

**WHATCOM COUNTY CONTRACT  
INFORMATION SHEET**

Whatcom County Contract No.  
**201908021**

Originating Department:	Executive
Division/Program: <i>(i.e. Dept. Division and Program)</i>	Non-Departmental/EDI Program (Pub Util Impr Fund)
Contract or Grant Administrator:	Suzanne Mildner
Contractor's / Agency Name:	Bellingham Housing Authority

Is this a New Contract?    If not, is this an Amendment or Renewal to an Existing Contract?    Yes     No   
 Yes     No     If Amendment or Renewal, (per WCC 3.08.100 (a)) Original Contract #: \_\_\_\_\_

Does contract require Council Approval?    Yes     No     If No, include WCC: \_\_\_\_\_  
 Already approved? Council Approved Date: \_\_\_\_\_ (Exclusions see: Whatcom County Codes 3.06.010, 3.08.090 and 3.08.100)

Is this a grant agreement?  
 Yes     No     If yes, grantor agency contract number(s): \_\_\_\_\_ CFDA#: \_\_\_\_\_

Is this contract grant funded?  
 Yes     No     If yes, Whatcom County grant contract number(s): \_\_\_\_\_

Is this contract the result of a RFP or Bid process?    Contract \_\_\_\_\_  
 Yes     No     If yes, RFP and Bid number(s): \_\_\_\_\_ Cost Center: 332239

Is this agreement excluded from E-Verify?    No     Yes     If no, include Attachment D Contractor Declaration form.

If YES, indicate exclusion(s) below:

<input type="checkbox"/> Professional services agreement for certified/licensed professional.	<input type="checkbox"/> Contract for Commercial off the shelf items (COTS).
<input type="checkbox"/> Contract work is for less than \$100,000.	<input type="checkbox"/> Work related subcontract less than \$25,000.
<input type="checkbox"/> Contract work is for less than 120 days.	<input type="checkbox"/> Public Works - Local Agency/Federally Funded FHWA.
<input checked="" type="checkbox"/> Interlocal Agreement (between Governments).	

Contract Amount:(sum of original contract amount and any prior amendments): \$ <u>\$600,275.00</u> This Amendment Amount: \$ _____ Total Amended Amount: \$ _____	Council approval required for; all property leases, contracts or bid awards <b>exceeding \$40,000</b> , and professional service contract amendments that have an increase greater than \$10,000 or 10% of contract amount, whichever is greater, <b>except when:</b> 1. Exercising an option contained in a contract previously approved by the council. 2. Contract is for design, construction, r-o-w acquisition, prof. services, or other capital costs approved by council in a capital budget appropriation ordinance. 3. Bid or award is for supplies. 4. Equipment is included in Exhibit "B" of the Budget Ordinance 5. Contract is for manufacturer's technical support and hardware maintenance of electronic systems and/or technical support and software maintenance from the developer of proprietary software currently used by Whatcom County.
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Summary of Scope: Interlocal Loan Agreement with the Bellingham Housing Authority utilizing EDI Program funding (from the Public Utilities Improvement Fund) for use in the Samish Way Development Project.

Term of Contract:    20 Years	Expiration Date:    Approx. 12/31/2039
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Contract Routing:	1. Prepared by: <u>sm</u>	Date: <u>8/21/19</u>
	2. Attorney signoff: <u>Christopher Quinn CDR</u>	Date: <u>8/27/2019</u>
	3. AS Finance reviewed: <u>Bbennett</u>	Date: <u>08/27/2019</u>
	4. IT reviewed (if IT related): _____	Date: _____
	5. Contractor signed: _____	Date: _____
	6. Submitted to Exec.: _____	Date: _____
	7. Council approved (if necessary): _____	Date: _____
	8. Executive signed: _____	Date: _____
	9. Original to Council: _____	Date: _____

## Economic Development Investment Program Interlocal Loan Agreement

### I PARTIES

This Agreement is made by and between **Whatcom County** (hereinafter referred to as **the County**), and **the Housing Authority of the City of Bellingham** (hereinafter referred to as **the BHA**).

### II TERM

This Agreement takes effect upon execution hereof by the authorized representatives of both parties and continues in effect until all payments required under Section V, MUTUAL CONSIDERATION, Subsection C, REPAYMENT OF COUNTY LOAN, have been made or until terminated as provided for in Section VIII, TERMINATION.

### III PURPOSE

The purpose of this Agreement is to provide funding support for the Samish Way Development Project (hereinafter referred to as **the Project**) using certain County funds designated for such infrastructure development. These funds will be used to complete the Project as outlined in the Economic Development Investment (EDI) Program Application as attached (Attachment C).

### IV RECITALS

The Parties make this Agreement based on and in recognition of certain relevant facts and circumstances including:

- A. Sales and use taxes are collected in and for the County under authority of RCW 82.14.370 and Whatcom County Code 2.130 for the purpose of financing public facilities in the County, and the proceeds are deposited in the Whatcom County Public Utilities Improvement Fund.
- B. The BHA will construct the Project. The Project will be partially funded by a **\$600,275 loan from the Whatcom County Public Utilities Improvement Fund**, and the balance of the Project will be funded by the City of Bellingham, State of Washington, private equity and other sources as outlined in Attachment C. The Project improvements, when complete, will be owned and maintained by the City of Bellingham, the BHA or Puget Sound Energy.
- C. RCW 82.14.370 was adopted to serve the goals of promoting the ongoing operation of

business in rural distressed areas, promoting the expansion of existing businesses in rural distressed areas, attracting and developing new businesses, and providing family wage jobs and the development of communities of excellence in such areas. The parties expect the Project to further these goals.

D. RCW 82.14.370 defines public facilities to include bridges, roads, domestic and industrial water facilities, sanitary sewer facilities, earth stabilization, storm sewer facilities, railroad, electricity, natural gas, buildings, structures, telecommunications infrastructure, transportation infrastructure, or commercial infrastructure, and Port facilities in the state of Washington.

E. The County has created the EDI Board to review applications for loans and grants from the Public Utilities Improvement Fund and to make recommendations for Public Utilities Improvement Fund investments based on commitment of other funds, potential for resulting job creation, and other factors.

F. The EDI Board has reviewed the application for Public Utilities Improvement Funds and has recommended approval to the Whatcom County Council.

G. The County EDI Board has reviewed and recommended this project application be approved with a recommendation of a loan in the amount of \$600,275.00. A copy of the EDI application for this project is attached by reference to this Agreement.

H. The Whatcom County Council reviewed the recommendation and approved a loan to the BHA from the Public Utilities Improvement Fund in the amount of \$600,275.00.

I. The Public Utilities Improvement Fund balance is sufficient to make the requested loan to the Project.

J. RCW 39.34 authorizes interlocal agreements whereby municipal governments may jointly exercise the powers granted to each.

## **V MUTUAL CONSIDERATION**

The parties do not intend to create any new or separate legal or administrative entity by this Agreement but intend for this mutual Agreement to govern the County's financial support for the Project. The terms and conditions contained herein reflect the voluntary participation of the parties.

A. **BHA RESPONSIBILITIES:** The BHA hereby agrees as follows:

- (i) If after the award of the construction contract, the scope of the Project or the Project budget has changed, the BHA shall provide the County the following updated documents: 1) a detailed description of the project; 2) a project budget itemizing major improvements together with the estimated cost of the improvements; and 3) a schedule showing sources and uses of funding for the project, if any of the aforementioned documents varies from those that were submitted with the BHA's application for EDI funding.

- (ii) The BHA shall be responsible for all aspects of the design and construction of the project.
- (iii) The BHA shall be responsible for all aspects of the public works construction contract administration, which shall include, but not be limited to, advertising, bidding, and awarding the contract. The BHA will comply with all applicable laws, rules and regulations relating to bidding the project. The County shall have no responsibility for the Project other than the funding set forth herein.
- (iv) The BHA shall provide the County with a final report showing the actual cost of the project and the actual sources and uses of funding for the project.
- (v) The BHA shall repay the loan in full in accordance with the terms of Section V.C below and the amortization schedule set forth in Attachment A, attached hereto.

**B. WHATCOM COUNTY'S RESPONSIBILITIES:** The County hereby agrees as follows:

- (i) **COUNTY LOAN**—The County shall *loan* Six Hundred Thousand, Two Hundred Seventy-Five Dollars and Zero Cents (\$600,275.00) for the Project described herein (the "Loan"). This Loan shall be by County warrant drawn on the Public Utilities Improvement Fund and payable to the BHA, available upon written request after approval and execution of this agreement by the Whatcom County Council and the BHA, and pursuant to the terms contained in (iii) Payout of Loan Funding.
- (ii) **PAYOUT OF LOAN FUNDING**—The County shall pay out the loan funding to the BHA up to a maximum of Six Hundred Thousand, Two Hundred Seventy-Five Dollars and Zero Cents (\$600,275.00) of the total project costs. This amount shall be paid in accordance with Attachment B, attached hereto. Disbursements of grant and loan funding shall be made contingent upon and subject to the continued commitment of the other project funding sources.
- (iii) Unless the parties to this agreement mutually agree in writing to modify the consideration, the funding identified herein is all the County is obligated to pay towards this project. The BHA agrees to protect the County from, hold it harmless from, and indemnify it for, any charges that may be levied in excess of the agreed amount.

