



Madrona Community Development spc

Date: June 30, 2023
To: Greg Winter, Opportunity Council Executive Director
From: *Paul Schissler*
Paul Schissler, assisting Madrona Community Development with planning activities funded in part by a WA Community Development Block Grant
Re: Summary of accomplishments linked to WA CDBG planning-only activities project

Summary: Madrona Community Development's contract to implement the Community Development Block Grant (CDBG) planning-only activities (POA) project got underway in December 2021. The CDBG-CV grant made it possible for Madrona Community Development to offer planning services to the County and its six smaller cities. The County, two cities' administrations, and nonprofit housing developers were active participants from the start of the POA project. The project ended June 30th.

The planning project's central purpose was to plan for more WA CDBG-eligible affordable home projects in Whatcom outside the City of Bellingham. WA CDBG-eligible projects may include owner-occupied homes and/or homes for rent in projects where at least 51 percent of the homes will be affordable for people with income at or below 80 percent of the area median income (AMI).

The POA project exceeded the WA CDBG-CV contract's milestone of "approximately 100 affordable housing units planned for 250 people by June 30, 2023" with site control for 100 to 160 or more permanently affordable CDBG-eligible homes in Blaine and Ferndale

We can report that the POA project resulted in leveraging of almost \$2,400,000 so far, with ideas and funding proposals for more CDBG-eligible projects outside Bellingham. Funding leveraged by Madrona during the POA project equals a 15 to one ratio.

Ferndale: An eight-acre greenfield site, now owned by Kulshan Community Land Trust, provides room for **at least 50 homes and more likely 80 or more homes.** The preliminary conceptual site plan includes land for a nonprofit Low Income Housing Tax Credit (LIHTC) project of 50 or more homes, either developed by Opportunity Council or the Housing Authority of Whatcom County. There is also room for 30 community land trust homes that will be resident-owned and permanently affordable for low-income homebuyers. Site planning by Environmental Works is underway using WA Commerce Rural TA.

Blaine: One-acre of downtown, grayfield land has a signed Transfer Option Agreement between the City and KulshanCLT and provides room for **at least 50 homes, and more likely 80 or more homes.** The CLT homes will be resident-owned and permanently affordable for homebuyers with a range of incomes, with at least 51 percent of the homes affordable at or below 80 percent AMI. The project will create a public library on the ground floor and has extra room for child care or other uses at street level. The 60-foot height limit allows for three floors of homes above the library, possibly four. The City is considering code changes to increase the height limit and reduce parking requirements. Preliminary conceptual planning/programming is underway with Ray Colliver and Zervas architects using Commerce Rural TA.

Extensive detail available for both. Other POA project outcomes are summarized in the attached pages.



Other sites: The POA project focused on other land in east Blaine and south Ferndale, but site control for affordability was not been secured there yet. Local partners will continue to propose CDBG-eligible projects on these and other sites even though WA CDBG-CV POA funding for those efforts has ended.

Summary of matching resources that resulted from the WA CDBG-CV POA project:

1. WA Department of Commerce Housing Action Plan grant to Blaine, \$75,000
2. WA Department of Commerce Housing Action Plan grant to Ferndale, \$39,440
3. WA Department of Commerce Rural Technical Assistance in Blaine, at least \$60,400
4. WA Department of Commerce Rural Technical Assistance in Ferndale, at least \$50,000
5. Whatcom County American Rescue Plan Act funding for Ferndale land acquisition, \$1,250,746
6. City of Blaine public property Transfer Option Agreement for land with assessed value, \$918,000

Total of \$2,393,586 or just under \$2,400,000 leveraged prior to July 2023, which equates to 15 times the amount paid to Madrona Community Development, a 15 to one ratio.

Additional leveraging of downstream funds for predevelopment and construction is predicted as projects are pursued. Other benefits from Madrona's work on the POA project are intangible and more difficult to quantify.

Key Ingredients

This CDBG POA relied on **key ingredients, including these twelve**, for boosting community development projects that include CDBG-eligible homes. Use of these ingredients was discussed, refined, and promoted during the project and will continue to influence productive cooperation and successful projects in the region:

- A. **People care.** Whatcom County appears to have a more caring culture than many places. We believe people are willing to support projects that fit within the goal of having enough affordable homes to match our economy's jobs and demographics. Projects create opportunities to rally support and build political will. Plenty of people care, and good projects benefit from that spirit.
- B. **Five sectors in the partnerships.** Every project needs a team of key people that are all in, with at least one government agency in a leading role with at least one nonprofit organization. The public:private partnerships are stronger when more than one public agency and more than one nonprofit organization are on the core team in a leadership position. These two sectors are crucial.

