

Case Study: Harbor View, Friday Harbor, San Juan County

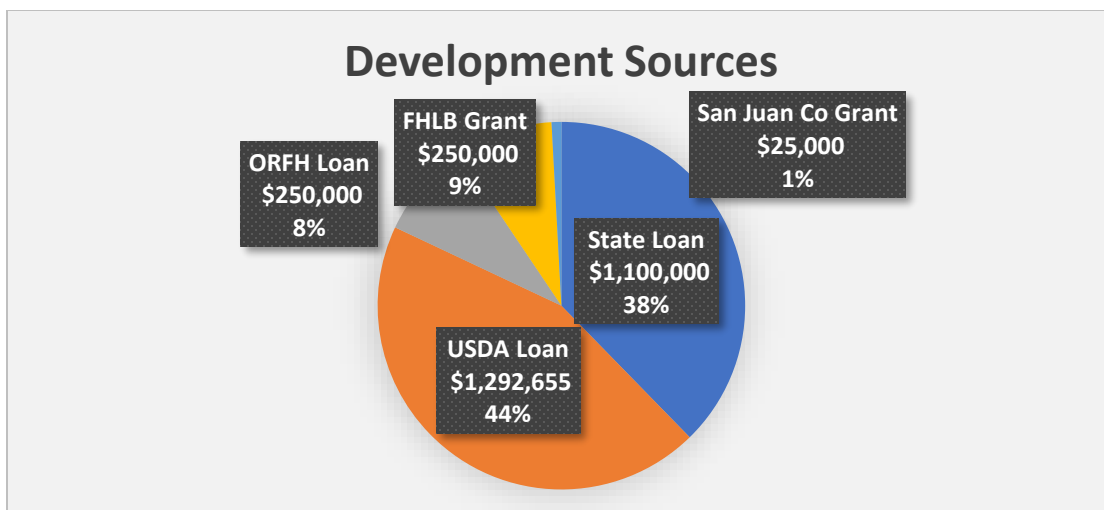
Created by Charles Hitchcock, Washington State Office of Rural and Farmworker Housing (Jan. 17, 2020)

Harbor View is a 20-unit apartment complex in Friday Harbor, WA which is now owned by Opportunity Council, a Bellingham-based Community Development Corporation. When the previous owner prepaid their US Department of Agriculture mortgage, the property was available exclusively to nonprofits like Opportunity Council for 180 days. After this limited window, the owner would be free to sell the property or lease at market rate. There is very little permanent rental housing in the San Juan islands, and even less that serve low-income residents, letting the project go to market rate would create a large need in the community that would be challenging for a future project to address.

Opportunity Council agreed to purchase the apartments, and after securing funding from the state's Housing Trust Fund and USDA, Harbor View Apartments will be serving the most vulnerable residents of Friday Harbor permanently.

Funding Sources

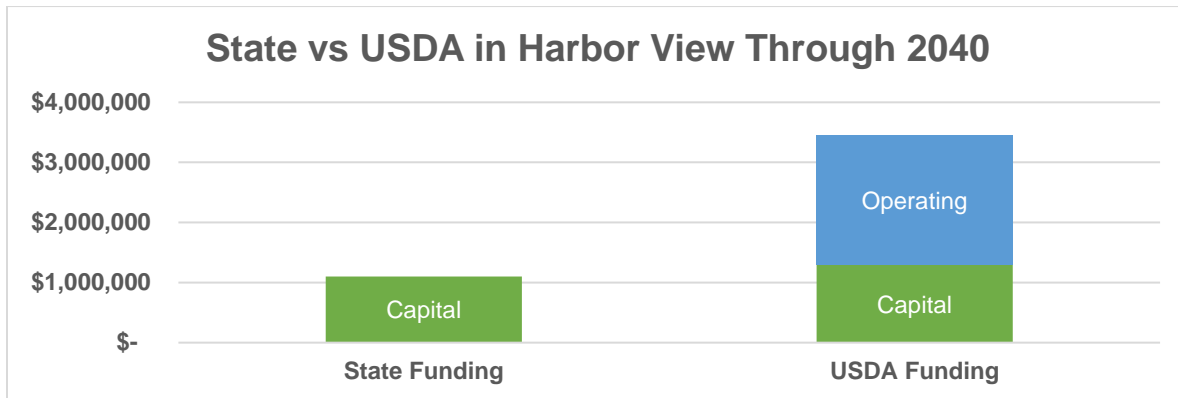
USDA provided a deferred loan to cover the remaining owner's equity, and the remaining gap between the appraised purchase price of \$1,300,000. More importantly, they expanded the rental assistance to cover all 19 units (manager's unit was excluded) which will provide \$107,988 of rental assistance per year and prevent increases in tenant-paid rents. Opportunity Council also secured a \$250,000 grant through the Federal Home Loan Bank (FHLB) Affordable Housing Program, a \$250,000 subsidized loan from Office of Rural and Farmworker Housing's (ORFH) Preservation Revolving Loan Fund (part of a limited pilot program), and a \$25,000 grant from San Juan County.



The state's \$1,100,000 Housing Trust Fund subsidized loan represented only 38% of the total development budget, however it was necessary to secure the funds needed for acquisition and

the rental assistance of 19 households. Over the 20 years of the current loan structure, USDA will provide over \$2,000,000 in rental subsidies.

Every transfer and rehabilitation is unique and will involve different resources. Harbor View is an example which used financial sources which now may be oversubscribed or no longer available. However, any project with USDA Rental Assistance will provide a significant amount of federal funding and will be a great investment for the state.



Renovations

As a part of the transfer process, USDA requires the funding for renovations to be committed before the sale can be finalized, and Harbor View was no different.

Renovations to Harbor View will be focused on replacing the roofing and siding and upgrading accessibility. The building was originally constructed in 1984 and the roof had not received substantive repairs. The accessible unit will be improved to modern standards and pathways will be upgraded around the site. Plumbing and electric fixtures will be upgraded for improved efficiency, as with all state funded housing projects, Harbor View will comply with Evergreen Development Standards. A contractor has been selected and construction is scheduled to begin in early spring.

Development Uses	Amount
Acquisition	\$1,449,183
Construction	\$1,196,696
Soft Costs	\$271,776
Total	\$2,917,655

Total Cost per Bedroom	
Average Nonprofit New Construction ¹	\$173,165
Harbor View	\$104,202

The Housing Trust Fund award through Department of Commerce was applied for in the 2017 competitive round, however, the timing and restrictions of their award caused timing issues with closing and USDA's underwriting process which lead to delays and extension fees. The proposed fund would be tailored to the needs of USDA projects and on a flexible timeline in order to be ready whenever a property goes on the market.

Nearly 2,000 units are at risk of losing their affordability commitments without action from the state. Empowering rural housing providers to preserve existing affordable housing will prevent

¹ <http://leg.wa.gov/jlarc/reports/2018/LIH/p/default.html>

the housing gap from worsening in our most underserved communities and provide the residents safer and higher quality places to live now and in the future.