**C. REPAYMENT OF COUNTY LOAN**—The BHA shall repay the Loan as follows:

- (i) The term of the Loan shall be twenty years, commencing from the date that the County disburses the Loan proceeds to the BHA. Interest shall accrue on the unpaid principal at a rate of 1% per annum. Interest shall begin accruing from the date of disbursement of loan funds.
- (ii) The BHA will make loan payments to the County annually on or before the anniversary date of receiving loan proceeds in accordance with the attached amortization schedule (Attachment A). Loan payments must be delivered to the Whatcom County Executive Dept., Suite 108, 311 Grand Avenue, Bellingham, WA 98225.
- (iii) Failure to make the payment in the required amount by the date it is due according to the amortization schedule hereto attached shall constitute an event of default by the BHA. In the event that the BHA fails timely to make a Loan payment hereunder, the County shall notify the BHA of the failure and the BHA shall have fourteen (14) days to

cure its failure. At the option of the County, such an event of default and the BHA's failure to cure within the stated time period is a sufficient basis upon which the County may take action to collect the amount that is delinquent, and if the County takes action to collect pursuant to this provision, the BHA shall pay to the County not only the amount owing, but also any collection of reasonable costs incurred by the County. Furthermore, if the BHA fails to make a payment on the Loan within thirty (30) days of the date it is due, and if the County has provided the BHA with the notice provided for in this section, then the County may choose to declare the remaining balance of the loan due and owing.

- (iv) There is no prepayment penalty should the BHA desire to retire this debt early, either in whole or in part.

## **VI RECORDS, REPORTS AND AUDITS**

The BHA agrees to maintain such records, make such reports and follow such procedures pertaining to this Agreement as may be reasonably required by the County and as are typically maintained and made by the BHA in the undertaking of a project of this nature. All BHA records pertaining to this Agreement and the Project work shall be retained by the BHA for a period of three (3) years after final audit unless a longer period is required to resolve audit findings or litigation. The County and other authorized representatives of the State government shall have access to any books, documents, papers, and records of the BHA which pertain to this Agreement or the Project work for the purpose of making audit, examination, excerpts, and transcriptions.

## **VII RELATIONSHIP OF PARTIES AND AGENTS**

Neither the BHA nor the County shall have authority to execute contracts or to make commitments on behalf of the other, and nothing contained herein shall be deemed to create the relationship of employer and employee or principal and agent between the County and the BHA. This agreement does not create, either implicitly or explicitly, any right, duty or obligation that is not expressly provided for herein.

The BHA represents that it has or will secure at its own expense all personnel, contractors, and/or subcontractors required in order to perform the Project work. Such personnel shall not be employees of, or contractors with the County for purposes of the project described herein. All such personnel, contractors, and/or subcontractors shall be fully qualified (as determined by the BHA in its sole discretion) and authorized/permitted under State and/or local law to perform such services.

## **VIII TERMINATION**

If the BHA fails to comply with the terms and conditions of this Agreement, the County may pursue such remedies as are legally available, including, but not limited to, the termination or closeout of this Agreement in the manner specified herein:

A. **TERMINATION FOR CAUSE**— If the BHA fails to comply with the terms and conditions of this Agreement, the County will give notice to the BHA in writing of its failure to comply. The BHA will be given thirty (30) days from date of notice to comply with the terms of the Agreement or submit a plan acceptable to the County to bring the BHA into compliance with the Agreement within a time period reasonably acceptable to the County. Failure to comply with the terms and conditions of this Agreement by either party shall constitute an event of default. In the event of default by the BHA and a failure by the BHA to cure as provided for herein, the County may take such remedial actions under the law as are available to cure the default, including the imposition of the reasonable costs of collection. In the event of default by the County, the BHA may take such remedial actions under the law as are available to cure the default, including specific performance.

B. **TERMINATION FOR OTHER GROUNDS**—This Agreement may be terminated in whole or in part by mutual consent and written agreement between the parties, duly authorized and executed, setting forth the conditions of termination, including effective date and, in case of termination in part, that Portion to be terminated.

## **IX COMPLIANCE WITH LAWS**

The County and the BHA shall comply with all applicable laws, ordinances, and codes of the Federal, State and local governments with regard to the performance of this Agreement.

## **X INTEREST OF MEMBERS OF THE COUNTY AND THE BHA**

No member of the governing body of either party and no other officer, employee, or agent of either party who exercises any functions or responsibilities in connection with the planning or carrying out of the Project shall have any personal financial interest, direct or indirect, in this Agreement.

## **XI HOLD HARMLESS AND INDEMNITY**

To the extent permitted by law, the BHA shall indemnify and hold harmless the County, its officers, agents, and employees, from all liability, loss or damage, including costs of defense they may suffer as a result of claims, demands, actions, costs, or judgments which result from the activities to be performed by the BHA, its agents, employees, or subcontractors pursuant to this Agreement.

## **XII ASSIGNABILITY**

The BHA shall not assign any interest in this Agreement and shall not transfer any interest in this Agreement (whether by assignment or novation) without prior written consent of the County thereto, provided, however, that claims for money by the BHA from the County under this Agreement may be assigned to a bank, trust company, or other financial institution without

such approval. Written notice of any such assignment or transfer shall be furnished promptly to the County by the BHA.

**XIII NON-WAIVER**

The failure of either party to insist upon strict performance of any provision of this Agreement or to exercise any right based upon a breach thereof or the acceptance of any performance during such breach shall not constitute a waiver of any right under this Agreement.

**XIV CONTRACT MODIFICATIONS**

No modification or waiver of any clause or condition of this Agreement shall be binding upon either party unless such modification or waiver is in writing and duly authorized and executed by the County and the BHA.

**XV SEVERABILITY**

If any Portion of this Agreement is changed per mutual agreement or any Portion is held invalid, the remainder of this Agreement shall remain in full force and effect.

**XVI NOTICES**

Unless stated otherwise herein, all notices and demands shall be in writing and sent or hand-delivered to the parties to their addresses as follows:

**TO THE BHA:** Housing Authority of the City of Bellingham  
Attn. Executive Director  
208 Unity Street  
Bellingham, WA 98225

**TO COUNTY:** Brad Bennett, Finance Manager  
c/o Whatcom County Executive's Office  
311 Grand Avenue, Suite 108  
Bellingham, WA 98225

or to such other addresses as the parties may hereafter designate in writing. Notices and/or demands shall be sent by registered or certified mail, postage prepaid, or hand-delivered. Such notices shall be deemed effective when mailed or hand-delivered at the addresses specified above.

**XVII INTEGRATION**

This Agreement contains all terms and conditions to which the County and the BHA agreed, and this Agreement supersedes all of their previous understandings and agreements, written and oral, with respect to this loan and grant transaction. There are no other oral or written agreements between the BHA and County as to the loan and grant terms contained herein.

No changes or additions to this Agreement shall be valid or binding upon either party unless such change or addition be in writing, duly authorized and executed by both parties.

**XVIII GOVERNING LAW AND VENUE**

All questions of the validity, construction, and application of this Agreement shall be governed by the laws of the State of Washington. Venue for any suit between the parties arising out of this Agreement shall be the Superior Court of the State of Washington in and for Skagit County, Washington.

**XIX RECORDING**

Upon execution of this agreement by the parties hereto, the County shall cause it to be recorded with the Whatcom County Auditor, or otherwise published pursuant to the requirement contained within RCW 39.34.040.

\*\*\*\*\*

IN WITNESS WHEREOF, the County and the BHA have executed this Agreement as of the date and year last written below.

EXECUTED, this \_\_\_\_\_ day of \_\_\_\_\_, 2019, for the **HOUSING AUTHORITY OF THE CITY OF BELLINGHAM:**

\_\_\_\_\_  
Brien Thane, Executive Director

STATE OF WASHINGTON            )  
  ) ss.  
COUNTY OF Whatcom            )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2019, before me personally appeared **Brien Thane**, to me known to be the **Executive Director** of the Housing Authority of the City of Bellingham and who executed the above instrument and who acknowledged to me the act of signing thereof.

\_\_\_\_\_  
NOTARY PUBLIC in and for the State of Washington,  
residing at \_\_\_\_\_.  
My commission expires \_\_\_\_\_.