The grassroots sector has enormous power when organized. Political will depends on evidence of grassroots support or enthusiasm. If we cultivate grassroots allies, we increase the likelihood of faster progress, more pleasant surprises, and multi-faceted success. Grassroots is a key ingredient.



When a potential project starts to look viable, the for-profit sector will be eager to join the team because money to be spent means money to be earned. Virtually the entire project budgets go to the for-profits doing the work, starting with predevelopment. For-profits are indispensable.

Philanthropy and benefactors round out the basic recipe, because we know that governments never have enough funding for all the good projects that need to move forward.

Having all five sectors (public, nonprofit, for-profit, grassroots, and charitable) on a project's team is the best case scenario, although one or two are enough to move good projects forward. It's better to recruit all five sectors to join a project team and/or to serve as enthusiastic allies.

- C. **Spirit of teamwork.** Cooperation and mutual respect among key people will spark a productive team effort. When we feel we're on the same team, we think differently; people are more positive and optimistic and less skeptical, cynical, or oppositional. Teamwork can be a liberating experience for bureaucrats who usually only enforce the regulations in adversarial circumstances; instead, public partners can bring their best problem-solving people to the table. Similarly, neighborhoods and grassroots activists seldom have a chance to join a project team, and good-hearted people can open up a world of opportunities and added benefits. For-profit partners will still aim to make money, but that's not their only motivation; it's a mutual self-interest deal. Philanthropy can energize a team, whether actively involved or offering funding from the bleachers. Teamwork can be an inspiration, and better projects are the result.
- D. **Better public policy.** Project concepts with grassroots support can result in better public policy that can have dramatic impacts, sometimes at little or no cost public cost. Some policy choices are easier, such as "Compete for more nonlocal funding" and "earned increased density." Some choices are harder, such as "Upzones Only If Affordable!" and The 50:50 Plan (50 percent social housing in 50 years or less.) System change depends on policy, and the real estate system needs better policy.
- E. **Targeted funding.** More funding is needed at specific, catalytic moments. Currently, **land banking** and **pre-development** are two of the most impactful uses to be scaled up next. Relatively small investments can result in multi-million construction projects, and each project can create hundreds of opportunities for tradespeople, businesses, and trainees. Downstream, the community will see large sums per year shifted to local goods and services instead of spent on unaffordable homes.
- F. **Public support for predevelopment** Partnership projects can use fee-for-service contracts so that nonprofit developers and housing authorities can afford to pay predevelopment staff and consultants to queue up more and more bricks and mortar projects ready to go as soon as funding becomes available. The POA project made some progress on County EDI for predevelopment costs.
- G. **Underutilized public property** Public policy can prioritize the immediate redevelopment of underutilized, publicly owned properties, especially in urbanizing locations. The City of Blaine followed Whatcom County's example with a Transfer Option Agreement for an acre downtown.



- H. **Land Banking** The County, cities, the Port, and their partners can acquire urbanized land for affordable home projects. Whenever a landowner plans to sell, the Land Bank can be there as the community's buyer of first resort. Later, when construction begins, the land's resale (or a prepaid long-term lease) allows the Land Bank to recapture and recycle some or all of the acquisition cost.
- I. **Leveraging local assets** Whatcom is fortunate to have exceptional people and agencies that attract nonlocal funding and support when projects are ready to proceed. Our nonprofit developers are eager to ramp up their capacity to plan and build. More nonprofit development capacity is needed, at existing agencies and with new agencies such as co-ops and public development authorities.
- J. **Import expertise** to capitalize on local capacity, political will, and time-sensitive opportunities. Nonlocal experts and personnel can boost local efforts by adding info and options that might be unknown otherwise. WA Commerce Rural TA is a good example of the power of this ingredient.
- K. **City code improvements** that result directly in homes affordable for a wide range of incomes, such as offering "earned increased density" for affordable home projects in urbanizing areas and the Multifamily Tax Exemption (MFTE) 20-year ownership option. Ferndale and Blaine have both identified city code improvements to boost the production of homes, including affordable homes.
- L. **Creating new funding** The pie chart of funding for affordability needs to grow, both in overall size and types of funding available. More state and federal funding is already on the way through standard, existing programs like the WA Housing Trust Fund and a shift in federal priorities. New sources need to be added. Local options include expanding the uses of County EDI funding (RCW 82.14.370), property tax levies like the Bellingham Home Fund, REET for affordable housing after a small deletion at RCW 82.46.075(5), federal New Market Tax Credits for homeownership, revenue neutral expansions of the public utility rates, the property tax relief for renters with low income, WA Business & Occupation taxes from gross rents, and other ideas for new revenue.

