

**Environmental Justice and Civil Rights Impact Analysis  
Harbor Heights Apartments  
Oak Harbor, WA, March, 2014**

Rural Development  
Environmental Justice (EJ) and Civil Rights Impact Analysis (CRIA)  
Certification

1. Applicant's name and proposed project description: Oak Harbor Housing, LP has requested to prepay their USDA Rural Development loan on Harbor Heights Apts.

2. Rural Development's loan/grant program/guarantee or other Agency action: Multi-Family Housing Program

3.  Attach a map of the proposal's area of effect identifying location or EJ populations, location of the proposal, area of impact or

Attach results of EJ analysis from the Environmental Protection Agency's (EPAs) EnviroMapper with proposed project location and impact footprint delineated.

4. Does the applicant's proposal or Agency action directly, indirectly or cumulatively affect the quality and/or level of services provided to the community?

Yes  No  N/A

5. Is the applicant's proposal or Agency action likely to result in a change in the current land use patterns (types of land use, development densities, etc)?

Yes  No  N/A

6. Does a demographic analysis indicate the applicant's proposal or Agency's action may disproportionately affect a significant minority and/or low-income populations?

Yes  No  N/A

If answer is no, skip to item 12. If answer is yes, continue with items 7 through 12.

7. Identify, describe, and provide location of EJ population See attachment. Low Income population of the Oak Harbor, WA area will be affected.

8. If a disproportionate adverse affect is expected to impact an EJ population, identify type/level of public outreach implemented. Tenants and other providers of low income housing and organizations interested in low income housing have been notified.

9. Identify disproportionately high and adverse impacts on EJ populations. The project only serves low and very low income households, so all impacts will be to low income households. Minorities will not be disproportionately impacted. See attachments.

10. Are adverse impacts appreciably more severe or greater in magnitude than the adverse impacts expected on non-minority/low-income populations?

Yes  No  N/A  
*low income minorities*

11. Are alternatives and/or mitigation required to avoid impacts to EJ populations?

Yes  No  N/A  
*low income minorities*

If yes, describe Vouchers & LOPE letters will be provided to tenants to mitigate impact. A Restrictive Use Agreement until last tenant leaves will be executed.

12. I certify that I have reviewed the appropriate documentation and have determined that:

No major EJ or civil rights impact is likely to result if the proposal is implemented.  
 A major EJ or civil rights impact is likely to result if the proposal is implemented.

*M. J. [Signature]*  
Name and Title of Certifying Official

3-31-14  
Date

**Civil Rights Impact Analysis**

**Attachment A - Narrative**

**Harbor Height Pre-Payment Application**

Borrower Name: Oak Harbor Housing Associates,  
a Limited Partnership  
Project Name: Harbor Heights  
Project Type: Family  
Number of Units: 35  
Number of RA Units: 16  
Number Manager Units: 1  
Number of Section 8 Units: 0  
Number of Section 8 Units After Prepayment: 0  
Number of units eligible for RD Voucher after Prepayment: 34

BRIEF DESCRIPTION OF PROPOSED ACTION:

The Borrower's 20-year restrictive-use period expired July 31, 2009. Borrower submitted a request to prepay the loan on 8-4-2008. The borrower provided a written statement on May 29, 2013 that they wish to prepay the loan without any incentives. The property will be converted to market rate rents after prepayment.

PROJECT DESCRIPTION:

Harbor Heights was built in 1989 as a family project. This project has 35 units, of which only 16 receive rental assistance. There is one manager's unit.

The project has 4 one bedroom units, 22 two bedroom units, and 9 three bedroom units.

PROPOSED USE OF PROJECT AFTER PREPAYMENT

The property will be used for market rate housing after prepayment. Rents will increase between \$110 and \$230 per month depending on unit size.

CURRENT AND PROPOSED RENTS

	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>
Current Rents as of 2-1-2014	\$590	\$630	\$670
Proposed Rents after Prepayment:	\$700	\$800	\$900
Rent Increase	\$110	\$170	\$230

## AFFECTED AREA

Oak Harbor Washington is located on Whidbey Island and is home of the Whidbey Island Naval Air base which is one of the largest employers in the region. The City of Anacortes is located about 20 miles from Oak Harbor and it is within commuting distance. It is common for people to commute from Anacortes to Oak Harbor to work at the military base. Public transportation is also available between Anacortes and Oak Harbor. Tenants displaced from Harbor Heights are most likely to relocate within the commuting area. The affected area for the purpose of this civil rights impact analysis is considered to be the commuting area – Island County and Anacortes. Anacortes is in Skagit County.