Attachment A

WHATCOM COUNTY  
 EDI Loan: Bellingham Housing Authority

Principal \$600,275  
 Interest Rate 1.00%  
 Term 20

#	Year	Beginning Balance	Payment	Interest	Principal	Ending Balance
1	2021	\$600,275	(\$33,264)	6,003	(\$27,261)	\$573,014
2	2022	\$573,014	(\$33,264)	5,730	(\$27,534)	\$545,479
3	2023	\$545,479	(\$33,264)	5,455	(\$27,809)	\$517,670
4	2024	\$517,670	(\$33,264)	5,177	(\$28,087)	\$489,582
5	2025	\$489,582	(\$33,264)	4,896	(\$28,368)	\$461,214
6	2026	\$461,214	(\$33,264)	4,612	(\$28,652)	\$432,561
7	2027	\$432,561	(\$33,264)	4,326	(\$28,938)	\$403,623
8	2028	\$403,623	(\$33,264)	4,036	(\$29,228)	\$374,395
9	2029	\$374,395	(\$33,264)	3,744	(\$29,520)	\$344,874
10	2030	\$344,874	(\$33,264)	3,449	(\$29,815)	\$315,059
11	2031	\$315,059	(\$33,264)	3,151	(\$30,113)	\$284,945
12	2032	\$284,945	(\$33,264)	2,849	(\$30,415)	\$254,530
13	2033	\$254,530	(\$33,264)	2,545	(\$30,719)	\$223,810
14	2034	\$223,810	(\$33,264)	2,238	(\$31,026)	\$192,784
15	2035	\$192,784	(\$33,264)	1,928	(\$31,336)	\$161,448
16	2036	\$161,448	(\$33,264)	1,614	(\$31,650)	\$129,797
17	2037	\$129,797	(\$33,264)	1,298	(\$31,966)	\$97,831
18	2038	\$97,831	(\$33,264)	978	(\$32,286)	\$65,544
19	2039	\$65,544	(\$33,264)	655	(\$32,609)	\$32,935
20	2040	\$32,935	(\$33,263)	329	(\$32,934)	\$0
			(\$665,288)	65,013	(\$600,275)	

## Attachment B

### Bellingham Housing Authority – Samish Way Development Loan Draw Down Requirements

Following commencement of project construction, the loan may be disbursed in full (\$600,275) upon written request for the funds from Ken Van Winkle, Director of Asset Development for Bellingham Housing Authority. The request for funds is to be addressed to the Whatcom County Executive's office, 311 Grand Avenue, Suite 108, Bellingham, WA 98225 and should reference the Whatcom County assigned interlocal agreement number. The loan will be disbursed by warrant within 30 days of receipt of request.

Attachment C

RECEIVED

JUL 3 2019

JACK LOUWS  
COUNTY EXECUTIVE

Whatcom County  
Economic Development  
Investments Program

Application for Funding



Jack Louws, Whatcom County Executive

# Whatcom County Economic Development Investment (EDI) Program

*Revolving Loan and Grant Program to Encourage Creation or Retention of Private Sector Jobs*

## Preliminary Information and Application

*Note: The intent of this Program is to be consistent with State law, RCW 82.14.370*

- 1. Who is eligible to apply:** Local general or special-purpose governments and higher education.
- 2. What projects are covered:** Construction of publically-owned infrastructure, facilities, and related improvements, which enable or encourage the creation or retention of private sector businesses and jobs in Whatcom County consistent with EDI Program Policy Objectives.
- 3. What activities are fundable:** New construction, refurbishment, replacement, rehabilitation, renovation or repair. Demolition is allowable if tied to construction. Soft costs allowed within scope of construction budget. No land acquisition except right-of-way included in a construction project.
- 4. What can you use the funds for:** Transportation (roads, bridges, rail), utility services (water, sewer, storm, energy, telecom) and public buildings or structures.
- 5. Other Limitations:** Planning/feasibility only projects are not eligible. Minimum local match is 10% of EDI request. EDI Board will make recommendations to the County Council which makes the final decision.

### Preferential Project Types

**First Preference – “JOBS IN HAND PROJECTS”** – These types of projects will allow for the immediate creation and/or retention of jobs by providing public infrastructure that directly supports jobs. A perfect example would be a private business that will build or move into a facility and hire employees if a road is built or if water/sewer lines are extended to the site. These types of proposals would include a commitment by the private sector employer to create jobs and provide private investment.

**Second Preference – “BUILD IT AND JOBS WILL COME PROJECTS”** – These types of projects will construct public infrastructure but are not associated with a specific commitment from a private business to locate and/or create jobs. A perfect example would be the construction of roads and utility infrastructure to serve a new business park that would benefit multiple businesses.

**Third Preference – COMMUNITY ENHANCEMENT PROJECTS”** – These types of projects generally improve the physical appearance or create community assets to enhance the business climate. Examples would be boardwalk, streetscaping, downtown structures, and other publically-owned facilities that make a community or region more attractive to existing or future businesses.

# Whatcom County Economic Development Investment (EDI) Program

*Revolving Loan and Grant Program to Encourage Creation or Retention of Private Sector Jobs*

## Preferential Project Terms

**First Preference – EDI LOAN** – Due to the preferred revolving nature of EDI funds, proposals that are loan only will receive higher scoring. Loan terms and interest rate structure matches the Public Works Trust Fund program. The county will maintain discretion to modify such as including a deferral period.

**Second Preference – LOAN/GRANT COMBINATION** – The preferred combination of grant funds and loan funds is 1/3 grant, 2/3 loan.

**Third Preference – EDI GRANT** – Due to the “one-shot” nature of grants, projects of equal scoring requesting a grant only will be scored lower than another similar project requesting a loan/grant mix.

## Preferential\* Project Amounts (Guidelines)

**JOBS IN HAND PROJECTS** - \$1,000,000 limit if grant only. \$2,000,000 limit if combination of grant and loan. \$3,000,000 limit if loan only.

**BUILD IT AND JOBS WILL COME PROJECTS** - \$500,000 limit if grant only. \$1,000,000 limit if combination of grant and loan. \$1,500,000 limit if loan only.

**COMMUNITY ENHANCEMENT PROJECTS** - \$250,000 limit if grant only. \$500,000 limit if combination of grant and loan. \$750,000 limit if loan only.

\*Based on compelling reasons, the EDI Board and County Council may consider exceptions.

## Past Performance

Have you received EDI Program funding in the past? \_\_\_\_\_; Yes  No

If yes, provide project name and EDI grant/loan awarded: \_\_\_\_\_

If yes, EDI Program staff and/or the EDI Board may conduct an audit to review performance measures against projected outcomes, such as job creation projections.

Has your jurisdiction received any audit findings from the Washington State Auditor in the past 10 years?

Yes; \_\_\_\_\_ No. If yes, provide details:

The Housing Authority of the City of Bellingham received a finding in 2016 because resident safety services were paid for from the Capital Fund Grant. The finding was satisfied when the Capital Funds were allocated to appropriate capital improvement projects.

**Whatcom County Economic Development Investment (EDI) Program**  
*Revolving Loan and Grant Program to Encourage Creation or Retention of Private Sector Jobs*

**THRESHOLD PROJECT CRITERIA**

*Evidence of Planning*

YES	NO
<u>X</u>	_____
<u>X</u>	_____
<u>X</u>	_____

Project included on an adopted regional economic strategy (“CEDS” list).  
 Project included in the applicant’s Comprehensive Plan.  
 Project included in the applicant’s Capital Expenditure Plan or adopted budget.

COMMENTS: Urban Village infrastructure is listed under City of Bellingham's portion of the CEDS list, and is for construction of critical infrastructure for the development of urban villages.

**THRESHOLD PROJECT SCORING**

POINTS

*Preferential Project Type*

5

<u>   </u> Jobs In Hand	<i>10 points</i>
<u>X</u> Build It And Jobs Will Come	<i>5 points</i>
<u>   </u> Community Enhancement	<i>2 points</i>

10

*Preferential Project Terms*

<u>X</u> Loan Only	<i>10 points</i>
<u>   </u> Loan/Grant	<i>5 points</i>
<u>   </u> Grant Only	<i>2 points</i>

5

*Preferential Project Amounts*

<u>X</u> Within Dollar Limits	<i>5 points</i>
<u>   </u> Outside Preferred Dollar Limits	<i>0 points</i>

20

TOTAL POINTS

**To proceed to other parts of the application and to receive EDI Board review, a proposed project must score 10 or more points on the above section.**

**Whatcom County Economic Development Investment (EDI) Program**

*Revolving Loan and Grant Program to Encourage Creation or Retention of Private Sector Jobs*

**PROJECT APPLICANT**

Applicant Name: Bellingham Housing Authority

Applicant Address: 208 Unity Street, Bellingham WA

Applicant Contact Person: Ken Van Winkle

Applicant Email and Phone Number: kvanwinkle@bwcha.org / 360-739-2573

**PROJECT TITLE**

**Samish Way Development**

**PROJECT AMOUNT REQUESTED**

\$ 600,275.23 EDI TOTAL - (Loan \$ 600,275.23 ; Grant \$ \_\_\_\_\_ )

\$ 17,030,409 Local Match (10% of EDI request minimum)

**PROJECT TYPE**

Jobs In Hand

Build It And Jobs Will Come

Community Enhancement

**PROJECT TERMS**

Loan Only

Grant/Loan

Grant Only

If a loan, term requested: 50\* (years)

\* BHA proposes: 1% simple interest deferred for 20 years, amortized over 50 years, cash flow dependent.