Notable highlights during the POA project

A long list of things, including new grants and investments, would not have happened but for the WA CDBG POA project, Madrona Community Development, and its allies working together.

Some of the highlights include the following, with legwork on momentum continuing past June 2023:

1. **Offers of publicly owned land:** Blaine and Ferndale had City Council and administrative discussions that showed support for reuse of specific, publicly-owned parcels for affordable homes. Some may not be large enough for a LIHTC project, but are large enough for affordable homeownership. Three nonprofit agencies are interested in these smaller sites (Kulshan Community Land Trust, Whatcom Skagit Housing, and Habitat for Humanity of Whatcom County). One publicly-owned downtown site in Blaine is large enough for several, separate projects, potentially combining a limited equity co-op project, a LIHTC project, and a mix of non-residential uses in a desirable, walkable neighborhood in downtown Blaine.



2. **Acquisition and development of private land in Blaine:** Two landowner/developers in east Blaine continue to propose the dedication of buildable land for affordable homes in return for public assistance with the financing of public infrastructure. The CDBG POA project advocated for east Blaine affordability and produced a detailed memo for how that can be accomplished. The landowners may dedicate more land for affordable homes in order to qualify for more public investment, including from County EDI funds and the state capital budget.
3. **Development of private land in Blaine:** One of the landowner/developers in east Blaine is considering proposing a manufactured housing community (MHC). MHCs can provide an affordable choice for people with low- to moderate-income, especially if the MHC pad rents are reasonable and stable. The CDBG POA project arranged for the landowner and staff from Resident Owned Communities Northwest (ROC NW) to begin a dialogue about the prospects of the MHC being owned by a limited equity homeowners co-operative, similar to two dozen other MHCs in WA that received long-term loans for land acquisition from the WA State Housing Finance Commission. These discussions will continue, and the ROC NW program has offered to provide ongoing technical assistance via the Northwest Cooperative Development Center in Olympia.
4. **Acquisition of private land in Ferndale:** Kulshan CLT purchased eight acres of land on Thornton Street in Ferndale using an investment from Whatcom County's American Rescue Plan Act funding, securing land for at least 50 homes. Site planning is now underway for a project that will likely result in 50 to 80 homes or more, including a LIHTC project and permanently affordable CLT homes.
5. **Housing Action Plan projects:** WA Commerce's GMA section awarded two housing planning grants, \$75,000 grant to the City of Blaine and \$39,440 grant to the City of Ferndale, from Commerce's Housing Action Planning and Implementation grant program. The POA project encouraged both cities to request the Commerce funds, and both were rewarded with a grant. Both cities will be implementing municipal code changes and new incentive programs that will result in a growing supply of homes that are more affordable than market price homes
6. **Multiple Rural TA grants:** Starting in May 2022, Kulshan CLT started receiving outside expertise funded from WA Commerce's \$2,000,000 Rural Technical Assistance (Rural TA) program, originally called the "Predevelopment and Technical Assistance to Rural Communities" program. KulshanCLT's projects in Blaine and Ferndale will receive more Rural TA through December 2023 and possibly through June 2025. The 2023-2025 biennium includes \$5,000,000 for TA for projects that will be eligible for WA Housing Trust Fund competitions.
7. **Rural TA in downtown Blaine:** The Rural TA program paid for Julie Brunner's time to help analyze the costs of a hypothetical four-story building in downtown Blaine, comparing the costs of CLT condominium ownership and CLT limited equity co-operative ownership. The co-op development has slightly lower costs, initially and ongoing. The Rural TA program is paying for Julie Brunner's continued assistance in efforts to institutionalize the financing for limited equity co-op construction loans and take-out financing. Ms. Brunner is also focused on capacity building assistance within KulshanCLT.