## MAP OF THE AREA

Maps of the area showing subject project, location of other RD projects, and location of other multi-family housing projects are included in Attachment B.

## MARKET CONDITIONS

The City of Oak Harbor completed an Economic Profile and Needs Assessment in May of 2013. Following is an excerpt from the Needs Assessment:

*“The major driver of Oak Harbor’s economy for the past half century has been the US Navy. In the past few decades, however, Oak Harbor’s population growth has slowed. After experiencing year-over year growth rates above 10% from 1940-1970, Oak Harbor’s population growth has slowed to less than 1.5 percent per year since 1990, a rate comparable to that of Coupeville and Langley, and slower than the statewide average for cities.*

*Recently, US Navy officials and Representative Larsen announced a commitment of additional P-8A squadrons to Naval Air Station Whidbey Island (NASWI). According to Representative Larsen’s office, the base will be home to all seven Pacific squadrons of P-8A’s which “will bring hundreds of new military families and will create hundreds of local jobs.”*

*While the announcement of new squadrons and personnel at NASWI is excellent news, in the context of large federal deficits and debt it is difficult to predict with complete certainty what will happen to staffing levels at NASWI in the decades to come as the political climate changes.”*

It was noted in a companion publication Economic Development Strategy and Action Plan: December, 2013 that:

*“In the early to mid-1990’s, Oak Harbor was faced with the prospect that Naval Air Station Whidbey Island (NASWI) would close as part of the federal Base Realignment and Closure Commission’s recommendations. ....”*

*“Now, the City of Oak Harbor is faced with an entirely different prospect than it was in the 1990’s: the US Navy has announced that it will relocate between four and seven new squadrons for the P-8A aircraft to NASWI.”*

Should the relocation of more P-8A squadrons to the Whidbey Naval Air Station actually occur, it would likely result in an increased demand for housing, including rental housing, which would tend to push up rental rates and reduce vacancies. However, the President’s military budget for FY 2015 is expected to include sizeable reductions to military personnel and military spending, so there can be no certainty at this time about the relocation of P-8A squadrons.

## SOCIAL AND ECONOMIC FACTORS

Median Household Income - The Census Bureau 'Quick Facts' provides an estimate of Median Household Income (MHI). The most recent data is for the years 2008-2012. MHI of the affected area is listed below. Census data can be found in Attachment C. As can be seen from the information below, MHI in the City of Oak Harbor is only about 82% of MHI for the surrounding area and the State of Washington. The MHI of Harbor Heights tenants less than half (31%) of the MHI of Oak Harbor and only 25% of the State MHI.

MHI of Oak Harbor:	\$48,809
MHI of Island County:	\$59,500
MHI Anacortes	\$59,857
MHI Washington State	\$59,374
MHI of Harbor Heights Tenants as of 2-1-2014	\$15,000

Persons Below the Poverty Level – per Census Bureau 'Quick Facts' 2008-2012

Oak Harbor:	10.0%
Island County	8.8%
Anacortes	8.0%
Washington State	12.9%

Unemployment Rate per the 2008 – 2012 Census Bureau's American Community Survey.

Oak Harbor	10.7%
Island County	9.1%
Anacortes	6.7%
Washington State	8.9%

## AFFORDABLE HOUSING IN THE COMMUTING AREA

Gross Rent as a Percentage of Household Income, per the 2008 – 2012 Census Bureau American Community Survey is shown below. Over a third of households in the affected area pay over 35% of their income for housing. Sixteen of 34 revenue producing units (47%) receive Rental Assistance at Harbor Heights. The percentage of Harbor Heights tenants paying over 35% of gross income for housing is a bit less than general population.