**PROJECT LOCATION:** 315 North Samish Way, Bellingham, WA

**PROJECT DESCRIPTION**

The City of Bellingham has targeted redeveloping North Samish Way as an urban village with a vibrant mix of commercial and residential development since adopting the Samish Way Urban Village Subarea Plan in 2009. Both the Sehome and York Neighborhood Associations were instrumental in developing the plan, and they continue to support and advocate for redevelopment. The Samish Way Development is the first significant commercial and residential development in the area, and is designed to catalyze additional private redevelopment. It includes a mixed use, mixed income, intergenerational development that meets and exceeds the goals of the City's Plan. The Development is a critical step toward transforming this auto-oriented district into a more connected neighborhood that encourages pedestrian activity. Phase 1 includes 69 mixed income apartments and new administrative headquarters for the Authority with shared podium parking. Phase 2 includes additional commercial spaces, 85 or more additional mixed income apartments, additional podium parking and an inner courtyard to coalesce tenants, community, and commercial spaces. EDI funds will pay for publicly-owned infrastructure that is required to support redevelopment of this site.

Last Updated: 11/18/13



# Whatcom County Economic Development Investment (EDI) Program

*Revolving Loan and Grant Program to Encourage Creation or Retention of Private Sector Jobs*

## BASIC PROJECT INFORMATION

1. Complete the public project budget and status of funds below. If EDI funds are approved is funding 100% complete?  Yes  No

See attachment 1A for funding sources.

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<u>Funding Source</u>	<u>Amount</u>	<u>Planned/Applied For</u>		<u>Secured</u>	
Federal Dollars	\$ _____	Yes ___	No ___	Yes ___	No ___
State Dollars	\$ _____	Yes ___	No ___	Yes ___	No ___
Local Dollars	\$ _____	Yes ___	No ___	Yes ___	No ___
EDI Funding	\$ _____	Yes ___	No ___	Yes ___	No ___
TOTAL	\$ _____				

2. Describe the amount of outside (private) funding committed to the project (eg. Plant and equipment).

Approximately \$15,000,000 is the current estimate for private equity funding. The final amount will be determined during a competitive RFP process with large institutional funders competing for the 9% low income tax credits the Authority has been awarded.

3. Describe the public infrastructure being proposed. Include engineering estimates and a site map detailing the proposed improvements as Attachments A and B.

The City of Bellingham is requiring complete reconstruction of Otis Street with curb, gutter, sidewalk, and drainage improvements. Reconfiguring electrical site distribution utilities on Otis and Laurel Streets are necessary to eliminate obsolete motel utilities. Please see attachments A and B.

4. Describe how these improvements will enhance or encourage community vitality and stimulate other private development in the area.

The Samish Way Development includes a mixed use, mixed income, intergenerational development that meets and exceeds the goals of the City of Bellingham's Samish Way Urban Village subarea plan. Our development is an important step toward transforming this auto-oriented district into a connected neighborhood that encourages pedestrian activity. By revitalizing this well frequented corridor, the development will help the overall economic growth in the area by attracting businesses and future development opportunities.



## Whatcom County Economic Development Investment (EDI) Program

*Revolving Loan and Grant Program to Encourage Creation or Retention of Private Sector Jobs*

9. What other revenue sources are available for this project and have they been considered. This includes forming a Local Improvement District (LID or ULID), issuing Councilmanic Bonds, Revenue Bonds, or other source(s).

All revenue sources considered for this project are detailed in item 1 of this application and attachment 1A.

10. Describe the private development project that will be supported by this public facility project. If there is a committed private sector partner include Contingency Agreement (Attachment C).

Phase 1 includes 69 mixed income apartments owned by the Samish Way Redevelopment Partners LLLP, of which the Bellingham Housing Authority is the General Partner. The Authority also plans to build new office headquarters on the site. Phase 2 includes commercial space and two additional buildings of mixed income apartments that will also be owned by public/private limited partnerships. Several private sector investor partners have expressed interest and will be selected through a Request for Proposals process and negotiations.

11. Explain why the private development requires the proposed public improvement(s).

The road and right-of-way improvements are required by the City of Bellingham in order to develop the site. The electrical utility improvements are required to replace an obsolete distribution system. Providing apartments that are affordable to a broad range of incomes limits the ability to support conventional financing.

12. What is the status of the associated private development review and permits. List all permits required and give the current status (applied for, being reviewed, issued).

	In Process	Date Completed
Environmental Review	<u>7/15/19</u>	_____
Construction Permits	<u>7/22/19</u>	_____
Environmental Permits	<u>7/22/19</u>	_____
_____	_____	_____

13. Describe the type of industry or economic activity the public development will attract. What is the strategy to attract industry to the project site?

The development is designed to attract retail, dining, and entertainment businesses, as well as bring new residents to the area to patronize other commercial establishments. The Housing Authority successfully advocated for designating the area as a federal Opportunity Zone, providing federal tax incentives for investors. The Authority is actively soliciting commercial partners.

## Whatcom County Economic Development Investment (EDI) Program

*Revolving Loan and Grant Program to Encourage Creation or Retention of Private Sector Jobs*

14. List the number of projected jobs, by type, to be retained and/or created by the private entity.

Occupation	Current Jobs Retained** (In FTEs)	# Of Jobs Created Year 1 (In FTEs)	# Of Jobs Created by Year 5 (In FTEs)	Hourly Wage of current or new position	Local Occupational Hourly Wages***
Mgmt./Admin*					N/A
Technical/Prof		69	193	\$18	
Office/Clerical					
Production		173	340	\$29	
Sales		46	105	\$19	
Skilled Crafts					
Others		11	57	\$27	
Totals		299	695	N/A	N/A

\* Indicate Management positions in annual salary.

\*\* Retained jobs are defined as jobs that would otherwise be lost from the county without this project.

\*\*\* This column will be populated with data from the state before application is distributed and revised annually.

a. Projected annual gross payroll for all job classifications \$33,035,152

b. Describe fringe benefits the company offers to regular full time employees?

( health insurance, retirement plans, etc.) Full time Housing Authority employees are offered medical, dental, and a \$50/month VEBA plan, with the option to participate in a FSA. Employees are also offered life and disability insurance, retirement plans, and an optional deferred compensation plan. Paid sick, vacation, and personal time are also included.

Construction workers on this project will also be offered benefits or paid the cash equivalent of their fringe benefits based on job classification.

15. How does this project support the economy of Whatcom County and how does it fit into a county-wide economic development strategy?

The Samish Way Development project will support Whatcom County's economy by creating additional commercial activity, catalyzing private redevelopment of this urban village, and providing rental housing that is affordable to the workforce. The construction of this project will also sustain a large number of full time jobs in the construction industry. Construction of Urban Village infrastructure is a priority on the CEDS list under the City of Bellingham section, and our project will provide vital infrastructure to the Samish Way Urban Village's revitalization.

## Whatcom County Economic Development Investment (EDI) Program

*Revolving Loan and Grant Program to Encourage Creation or Retention of Private Sector Jobs*

16. What will the effect of this project be on the natural environment - does the project address any issues related to public health, pollution, or quality of life?

The project site was previously developed, and, as such, the effect on the natural environment is neutral. Prescriptive storm-water systems will be built and erosion control systems will be in-place during construction. Public safety will be enhanced with a new professional office building, new housing units, and new commercial spaces, all working together to revitalize this previously condemned site while attracting new business to this targeted urban village.

17. Does this project address any existing issues related to public safety and/or does it increase public safety in the future or address a potential future public safety issue?

The development consummates a long process by the City of Bellingham and the Bellingham Housing Authority to redevelop this condemned site and known drug haven to reduce crime and become a keystone of the Samish Way corridor redevelopment.

18. Describe specific quantifiable measures of the outcomes, other than purely jobs, that will demonstrate project success. Describe how you will measure this and explain what you expect to show as progress toward the outcome.

Quantifiable outcomes of this development include expanding the tax base by establishing new businesses at this site and catalyzing additional private redevelopment in the area. Providing apartments that are affordable to a broad range of income will help stabilize the workforce by reducing residents' rent-burden, freeing up expendable income for other needs and discretionary spending. This can be measured in sales and business & occupation tax receipts and future building permits issued in the district.

