregion are sourced by Redfin 2025; Assumed mortgage amount is based off of 80% AMI rent capacity of buyer at 6.69% over 30 years