Oak Harbor	Percent of Renters
Paying less than 15% of income for rent	7.1%
Paying 15-19.9% of income for rent	10.2%
Paying 20-24% of income for rent	17.1%
Paying 25-29% of income for rent	17.0%
Paying 30-34.9% of income for rent	11.3%
Paying 35% or more if income for rent	37.3%

  

Island County	Percent of Renters
Paying less than 15% of income for rent	10.4%
Paying 15-19.9% of income for rent	11.6%
Paying 20-24% of income for rent	16.0%
Paying 25-29% of income for rent	14.3%
Paying 30-34.9% of income for rent	10.4%

Paying 35% or more if income for rent	37.3%	
<b>Anacortes</b>		
Paying less than 15% of income for rent	10.6%	
Paying 15-19.9% of income for rent	13.8%	
Paying 20-24% of income for rent	14.9%	
Paying 25-29% of income for rent	13.2%	
Paying 30-34.9% of income for rent	11.7%	
Paying 35% or more if income for rent	35.9%	
<b>Harbor Heights</b>		
	<b>Percent</b>	<b>Number</b>
Paying less than 15% of <u>gross</u> income for rent	5.9%	2
Paying 15-19.9% of gross income for rent	11.7%	4
Paying 20-24.9% of gross income for rent	26.4%	9
Paying 25-29.9% of gross income for rent	20.5%	7
Paying 30-34.9% of gross income for rent	8.8%	3
Paying 35% or more of gross income for rent	26.4%	9

USDA Rural Development is a major provider of affordable housing in the Oak Harbor Area. USDA Rural Development currently has financing on 16 projects with a total of 533 units in Island County and Anacortes. Of these, a total of 287 or 53%, have rental assistance. Rental Assistance makes rents affordable to very low income households; however, many tenants do not receive Rental Assistance and are paying significantly more than 30% of gross income for housing costs.

The Housing Authority of Island County owns and manages 110 public housing units for senior citizens or persons with disabilities which are subsidized by HUD. In addition, through the HUD Section 8 program, the Housing Authority administers 274 vouchers. These vouchers are used to subsidize program participants' rent payments for privately owned apartments and houses. The Housing Authority closed their Section 8 waiting list as of March 1, 2009 due to the large number of families on the list. The Public Housing waiting list is open for seniors and persons with disabilities.

There are 14 Low Income Tax Credit projects in the area, however, 9 of these are USDA Rural Development projects that recently transferred. Rents at LITC projects range from \$407 to \$1,006 for a one bedroom unit.

Median Rent in the area per the 2008 – 2012 Census Bureau's American Community Survey is:

Oak Harbor:	\$1,008
Island County	\$1,015
Anacortes	\$1,776

With over a third of households in the area paying over 35% of their income for housing costs, it points to a need for more affordable housing. However, with Harbor Heights and two other projects planning to prepay their RD loans, there will be fewer affordable housing units in the area.

There are no applications on hand for new RD projects in the area and we do not anticipate that funds for new construction or rental assistance will be available this year. In addition, there are no applications for Low Income Tax Credit projects pending in the area. With continuing budget cutbacks at both the State and federal level, it is unlikely that new affordable housing will be built in the foreseeable future.

PROJECTS IN PREPAYMENT IN THE COMMUTING AREA

In addition to Harbor Heights, we also have prepayment applications on hand from Commodore Apartments in Oak Harbor, and Heatherwood in Anacortes. The loss of all three projects would result in a loss of 96 lower rent units, including permanent loss of 47 Rental Assistance Units.

<u>Projects in Prepayment</u>	<u># Units</u>	<u># RA Units</u>	<u>% of Units with RA</u>
Harbor Heights	35	16	(45%)
Commodore	29	12	(41%)
Heatherwood	<u>32</u>	<u>19</u>	<u>(59%)</u>
Total	96	47	(49%)

While projects in prepayment have an average of 49% Rental Assistance Units, projects that are not in prepayment have an average of 63% of Rental Assistance Units (See Exhibit A-1). It is likely that the lower number of RA units has some impact on an owners decision to prepay.

VACANCY RATES and VACANT RD UNITS

Vacancy rates in Oak Harbor and the surrounding area are very low and if additional military personnel move to the area, it can be expected that vacancy rates will decline further, resulting in upward pressure on rents.

Vacancy Rates at RD Projects as of 2-1-2014.