### Application for Funding – Certification

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IN THIS APPLICATION TO WHATCOM COUNTY FOR INVESTMENTS IN ECONOMIC DEVELOPMENT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Signature of Responsible Public Official: 

Date 4/22/19

**Attachment 1A**

<b>Samish Way Development EDI</b>			
<b>Funding Source:</b>	<b>Amount</b>	<b>Planned/ Applied for</b>	<b>Secured</b>
Private Equity (Federal Tax Credits)	\$ 15,000,000.00	Yes	Yes
Permanent Conventional Loan	\$1,184,540.92	Yes	Negotiations
WA Dept. of Commerce Loan	\$ 3,000,000.00	Yes	Yes
Bellingham Housing Levy (Acquisition)	\$ 668,500.00	Yes	Yes
Bellingham Housing Levy (Construction)	\$ 1,300,298.00	Yes	Yes
Whatcom County EDI Program	\$ 600,275.23	Yes	No
Whatcom County Workforce Loan	\$ 100,878.98	Yes	No
BHA Cashflow Note	\$ 780,409.00	Yes	Yes
<b>Total</b>	<b>\$ 22,634,902.13</b>		

## ATTACHMENT A



208 Third Street, Lynden, WA 98264

Tel (360) 354-4757, Fax (360) 354-6794

**Preliminary Electrical Cost Estimate - Site Distribution Utilities**

(Revised after 5/2/2019 meeting with PSE at RMC's office)

Item	Quantity	Unit	Cost	Total
<b>Otis Street</b>				
<i>(Demolition only)</i>				
Remove existing pole and secondary overhead cables that has been disconnected and used to supply the hotel.	1	ea.	\$2,000.00	\$2,000.00
<b>subtotal</b>				<b>\$2,000.00</b>
<b>Samish Way</b>				
<i>(Remove portion of Existing 15KV Overhead, provide future underground conduits except, does not include 115KV Transmission Lines)</i>				
PSE to remove existing overhead 15KV primary system	2	span	\$4,000.00	\$8,000.00
PSE Primary power conduit (for future use)	200	lf.	\$200.00	\$40,000.00
Trenching and Backfilling	200	lf.	\$50.00	\$10,000.00
<b>subtotal</b>				<b>\$58,000.00</b>
<b>Samish Way PSE 115KV Transmission Lines - Option 4</b>				
<i>(No work for Phase 1)</i>				
<b>subtotal</b>				<b>\$0.00</b>
<b>Abbott Street</b>				
<i>(No work for Phase 1)</i>				
<b>subtotal</b>				<b>\$0.00</b>
<b>Laurel Street</b>				
<i>(Shrink building and move it 20 feet away from existing overhead lines so they can stay as-is for Phase 1 only)</i>				
PSE primary pole mounted near new transformer	1	ea.	\$6,000.00	\$6,000.00
PSE Primary Power Vault	1	ea.	\$7,725.00	\$7,725.00
PSE Padmount Transformer for new Building	1	ea.	\$40,000.00	\$40,000.00
PSE Primary power conduit & cables	15	lf.	\$400.00	\$6,000.00
Telephone, CATV, & Fiber conduits & cables	120	lf.	\$27.00	\$3,240.00
Trenching and Backfilling	120	lf.	\$50.00	\$6,000.00
<b>subtotal</b>				<b>\$68,965.00</b>
<b>Contingency (6%)</b>				<b>\$7,737.90</b>
<b>Overhead, Profit, Mobilization 10%</b>				<b>\$13,670.29</b>
<b>Bellingham Sales Tax (8.7%)</b>				<b>\$13,082.47</b>
<b>TOTAL</b>				<b>\$163,455.66</b>

**Bid Proposal**  
**PH-1 SAMISH WAY REDEVELOPMENT**

JOB#  
 By: DR

Site Work Estimate  
 DAWSON

<b>18.012.90</b>
Date / Time
7/2/2019 16:27

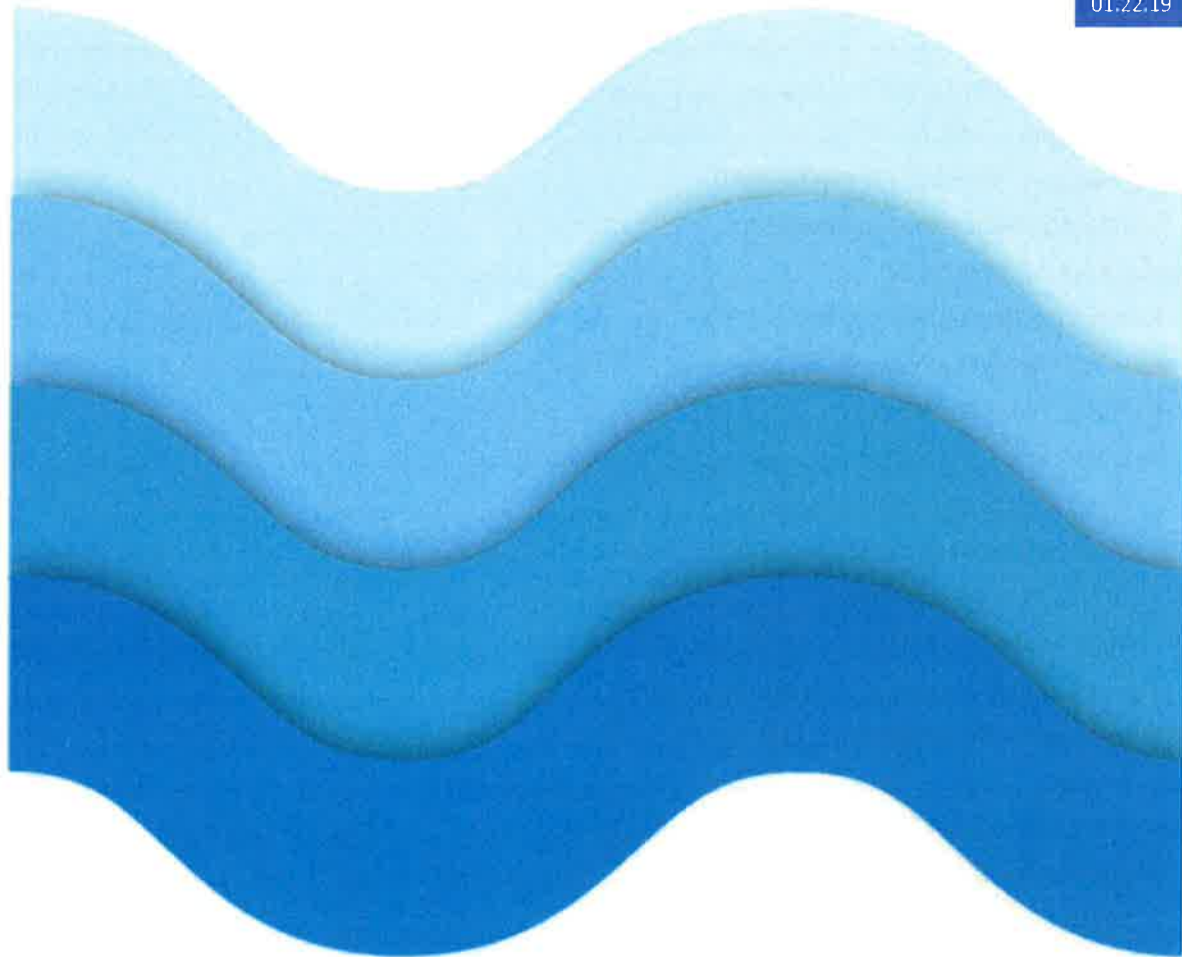
Activity Code		Installation of	Quantity	Description	Bid item
1	MOB	MOBILIZATION 1-09.7	1	LS	\$34,465
0	CON	PROJECT CONTINGENCY	1	LS	\$22,746
5	PFC	C-01 RELOCATE CNG LINE EXCAVATE & BACKFILL	422	LF	\$13,348
5	PFC	C-01 SANITARY SEWER	122	LF	\$28,499
5	PFC	C-01 TYPE II CATCH BASINS	3	EA	\$24,760
5	PFC	C-01 TYPE 1 CATCH BASIN	9	EA	\$24,717
5	PFC	C-01 8" FIRE LINE OTIS ST.	60	LF	\$8,405
5	PFC	C-01 6" D.I. HYDRANT PIPE	87	LF	\$9,066
5	PFC	C-01 4" DOMESTIC WATER SERVICE LINE D.I.	65	LF	\$5,740
5	PFC	C-01 FIRE HYDRANTS	2	EA	\$12,112
5	PFC	C-01 OTIS STREET IMPROVEMENTS ASPHALT	11933	SF	\$46,897
5	PFC	C-01 OTIS STREET IMPROVEMENTS GRAVEL PATH NW SIDE	1598	SF	\$8,022
5	PFC	C-01 OTIS STREET IMPROVEMENTS SIDEWALK	6762	SF	\$85,134
5	PFC	A101 SIDEWALK NOT SHOWN OWN ON CIVIL PH1	2361	SF	\$30,693
5	PFC	C-01 OTIS STREET IMPROVEMENTS ASPHALT	11933	SF	\$47,255