Project Name	Location	Distance from Subject	Total # of Units	# RA Units	# Vacant Units	# Unused (vacant) RA Units	Current Vacancy Rate	Monthly Average #Vacant Units
Commodore Apts	Oak Harbor	<5 miles	29	12	2	0	7%	3.3
<b>Harbor Heights</b>	Oak Harbor	N/A	35	16	0	0	0%	1.3
Heatherwood	Anacortes	20 miles	32	19	2	0	6%	1.2
Total for Projects in	Prepayment		96	47	4	0	4%	1.9
Cambridge Cove	Oak Harbor	< 5 miles	37	27	1	0	3%	0.3
Chelsea Apartments	Oak Harbor	< 5 miles	40	39	0	0	0%	0
Fir Village	Oak Harbor	< 5 miles	29	28	0	0	0%	0.3
Harbor Ridge	Oak Harbor	< 5 miles	32	28	1	0	3%	1.2
Madrona Valley	Coupeville	11 miles	24	10	3	0	13%	3.7
Newport Apts	Oak Harbor	< 5 miles	16	16	1	1	6%	1.1
Oak Bay Station	Oak Harbor	< 5 miles	82	27	5	2	6%	3.5
Oak Harbor Estates	Oak Harbor	< 5 miles	42	34	1	1	2%	2
Saratoga Terrace	Langley	36 miles	24	16	2	2	8%	1.7
Anacortes Manor HUD	Anacortes	20 miles	35	0	2		6%	1.2
Bayside	Anacortes	20 miles	20	19	1	1	5%	1
Harborview	Anacortes	20 miles	32	8	1	0	3%	3.8
Silverwood	Anacortes	20 miles	24	23	0	0	0%	0
Total for Projects Not in Prepayment			437	275	18	7	4%	1.5
<b>Total for All Projects</b>			<b>533</b>	<b>322</b>	<b>22</b>	<b>7</b>	<b>4%</b>	<b>1.7</b>

A search of Craigslist revealed a fair number of vacant units in the affected area. Of 34 apartments for rent on Craigslist from February 24<sup>th</sup> through February 27<sup>th</sup>, there were 15 1-BR units, 16 2-BR units, and only three 3-BR units available in the area. There were a number of three BR houses listed for rent, but in most cases, rent exceeded \$1000 per month.

Market Rate Units	<u># BR's</u>	<u># Vacancies</u>	<u>Avg Rent</u>
	1	15	\$591
	2	16	\$757
	3	3	\$774
		<u>34</u>	

A search for 'roommates wanted' on Craigslist showed 15 roommates wanted in February with average rent of \$500/mo. In most cases, utilities were extra. This type of situation might work for single individuals, but would not work for families.

There are currently 22 vacancies in RD projects in the area. Eighteen of the vacancies are in projects that have not applied for prepayment. There are currently 34 tenants at Harbor Heights. There are an adequate number of vacant units in the area (RD and non-RD) projects to accommodate Harbor Heights tenants who wish to move. However, with three projects in the area prepaying, there are potentially 96 tenants who may be looking for a place to move and the supply of vacant units does not appear adequate for all of them. Many tenants will likely choose not to move because they will receive a voucher that can be used for their current rental unit. The Voucher is portable, so some tenants may decide to move to another City for employment or family reasons.

Of the 22 vacant RD units, only 7 have Rental Assistance. Sixteen Harbor Heights tenants receive RA and a total of 47 RA units would be needed to replace those being lost by all three prepayments. Clearly, the number of RA units is inadequate to meet the need of tenants who will lose RA. The Voucher Program will protect current tenants from some of the impact of the loss of RA in the short term. However, because the Vouchers are for a fixed amount, over time, they will likely lose value due to inflation.

Census data on area vacancy rates is shown below.

Rental Vacancy Rates	<u>2010 Census</u>	<u>2008-2012 American Community Survey</u>
Oak Harbor:	8.9%	4.6%
Island County	8.7%	6%
Anacortes	6.2%	2%

RENTAL RATES IN THE AREA

Median Rent per the 2008 – 2012 Census Bureau's American Community Survey.

Oak Harbor:	\$1,008
Island County	\$1,015
Anacortes	\$988

Rents at RD Projects as of 2-1-2014 is shown in the chart on next page.