**BASE** **\$401,858**  
 W.S.S.T **\$34,961.64**  
**\$436,819.57**





01.22.19



# Economic Impact Study on the Samish Way Redevelopment

PREPARED BY THE CENTER FOR ECONOMIC AND BUSINESS RESEARCH

Luke Dubois  
Josh Grandbouche



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## Executive Summary

### The Problem

- 37% of households were cost-burdened by housing (2017)
  - A typical unit completed in 2017 in the US rented at an average of \$1,012 per month
  - Switch from homeowners to renters has contributed to a shortage of rental units
    - Share of renters rose from 33% in 2010 to 36% in 2017
    - 5.1 million more low-income renters than affordable units to fill them (2010)

### The Solution: Affordably Priced Rental Units

- Affordable housing programs have shown to have strong positive economic and tax-generation impacts
  - NSAFAH (2011-2016) NY 2011 to 2015: **128,275 affordable housing units** were developed or preserved
    - **\$54.5 billion in economic spending** and another \$6.5 billion in spending each year after
    - **329,400 one-time jobs** and another 46,800 ongoing jobs
  - Every dollar in direct federal spending on housing capital and maintenance **resulted in another \$1.12** in indirect and induced expenditures
  - Creating 100 units results in 80 direct jobs, 42 jobs from indirect and induced effects, and 30 jobs supported by the new residents' spending
- Additional Effects
  - Spending: low-income households in affordable housing spent **nearly 5 times as much on health care, a third more on food, and two times more on retirement savings** than other low-income households
  - Health: children living in subsidized housing had a 35 percent higher chance of being classified as "well"
  - Education: children living in low income households have poorer school performance
  - Economic Mobility: over one in three interviewed had some plan for economic mobility, mainly through pursuing an education to qualify for a better job

### Samish Way Redevelopment Project

155 Apartment Units and 20,000 sq. feet of commercial space

- **Phase 1 - 2019**  
69 apartment units and 11,065 sq. feet of office space
  - **A total output of \$44,703,386.59**
  - 98.6 one-time jobs to earn a total of \$15,561,028.20 in compensation
  - State and local taxes to receive \$1,783,422
  - Federal taxes to receive \$3,788,663
- **Phase 2 - 2020**  
86 apartment units and the remaining 9,945 square feet
  - **A total output of \$41,330,232.20**
  - 274.4 one-time jobs to earn \$14,338,494.7 in compensation
  - State and local taxes to receive \$1,643,744
  - Federal taxes gain \$3,487,690
- Ongoing Effects of Commercial Operations and New Households

The actual effect should be somewhere in between these two depending on total new households

- Commercial Operations only (no new Households)
  - A **total output of \$43,815,241.70**
  - 234.7 total jobs are supported
  - State and local taxes receive \$548,841
  - Federal taxes increase by \$3,038,023
- Commercial Operations and all new households
  - A **total output of \$48,887,715**
  - 275.3 total jobs
  - State and local tax revenues rise by \$936,313
  - Federal tax revenues rise by \$3,474,317

## Background Information

In recent years, housing prices have been increasing at rates outstripping wage growth nationally, resulting in a growing number of cost-burdened households (households who spend at least 30 percent of their incomes on housing). From 2010 to 2017, real median wages have risen by just over 9 percent, with the most growth in the past couple of years. Median gross rent has increased from \$841 to \$982 over the same time period, an increase of 17 percent. This wide disparity (8 percent) indicates how much more of a given household's income must be put toward rent, as low-income households are generally more likely to rent. Gross rent as a percent of income in comparison has predictably risen, from 26.5 percent to 31.0 percent over time period of 2010 to 2017. As more household income goes toward paying rent, less is left for any consumer spending and housing insecurity risks are increased.

Nationally (2017), over 20 million renter households (50 percent) are cost-burdened by housing, nearly identical to 2010. The 2010 data did show, however, that most of those cost-burdened in 2010 were paying over 50 percent of income in rent, a serious sign of the recent 2008 recession. Extremely low income renters have it much worse; 71 percent of whom are severely cost-burdened (spend at least 50 percent of household income on housing).<sup>1</sup> All these indicators are taken from US Census American Community Survey and indicate a recovery from the recession; however, housing hasn't bounced back nearly as well to pre-recession levels.

### Switch from Homeowners to Renters

Homeownership rates have fallen, especially among young adults, overwhelmingly resulting from high housing costs and the blow the recession dealt to income and personal asset growth. Built up wealth was devastated amongst millennials, as the recession represented a lost chance to invest in both markets and housing. Alongside this, national median rent rose 20 percent faster than overall inflation from 1990 to 2016 and median home prices 41 percent faster, according to the "State of the Nation's Housing 2018." This is reportedly caused by increases in costs of construction, mainly due to land scarcity in metropolitan areas, although high demand for rental units following the financial crisis made this a two-pronged issue. In fact, US Census Data indicates an increase in the percent of renting households, from 33 percent in 2010 to 36 percent in 2017. The impacts are especially evident among young adults – who are often at lower income levels – that face the decision to buy a house now at historically high prices, or rent at inflated rates. They are also hesitant to buy a home due to the housing bubble that set off the most recent recession, as many who could not afford it faced foreclosure.

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<sup>1</sup> NLIHC, 2017

Nationally, among those below the age of 35, 10 percent are living in owner-occupied homes in 2017, which is down from 13 percent in 2005. As more households demand apartments over homeownership faster than supply of apartments can go, rental rates rise and increase the need for affordable housing.

### Increased Need of Affordable Housing

Rental rates that grow faster than income impact everyone, but not evenly. Those at lower income brackets are especially disadvantaged, as most new rental units are being constructed to be priced at market level (due to high construction costs limiting financing opportunities), which in most areas are not affordable to those in the bottom quartile of incomes. For example, a typical unit completed in 2017 rented at \$1,012 per month, equaling \$12,144 annually. To not be cost burdened (< 30 percent of income goes to housing costs) the household would have to make over \$40,000 annually, unobtainable for more than a third of US households. In fact, 2010 had 5.1 million more low-income renters than affordable units to fill them - a larger group than the entire Boston metro population, according to the State of the Nation's Housing 2013. This shortage has been further exacerbated more recently, affecting severely low income more than any other group. There were 7.4 million severely low income households than affordable rental units in 2017.<sup>2</sup>

To make matters worse, affordable housing does not always mean available housing. NLIHC found that of 7.5 million homes affordable to lower income households 3.5 million of these are occupied by higher income households.<sup>3</sup> By limiting these new units to low income households, as done in Low Income Housing Programs, the shortage can be addressed.

### Modeling Economic Effects

Numerous other impact studies have run input-output modeling software to quantify the effects of constructing affordable housing units. They vary in location, year, and type of housing subsidy but all demonstrate strong positive impacts from developing affordable housing units. These impacts take the form of direct effects (construction related), indirect effects (industries supporting construction), and induced effects (impact of those new residents' and worker's local consumption spending). In addition, federal and state taxes see an increase in revenues from these affordable housing projects.

### New York State Affordable Housing Program 2011 to 2015

HR&A Advisors, 2017

From 2011 to 2015 128,275 affordable housing units were developed or preserved, at an average of 25,655 each year, with 83 percent of these located within New York City. This was done thanks to an investment of \$30.8 billion from government, non-profit, and private sectors.

#### One-Time Construction Impacts:

- \$54.5 billion in Economic Spending
  - The investment of \$30.8 billion towards direct construction costs
  - 12.9 billion resulting in indirect effects
  - 10.8 in induced spending
- 329,400 jobs; at a total of \$20.9 billion in compensation for those jobs
  - 152,100 construction jobs

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<sup>2</sup> NLIHC, 2017

<sup>3</sup> NLIHC, 2017



- 98,200 jobs in indirect effect from industries supporting construction
- 79,100 jobs from induced effects of those new resident's spending

### Ongoing Annual Impacts:

- \$6.5 billion in economic spending:
  - \$4 billion in direct/construction spending
  - \$1.26 billion in indirect spending
  - \$1,181 in induced spending
- 46,800 jobs
  - 32,800 direct jobs
  - 6,900 indirect jobs
  - 7,100 Induced jobs

From the \$30.8 billion spent on developing or preserving 128,275 affordable housing units, there was a total of nearly \$55 billion in one-time construction spending and \$6.5 billion in spending each year after construction. It also supported 329,400 one-time jobs and 46,800 permanent jobs.

### 50 Unit Prototypical Study

Even more, HR&A reported estimates that were scaled down to only the effects of 50 units of affordable housing for construction in New York State. They found that from a \$9.4 million investment there could be approximately \$16.6 million in total economic spending, the impact felt in \$3.9 million in indirect effect and \$3.3 million in induced effects. They also found 100 total one time jobs: 46 from construction, 30 from indirect effects, and 24 from induced effects. Finally, the annual ongoing spending generated every year after construction through operations totaled \$2 million.

### More Studies

Other meta-analyses have attempted to generalize the economic benefits of affordable housing to be true regardless of the project's location. Econsult found in a 2007 analysis of ten metro areas that for every dollar of direct federal spending on capital and maintenance an additional \$1.12 in indirect and induced expenditures is generated by suppliers, vendors, and wage earners. On average, that total spending supported 244 jobs in each metro area.<sup>4</sup> The National Association of Home Builders estimate the number of jobs supported by the creation of new housing for both the Low Income Housing Tax Credit (LIHTC), a form of affordable housing program, and market-rate housing and found very little difference between the two; in creating 100 units, there are 80 direct jobs, 42 jobs from indirect and induced effects, and 30 jobs supported by the new residents (2 more for market rate).<sup>5</sup> This may appear to mean there is no reason to encourage affordable housing, however, there are several more qualitative effects as well as the Census metrics discussed previously.

### Why Affordable Housing and Not Market-Rate?

Of course, the same level of construction spending could have been taken on in creating market-rate units; however, affordable housing units have the added benefit of raising the quality of life for a group of people, improving a poorer neighborhood, and can result in even more consumer spending than construction of market-rate housing. This is because as less of a low-income household's income has to

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<sup>4</sup> Econsult, 2007

<sup>5</sup> National Association for Homebuilders, 2010

go to paying for housing more can be spent elsewhere, increasing aggregate demand. Low-income households also have a higher marginal propensity to spend, which means that they spend more, on average, of each dollar they earn than households in other income brackets. This expands their economic impact, maximizing the reach of each dollar. According to a 2011 study by the Harvard Joint Center for Housing Studies, low-income households in affordable housing spent nearly five times as much on health care, a third more on food, and twice as much on retirement savings than other low-income households. This increased spending leads to a stronger local economy as well as more revenue to the government in sales taxes where those apply.

## Quantitative Impacts

### *Health*

There are other reasonably expected effects of affordable housing that are much harder to quantify and define but have a real and long-term effect on the local economy. Positive impacts to health outcomes are tied into the expected increase in disposable income that comes with affordable housing, especially for children growing up in low-income households. Families living in affordable housing are significantly less likely to forgo needed doctor's visits and medications due to a lack of money.<sup>6</sup> Another study found that children living in subsidized housing had a 35 percent higher chance of being classified as "well," have a 28 percent lower risk of being seriously underweight, and a 19 percent lower risk of being food insecure.<sup>7</sup> As nutrition and appropriate health care are substituted to pay for housing, those children may see continuous health issues even later in life that burden their disposable income and ultimately demand. Finally, adults who felt worried about being able to pay their rent or mortgage were three times more likely to report mental distress and were nearly 50 percent more likely to have difficulty sleeping.<sup>8</sup>

### *Education*

Children growing up in low-income households have been shown to perform worse in school, overwhelmingly due to homelessness or hypermobility. They are more likely than their peers to perform poorly in school, repeat grades, drop out, disengage in the classroom, and suffer from learning disabilities and behavior problems.<sup>9</sup> By creating housing security for these families it can improve the children's education and likely impact their future achievement. Even more, it isn't only these children who suffer impacts from housing insecurity on their education. Review and catch-up work are more often necessary in these schools, and teacher morale is lower compared to schools attended by a less-mobile student population.<sup>10</sup>

### *Personal Well-being*

A recent survey response study, conducted by the Turner Center at UC Berkeley, analyzed the responses of families in several California LIHTC program apartment complexes.<sup>11</sup> Nearly all of those surveyed (90 percent) reported that their housing had improved, and a vast majority indicated "affordability" as the major benefit, after moving into the LIHTC property. One in five respondents said they had experienced homelessness before moving into their current unit, and another 20 percent reported being forced to

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<sup>6</sup> Pollack, Evans, Griffin, and Lynch, 2010

<sup>7</sup> March, 2009

<sup>8</sup> Liu, Njai, Greenlund, Chapman and Croft, 2009

<sup>9</sup> Brennan, 2011

<sup>10</sup> Cunningham & MacDonald, 2012

<sup>11</sup> Reid, 2018



move involuntarily, either as a result of eviction or an unsustainable rent increase. One respondent, a construction worker with three kids, even detailed his previous living situation as follows: “my family and I were living in a garage. The garage was split into 6 units with curtains. This is not some fancy house, it’s just your normal two-car garage. We were living in that little space, with no running water, other people just on the other side of the curtain.”

Providing an affordable and secure place for these families to live not only improves their current situation but also encourages them to pursue education and new employment opportunities. Of the working age residents surveyed, 58 percent were employed, with a majority of the rest in school, a stay-at-home parent, or retired/disabled. Finally, over one in three interviewed had some plan for economic mobility, mainly through pursuing an education to qualify for a better job. The benefits of providing these struggling households with a base to improve their education and employability should be considered an important side-effect of affordable housing projects.

## Samish Development Project Model

The site of the proposed redevelopment is located at 315 N. Samish Way in Southern Bellingham, Washington. Previously occupied by the Aloha Motel, the site was purchased by the City of Bellingham in 2015 after it was declared a blight on the neighborhood for housing criminal activity. The 66,000 square foot site has since been purchased by the Housing Authority and is planned to be developed with 155 apartments priced affordably to a variety of income levels. In addition, the site will be split into space for limited-service restaurants, retail space, and government offices. On-site parking and other infrastructure improvements will also be rolled into the construction. The project will be completed in two phases, with construction finishing in 2021.

### Model Assumptions and Planning

The plan states that units will be available at several different income ranges and each household has to earn an income within that range to qualify for the apartment. Each household’s individual impact on the local economy and in taxes depends on their income. With it not being possible to predict the exact incomes of these households within that range, the average value in the range was used as a simplified estimation to run in the model.

Additionally, the construction of restaurants, retail space, and office space for a total of 20,000 square feet will be completed between the two phases. The numbers of jobs created through this development were calculated based on the total area allocated to each section using industry averages of square feet per employee supported. Of course, these may not fully reflect the true number of employees after completion. Finally, the effects of the commercial space will not be in true effect until the completion of the entire project, even though part of the construction occurs in Phase 1.

### Phase 1 - 2019

69 of the total of 155 apartments will be completed in Phase 1.

- 17 households with an annual income in the range of \$40,000 to \$50,000
  - Averaged at \$45,000 for the model
- 52 households with an income of \$30,000 to \$40,000
  - Averaged at \$35,000 for the model

11,065 square feet of commercial space will be built in Phase 1.

NAICS designation: Offices for local government

- 150 square feet per employee
- 74 employees projected

Phase 2 - 2020

The remaining 86 apartments will be completed in Phase 2.

- 43 households with an annual income in the range of \$20,000 to \$25,000
  - Averaged at \$22,500 for the model
- 43 households with an annual income in the range of \$50,000 to \$70,000
  - Averaged at \$60,000 for the model

The remaining 9,945 square feet of commercial space to be built into limited service restaurants or retail space will be constructed during Phase 2. For the purposes of the model this space will be split evenly between the two types detailed, as they haven't been determined yet.

NAICS designation: Limited-service restaurants

- 4,468 square feet
- 200 square feet per employee
- 22 employees projected

NAICS designation: Retail – miscellaneous store retailers

- 4,468 square feet
- 450 square feet per employee
- 10 employees projected

Finally, relevant to both phases, to better represent the impact on federal income tax revenue from this project, it's important to know if these occupying households will file as single or married. Based on data found for Bellingham, 34.4 percent of the city file their taxes as married. This percentage was factored into tax revenue estimates for all households of each income level.

## Results

The results found through this analysis were generated using IMPLAN. IMPLAN is a widely-used input-output modeling software. The software utilizes an I-O table, representing a social accounting matrix (SAM) of local sectors and their relation to one another, to generate a set of multipliers. These multipliers are applied to the direct effect as stipulated by the project (construction costs, employment in certain sectors, number of new households, etc.) to determine the indirect and induced effects of any change to the economy. For this model, the 2016 Whatcom County table was utilized, which reflects the business conditions of Whatcom County in 2016. Due to no large structural changes to Whatcom's economy from 2016 until 2019, the date of this project, it is reasonable to use this model to estimate the impact of the project. **All dollar impacts below are in 2019 dollars.**

## Important Terms

- Direct Effect - The economic impacts of the initial spending alone. This money would pay for construction expenses including payments to construction workers and materials.
- Indirect Effect - The economic impacts caused by additional business spending stimulated by the direct economic spending e.g. supplier business operations.
- Induced Effect - The economic impact of spending made possible by compensation of workers or the increase in disposable income of the new residents.

- **Total Value Added** - The difference between the value of the intermediate inputs and the output and includes compensation for employees and taxes e.g. difference in value going from building materials and the finished apartments.
- **Output** - The total value of the finished apartments or industry production. It includes spending and total value added.

### Phase 1 - 2019

Construction of 69 apartment units and the 11,065 sq. feet of office space resulted in the following economic impacts, as detailed in Figure 1.