Project Name	Project in Prepayment	Location	Distance from Subject	1 BR 1 BR Lg	2 BR 2 BR Lg	3 BR 3 BR Lg
Commodore Apts	Yes	Oak Harbor	< 5 miles	\$ 515	\$ 600	\$ 679
<b>Harbor Heights</b>	Yes	Oak Harbor	N/A	\$ 590	\$ 630	\$ 670
Heatherwood	Yes	Anacortes	20 miles	\$ 567	\$ 600	\$ 634
Avg for projects in prepay				\$ 557	\$ 610	\$ 669
Cambridge Cove	No	Oak Harbor	< 5 miles	\$ 550	\$ 588	
Chelsea Apartments	No	Oak Harbor	< 5 miles	\$ 710	\$ 790	
Fir Village	No	Oak Harbor	< 5 miles	\$ 560	\$ 595	\$ 640
Harbor Ridge	No	Oak Harbor	< 5 miles	\$ 652	\$ 678	\$ 709
Madrona Valley	No	Coupeville	11 miles	\$ 570	\$ 635	\$ 705
Newport Apts	No	Oak Harbor	< 5 miles		\$ 725	\$ 850
Oak Bay Station	No	Oak Harbor	< 5 miles	\$ 666	\$ 744	\$ 807
Oak Harbor Estates	No	Oak Harbor	< 5 miles	\$ 743	\$ 821	\$ 916
Saratoga Terrace	No	Langley	36 miles	\$ 581	\$ 614	\$ 670
Anacortes Manor (HUD)	No	Anacortes	20 miles	\$ 761	\$ 715	\$ 800
Bayside	No	Anacortes	20 miles		\$ 800	
Harborview	No	Anacortes	20 miles	\$ 565	\$ 665	\$ 765
Silverwood	No	Anacortes	20 miles	\$ 590	\$ 615	
Avg for projects not in prepayment				\$ 626	\$ 691	\$ 762
<b>Avg for all projects</b>				<b>\$ 592</b>	<b>\$ 651</b>	<b>\$ 715</b>

It is interesting to note, that average rent at the three projects in prepayment is considerably less than average rent at non-prepayment properties. This is likely because the projects in prepayment have fewer Rental Assistance units than projects that are not in prepayment. Projects in prepayment have an average of 49% Rental Assistance Units, while those not in prepayment have an average of 63% of Rental Assistance Units (See Exhibit A-1). Tenants who do not receive Rental Assistance are likely more sensitive to rent increases which probably tends to keep rental rates down. Project owners are required to rent exclusively to low and very low income tenants. The lower rents and lower number of RA could be part of the reason why owners of Commodore, Harbor Heights and Heatherwood have decide to prepay.

A search of Craigslist revealed a fair number of vacant units in the Oak Harbor Area. Of 34 apartments for rent on Craigslist from February 24<sup>th</sup> through February 27<sup>th</sup>, there were 15 1-BR units with aver rent of \$591. There were 16 2-BR units with an average rent of \$757. Only three 3-BR units were available with average rent of \$774. There were a number of three BR houses listed for rent, but in most cases, rent exceeded \$1000 per month.

Market Rate Rents	# BR's	# Vacancies	Avg Rent
	1	15	\$591
	2	16	\$757
	3	3	\$774

A search for 'roommates wanted' on Craigslist showed 15 roommates wanted in February with average rent of \$500/mo. In most cases, utilities were extra. This type of situation might work for single individuals, but would not work for families.

Harbor Heights Rents

	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>
Current Rents as of 2-1-2014	\$590	\$630	\$670
Proposed Rents after Prepayment:	\$700	\$800	\$900
Market Rents (not a scientific survey)	\$591	\$757	\$774

Proposed rents at Harbor Heights after prepayment appear to be a bit higher than what is being charged for other market rate apartments in the area, but much less than median rents reported in the 2008-2012 American Community Survey, which included both houses and apartments. However, the market survey of available units performed for this Civil Rights Impacts Analysis was not a scientific survey and was intended only to assist in determining the need for affordable housing in the area. A formal market rent survey will be conducted by an appraiser after Harbor Heights is approved for prepayment.

IMPACT OF PREPAYMENT ON LOW INCOME POPULATIONS – NEED FOR PROJECT

Currently, over one third of households in the area pay over 35% of income for housing costs, which points to a need for more affordable housing. The USDA Rural Development Multi-Family Housing program provides a reduced interest rate to project owners which enables them to charge lower rents. In addition, Rental Assistance is offered on some units. Rental Assistance provides a subsidy to the tenant for rent and utility allowance. The subsidy is based on 30% of adjusted household income. This provides a deep subsidy to very low income households and enables them to live in decent, safe and sanitary housing.

Based on Census data shown below, there are roughly 8000 residents below the poverty line in the affected area. Census data show an average of 2.29 persons per renter household in Island County and 2.19 in Anacortes. This indicates over 3000 households could use a deep subsidy such as Rental Assistance or Section 8 Voucher. There are currently 322 Rental Assistance units and 274 Section 8 Vouchers in the area, which is about 17% of the amount of deep subsidy units needed.

	<u>Population</u>	<u>% Below Poverty Line</u>	<u># Persons in Poverty</u>	<u># Households in Poverty</u>	<u>RA Units</u>	<u>Section 8 Vouchers</u>
Island County	78,506	8.8%	6,909	2,879		
Anacortes	15,778	8.0%	<u>1,262</u>	<u>576</u>		
Total			8,171	3,455	322	274

Exhibit A-2 shows the income and rent of Harbor Heights residents, proposed rents at Harbor Heights after prepayment and rents for similar market rate units. It also shows the percent of gross income for each based on tenant income as of 3-1-2014. The chart does not take into consideration Vouchers because the amount of Voucher has not yet been determined. Currently, about 60% of tenants are paying less than 30% of their gross income for rent. After prepayment, only 2 tenants would pay less than 30% of gross income for rent at Harbor Heights. Six would pay 30% or less at other Rural Development Projects and only four would pay 30% or less for market rent.

On average, tenant rents will increase from 38% of current income to approximately 70% of income after prepayment.

	Total Annual Income - Gross	Harbor Heights		Other RD Apts	Market	Rent needed to achieve 30% of Monthly Gross Income
		% Gross Income for Current Rent	% Gross Income for Proposed Rent	% Gross Income at other RD Projects	% Gross Income for Similar Apts	
Average	\$18,567	38%	78%	68%	72%	\$464
Median	\$15,000	26%	61%	54%	55%	\$375

Current tenants of the project will be protected from significant adverse impact through one or more of the mitigation measures described below – LOPE letters, Vouchers, Restrictive Use Agreement or possible sale of project to a non-profit who will keep it in the RD Program.

The primary impact of prepayment will be to low income households on the waiting list and others in the community who need affordable housing. With the loss of Harbor Heights, these low income households will have fewer opportunities to live in a lower cost apartment or less access to Rental Assistance.

The loss of Rental Assistance is a permanent loss of affordable housing to the area. In the past, RA could be moved to other projects in the area. However, with reductions in the amount of RA funds available nationwide, RA is being 'retired' instead of moved to other projects.

## MITIGATION MEASURES

Mitigation Measures for current tenants of Harbor Heights include LOPE Letters, Vouchers, a Restrictive Use Agreement and possible sale of the project to a non-profit entity who would keep the project in the Rural Development 515 Program. Only the latter option – sale to a non-profit would mitigate impacts to applicants on the waiting list and other low income households in the community. This is because it is the only option that would continue to provide rental assistance to some or all of the tenants.

### Letter of Entitlement (LOPE) Letters

Tenants may be issued a Letter of Priority Entitlement (LOPE) Letter which will move them to the top of the waiting list in another Rural Development Property. Tenants will have up to one year from the date of prepayment to request a LOPE letter.

### Rental Voucher Program

It is anticipated that all tenants will be eligible to receive RD Vouchers that they can use at Harbor Heights or use to relocate to another apartment or house. With the voucher, tenants will continue to receive some assistance with their housing costs. As a result, most tenants will not be forced to relocate to areas that are not convenient to their places of employment/family, or forced to move to areas with a concentration of substandard housing. Vouchers are subject to the availability of funds.