**A total output of \$44,703,386.59.** This includes \$28,183,087.50 from the direct effect of constructing the units and offices and \$16,520,299 in indirect and induced effects.

**Results in a total of 298.6 one time jobs.** Over half of these jobs (172.2) are a direct effect of the construction. The remaining 126.4 jobs come from induced or indirect effects.

**Compensation for workers of \$15,561,028.20.** Most of the earnings (\$10,191,406.3) go to pay construction workers through the project's direct effect. The remaining ½ of compensation (\$5,369,621.90) is a result of the indirect and induced effects.

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	172.2	\$10,191,406.3	\$14,073,787.7	\$28,183,087.5
<i>Indirect Effect</i>	59.2	\$2,714,181.2	\$4,382,511.3	\$7,959,372.2
<i>Induced Effect</i>	67.3	\$2,655,440.7	\$4,991,809.3	\$8,560,926.8
<i>Total Effect</i>	298.6	\$15,561,028.2	\$23,448,108.4	\$44,703,386.5

Impacts to taxes of Phase 1 of the project's construction are modeled to be as following and detailed in Figure 2.

**State and Local Taxes would receive \$1,783,422** with a majority of that coming from taxes on production and imports of goods (construction). **Taxes paid to the federal government total \$3,788,663** and are for the most part split between employee compensation and taxes paid by households.

Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Corporations	Total Taxes
<i>State and Local Tax</i>	\$114,519	NA	\$1,579,649	\$86,030	\$3,224	\$1,783,422
<i>Federal Tax</i>	\$1,776,591	\$110,915.00	\$213,670	\$1,285,205	\$402,282	\$3,788,663

## Phase 2 - 2020

Construction of the remaining 86 apartment units and 9,945 square feet of commercial area (split into 4,468 square feet of limited-service restaurants and 4,468 square feet of retail) resulted in the economic effects detailed by Figure 3.

**A total output of \$41,330,232.2.** This is a summation of the direct effect of \$26,002,858.9, indirect effect of \$7,438,796, and induced effect of \$7,888,577.3.

**274.4 one-time jobs are created.** A majority of these one time jobs (156.8) come from the direct effect of the construction. The remaining 117.6 jobs are results of indirect (55.6) and induced (62) effects.

**Those jobs will receive a total of \$14,338,494.7 in income.** This includes \$9,349,619.7 paid to construction workers (direct effect) as well as \$2,542,024.60 in compensation from jobs supported by indirect effects of the construction. The final \$2,446,850.50 is a result of the project's induced effects.

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	156.8	\$9,349,619.7	\$12,910,351.8	\$26,002,858.9
<i>Indirect Effect</i>	55.6	\$2,542,024.6	\$4,102,169.4	\$7,438,796.0
<i>Induced Effect</i>	62.0	\$2,446,850.5	\$4,599,809.2	\$7,888,577.3
<i>Total Effect</i>	274.4	\$14,338,494.7	\$21,612,330.5	\$41,330,232.2

Phase 2 of the project will have impacts on taxes that are detailed in Figure 4.

**State and Local Taxes would receive \$1,643,744** with a majority of that coming from taxes on production and imports of goods (construction). **Taxes paid to the federal government total \$3,487,690** and are for the nearly entirely split between employee compensation, taxes paid by households, and corporate taxes.

Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Corporations	Total Taxes
<i>State and Local Tax</i>	\$105,116.00	NA	\$1,456,354.00	\$79,301.00	\$2,973.00	\$1,643,744
<i>Federal Tax</i>	\$1,630,710	\$104,275	\$196,992	\$1,184,674	\$1,184,674	\$3,487,690

## Phase 1 and 2 Totaled (All Construction)

The following is the one-term effects of both phases of construction involved in the project. This includes all 155 apartment units and the 20,000 square feet of commercial space.

The following are the total economic impacts of the total project (total of phase 1 and 2) and are presented in Figure 5.

**Total Output of Phase 1 and 2 of \$86,033,618.6.** Most of this spending is a direct result of the construction (\$54,185,946.4). Indirect effects account for \$15,398,168.2 in spending and induced effects result in \$16,449,504.1.

**573 total one-time jobs.** Construction workers (direct effect) represent a majority of this effect with 329 jobs created through this project. Supporting industries (indirect effects) see a one-time increase by 114.7 jobs. Lastly, the project’s induced effect would account for the remaining 129.2 jobs expected by the model.

**These one-time jobs created through the project should see a total of \$29,899,522.9 in compensation.** As expected, construction workers will receive a larger share of this total, earning \$19,541,025.9. Workers in construction supporting industries (indirect effect) will receive \$5,256,205.8. Finally, induced effect is expected to result in \$5,102,291.2 in compensation.

Figure 5: The Economic Impacts of Both Phase 1 and 2				
Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	329.0	\$19,541,025.9	\$26,984,139.5	\$54,185,946.4
<i>Indirect Effect</i>	114.7	\$5,256,205.8	\$8,484,680.8	\$15,398,168.2
<i>Induced Effect</i>	129.2	\$5,102,291.2	\$9,591,618.6	\$16,449,504.1
<i>Total Effect</i>	573.0	\$29,899,522.9	\$45,060,438.9	\$86,033,618.6

### Commercial Operations

Following the completion of both stages of the project in 2021, and the opening of 20,000 square feet of commercial space, here will be 11,065 square feet of local government offices, with the other 9,945 square feet split between limited-service restaurants and retail. For the purposes of the model that area is to be split evenly between the two at 4,468 square feet each.

The service of the commercial spaces is expected to result in the following economic impacts and are detailed in Figure 6 and are as follows.

**A total spending (output) of \$43,815,241.70.** This is made up of the direct effects of spending (output) of \$25,823,168. Spending generated through indirect effects from supported industries is expected to be \$11,606,494.6 and induced effects contributing \$6,385,578.2 towards that total.



Figure 6: The Economic Impacts of Commercial Operations				
Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	106.0	\$5,649,999.2	\$10,913,124	\$25,823,168.9
<i>Indirect Effect</i>	78.5	\$3,981,585.2	\$5,962,498.9	\$11,606,494.6
<i>Induced Effect</i>	50.2	\$1,981,251.6	\$3,722,791.6	\$6,385,578.2
<i>Total Effect</i>	234.7	\$11,612,836	\$20,598,414.4	\$43,815,241.7

Taxes generated through the commercial operations are estimated to be as follows and are detailed in Figure 7.

**State and Local Taxes would see \$548,841 in new revenue.** Taxes on production and imports, make up a large percentage of this tax revenue increase (\$389,323). **Federal taxes are expected increase by \$3,038,023** with half of that in the form of employee income tax.

Figure 7: The Impacts on Taxes of Commercial Operations						
Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Corporations	Total Taxes
<i>State and Local Tax</i>	\$91,212	NA	\$389,323	\$63,786	\$4,520	\$548,841
<i>Federal Tax</i>	\$1,415,014	\$53,438	\$52,661	\$952,901	\$564,009	\$3,038,023

### Commercial Operations & New Households

The project would have an even larger effect if these newly constructed apartments are filled by households that are new to the area. The resulting increase in spending would bolster the local economy. The new units are not expected to be entirely filled by households that are new to the city, however, this represents a maximum effect that the project could be expected to reach. The true effect is most likely closer to just the commercial operations scenario, but is reasonably expected to exist in the range between the two scenario results.

The estimated effects of the commercial space from the last analysis (Figure 6 and 7) and the effects resulting from 100 percent new households as modeled are presented as follows, and shown in Figure 8.

**A total spending (output) of \$48,887,715.** Over half of this total spending (\$29,095,398.10) is directly a result of the businesses and households from the project. The remaining output is created through indirect effects (\$12,523,354) and induced effects (\$7,268,963).

**Figure 8: Economic Impacts from Commercial Operations and New Households**

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	132.8	\$6,707,856.1	\$12,851,984.3	\$29,095,398.1
<i>Indirect Effect</i>	85.4	\$4,255,288.1	\$6,450,940.0	\$12,523,354.3
<i>Induced Effect</i>	57.1	\$2,255,246.3	\$4,237,902.0	\$7,268,963.1
<i>Total Effect</i>	275.3	\$13,218,390.5	\$23,540,826.4	\$48,887,715.5

**State and Local Tax rise by \$936,313.** Nearly all of the tax revenue is expected to come from taxes on production and imports (\$755,756). **Federal tax revenues is expected to rise by \$3,474,317** with the biggest two contributions are income taxes and taxes on households.

**Figure 9: Commercial Operations and New Households' effect on Taxes**

Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Corporations	Total Taxes
<i>State and Local Tax</i>	\$102,876	NA	\$755,756	\$72,674	\$5,007	\$936,313
<i>Federal Tax</i>	\$1,595,963	\$65,657	\$102,227	\$1,085,670	\$624,800	\$3,474,317