Voucher Amount – This is determined as the difference between the comparable market rent for the Section 515 unit being rented by the tenant and the amount being paid as rent by the tenant at the time of prepayment. Once established, the maximum voucher amount does not change. The voucher payment does not relate to the resident's income. The market rate rent at time of prepayment is based on a rent comparability study performed by an appraiser. The rent comparability study will not be completed until it is determined that the project will be prepaid.

Market Rate Rent at Prepayment  
Less Tenant's Rent at Prepayment  
Equals Voucher Amount

The voucher amount may be reduced if the tenant moves and the maximum voucher amount exceeds the rent at the new location. The Voucher payment cannot exceed the rent for an approved unit. The Voucher also does not include an allowance for utilities.

Portability – The RD Voucher may be used at the prepaid property or any other rental situation in the United States and its territories that passes RD physical inspection standards and where the owner will accept an RD Voucher. Units subsidized by USDA Section 521 Rental Assistance, HUD Section 8 and public housing are excluded from the Voucher Program because these units are already assisted. Tenants with an RD Voucher would have to give up their voucher to accept the assistance at those properties.

Tenants who receive RD Vouchers do so as a form of protection against rent increases expected as a result of RD mortgage prepayment. Every low-income resident in a prepaying property is potentially eligible to receive this Voucher. Participation in the Voucher Program is voluntary and no tenant is required to accept a Voucher. Once assistance is terminated, no subsequent RD Voucher will be issued and the tenant will no longer be eligible to participate in the Voucher Program.

Likewise, if a tenant who is using an RD Voucher relinquishes that Voucher (i.e., elects to no longer use the Voucher or moves to a property where the Voucher is not accepted), no subsequent Voucher will be issued and the tenant will no longer be eligible to participate in the RDVP.

Restrictive Use Covenants

A restrictive use agreement may be placed on the property to protect the current tenants of the project. The restrictive use agreement would remain in effect until the last tenant leaves.

Sale to public body

If the borrower does not want to accept the restrictive use agreement, the borrower may offer the property for sale to non-profit organizations and public agencies. The property must be marketed for 180 days. If no offer is received or the sale fails to close, the loan may be prepaid without use restrictions.

DEMOGRAPHICS OF THE AFFECTED AREA and SUBJECT PROJECT

A summary of demographics from the 2010 Census is shown below with data on all races shown in Exhibit A-3. Demographic information from the 2010 census may be found in Attachment C.

	<u>Number</u>	<u>Percent of Population</u>
Oak Harbor		
Total Minorities from 2010 census	7,100	32.2%
Total Population	22,075	
Island County		
Total Minorities from 2010 census	13,297	16.9%
Total Population	78,506	
Anacortes (Skagit County)		
Total Minorities from 2010 census	1,785	11.3%

Total Population	15,778	
Commuting Area (Island County plus Anacortes)		
Total Minorities from 2010 census	15,082	16.0%
Total Population	94,284	
Tenant composition of Harbor Heights		
Total Minorities	17	50.0 %
Total Number of Tenants	34	
Waiting list composition of Harbor Heights		
Total Minorities	1	100 %
Total on Waiting List	1	

The percentage of minorities living in Harbor Heights (50%) is significantly greater than the percentage of minorities living in Oak Harbor (32%) or the commuting area (16%).

The percentage of minorities on the waiting list for Harbor Heights (100%) is much greater than the percentage of minorities living in Oak Harbor (32%), or the commuting area (16%). However, with only one person currently on the waiting list, this is not a reliable statistic.

## IMPACTS TO MINORITIES

### Definition of Disproportionately High and Adverse Impacts

CFR 3560.658(b) states that "The Agency will review relevant information to determine the availability of comparable affordable housing for existing tenants in the market area and if minorities in the project, on the waiting list or in the market area will be disproportionately adversely affected by the loss of the affordable rental housing units."

Attachment 2 to AN 4501 issued March 18, 2010 provided answers to commonly asked questions about Environmental Justice and Civil Rights Impact Analysis. The answer to Question 5 stated "A disproportionately high and adverse effect is defined as an impact predominately borne by a minority or low-income population, is suffered by the minority and/or low income population, and is appreciably more severe or greater in magnitude than the adverse effect that would be experienced by the non-minority or non low-income population."

As a class, a greater percentage of minorities will be impacted because they are represented in greater numbers in the project (50%) as they are in Oak Harbor (32%) and the commuting area (16%). However, the impact on minority tenants will be identical as the impact on non-minority tenants— i.e. their rent will increase and they will receive Vouchers to mitigate the impact of the rent increase.

Exhibit A-4 shows current income and rent of minority and non-minority residents, proposed rents at Harbor Heights and rents at similar units along with percent of gross income for housing costs. The chart does not take into consideration Vouchers because the amount of Voucher has not yet been determined. As can be seen from Exhibit A-4 minorities would pay an average of 76% of gross income for proposed rents at Harbor Heights, while non-minorities would pay an average of 81% of gross income. Similarly, minorities would pay an average of 65% of gross income at other RD properties, while non-minorities would pay an average of 70% of income at other RD properties. Minorities would pay an average of 69% for market rents while non-minorities would pay an average of 74% for market rents. There is no appreciable difference between the adverse impact on minority and non-minority tenants based on averages.

The impact to minorities and non-minorities based on averages and median is shown on the chart below. Rent for both minorities and non-minorities would be in the neighborhood of 70% of gross income at other RD projects and market rate projects in the area (without vouchers).

	Total Annual Income - Gross	Harbor Heights		Other RD Apts	Market
		% Gross Income for Current Rent	% Gross Income for Proposed Rent	% Gross Income at other RD Projects	% Gross Income for Similar Apts
<b>Minorities</b>					
Avg or %	\$22,199	31%	75%	65%	69%
Median	\$18,742	25%	51%	44%	48%
<b>Non-Minorities</b>					
Avg or %	\$14,934	44%	81%	70%	74%
Median	\$12,259	25%	69%	61%	63%
<b>All Tenants</b>					
Avg or %	\$18,567	38%	78%	68%	72%
Median	\$15,000	26%	61%	54%	55%

While minorities are represented in higher numbers in the project (50%) than in the general population of Oak Harbor (32%) and commuting area (16%), the impact to minorities is not more severe or greater in magnitude than the adverse impact that will be experienced by the non-minority population. In fact, the impact on minority tenants will be identical to the impact on non-minority tenants – i.e. rents will increase. The rent increase will be mitigated through Rental Vouchers, LOPE Letters and a restrictive use agreement.

The primary impact of prepayment will be to minorities and non-minorities on the waiting list and in the community who will not have an opportunity to live in a lower cost apartment with potential access to Rental Assistance.

Minorities on the waiting list (100%) are greater than the percentage of minorities in Oak Harbor (32%), and the commuting area (16%). Because there is only one person on the waiting list, it is not considered to be a statistically valid sample. The impact to minorities on the waiting list will be identical to the impact to non-minorities – i.e. there will be less affordable housing available in the area and there will be a permanent loss of 16 Rental Assistance units.

It is anticipated that all tenants, including minorities, will receive RD Vouchers that they can use at Harbor Heights, or may use to relocate to another apartment. With the voucher, tenants will continue to receive assistance with their housing costs. As a result, minority tenants will not be forced to relocate to areas that are not convenient to their places of employment, forced to move to areas with a concentrated minority population, or forced to move to areas with a concentration of substandard housing.

## CONCLUSION AND RECOMMENDATION

With over a third of households in the area paying over 35% of their income for housing costs, it points to a need for more affordable housing rather than less affordable housing, which will result from prepayment of Harbor Heights.

In addition to Harbor Heights, we also have prepayment applications on hand from Commodore Apartments in Oak Harbor and Heatherwood in Anacortes. The loss of all three projects would result in a permanent loss of 96 affordable rental units, including 47 Rental Assistance Units. These Rental Assistance units make housing affordable for the lowest income households.

The impact to minorities will not be appreciably more severe or greater in magnitude than the adverse impact that will be experienced by the non-minority population. The impact on both minorities and non-minorities will be an increase in rent and the loss of affordable housing units in the area.

The impact to tenants will be mitigated through RD Rental Vouchers, LOPE letters and a restrictive use agreement on the property. While this will provide some protection to existing tenants, it will not benefit applicants on the waiting list or other low income households in the area who will have fewer affordable housing options.

This housing project is needed and I recommend that the owner be required to enter into a restrictive use agreement to protect current tenants.