8. **More Rural TA:** In October 2022, the Rural TA program added an additional outside expert for stakeholder engagement and info gathering regarding homeownership in Blaine., and offered an additional \$25,000 available for design fees as soon as site control is secured on City-controlled publicly-owned property. The total value of Rural TA awarded for Blaine so far is \$60,400, with more Commerce TA expected in 2024.
9. **Rural TA in Blaine:** The Rural TA program paid for Sarah Lindsley Consulting to design and implement a Stakeholder Engagement process that included outreach to potentially interested homebuyers, an online survey to gather information from these households, and focus groups to gather input. The first focus group session in December was a big success, with ten households attending and most expressing a desire to be CLT homeowners. A focus group with Customs and Border Protection (CBP) officers and staff was held on January 18th, with over 30 CBP employees attending. CBP Blaine Area Port Director Harmit Gill stated that affordability is the CBP's biggest recruitment problem because too few homes are affordable for officers with salaries starting in the \$40,000s.
10. **More Rural TA for downtown Blaine:** The Rural TA program is providing \$25,000 for design services to assist Madrona and Kulshan with planning and design on the 44,000 square feet of publicly-owned property downtown, one-half a square block between 3rd Street and 4th Street, fronting on G Street, just south of Interstate 5. The Blaine City Council voted unanimously on May 22nd to authorize a Transfer Option Agreement modeled after the Whatcom County agreement with Opportunity Council for the 1000 N. Forest Street. The idea that caught on is a new downtown library with affordable homes on the upper floors. The City, the Whatcom County Library System, the Friends of Blaine Library, and others are enthused to work with Madrona Community Development and KulshanCLT to figure out what's feasible at this underutilized, publicly-owned property because it will be a great location for homes for people who work in Blaine and cannot afford a market price home. The project has retained the services of Ray Colliver of Colliver Construction Management and Zervas Group Architects for preliminary conceptual planning, now underway.
11. **Rural TA in Ferndale:** The Rural TA program has awarded KulshanCLT at least \$50,000 worth of assistance from Environmental Works to help determine what is optimal and feasible for Kulshan's Thornton Street property. The City of Ferndale administration has offered to propose municipal code changes, if needed, for the optimal project. The initial concepts are a mix of home types, sizes, and prices, including land for a potential LIHTC project and for CLT owner-occupied homes built by general contractors, by Habitat for Humanity, and/or Whatcom Skagit Housing's sweat equity homebuilders. Commerce Rural TA will continue through December 2023.
12. **Municipal support for code improvements:** Ferndale and Blaine city planners have been receptive to ideas suggested by the POA project: improvements to the Multi-Family Tax Exemption with local options that encourage longer affordability commitments, and code amendments that add "earned increased density" to the incentives offered to developers of affordable homes.



13. **Teaming on homeownership:** The POA project double-verified that the USDA mutual self-help funding, including Section 523 grants and Section 502 loans, can be used to build permanently affordable homes. Sweat-equity homebuilding is compatible with CLT methods. Madrona assisted an exploratory dialogue between KulshanCLT and Whatcom Skagit Housing about a partnership for the Michael Moore Park property, at Thornton Street, or at other locations. The WSH Board has not come around yet to the merits of permanent affordability, but that may happen. Note that Habitat for Humanity of Whatcom County spent several years in discussion before deciding to shift their program to adopt CLT methods to create permanent affordability with lease agreements.
14. **Nonprofit developer interest:** Every nonprofit developer based in Whatcom County has confirmed they are willing to participate in the POA and project planning, depending on the circumstances, with KulshanCLT being the most active requester of POA assistance.
15. **For-profit developer interest:** The project has led to several promising, potential partnerships with for-profit developers. One hears how the for-profit sector's bottom line is always profitability and capital gains. We are seeing how community-minded developers can open up possibilities that the for-profit mindset normally avoids; that is, taking on added complications or less profit. Community-minded developers will step forward if public partners offer to help.
16. **A key ingredient in short supply:** The POA project continues to emphasize that public funding for nonprofit developers to cover predevelopment expenses in order to create a larger queue of projects that will be ready to go when the greater, diversified funding become available. The County can choose to use EDI fund balance as allowed in the RCW 82.14.370(3)(a).

In 2020, several County Council members supported the concept of \$500,000 per year of the EDI revenues for three to five years of predevelopment expenses. We can expect that investment will leverage large multiples of that amount; if it doesn't, the EDI investment can be discontinued. There may be other revenue sources for this work, other than the general fund. In 2023, Madrona and others proposed the revival of the idea of broadening the use of EDI. Bellingham proposed EDI for land banking. The County convened the EDI Board in March 2023, and the discussion raised answerable questions about both. No decision came to a vote. Now Whatcom County is re-reviewing the legality of expanding EDI based on an interpretation of 2022 RCW amendments that added "affordable workforce housing facilities and infrastructure" to the allowable uses of EDI. An EDI Board may be convened soon, at the County Executive's Office discretion.

17. **Creating new funding** The pie chart of funding for affordability needs to grow, both in overall size and types of funding available. Local options include expanding the uses of County EDI funding (RCW 82.14.370), property tax levies like the Bellingham Home Fund, REET for affordable housing after a small deletion at RCW 82.46.075(5), federal New Market Tax Credits for homeownership, revenue neutral expansions of the public utility rates, the property tax relief for renters with low income, WA Business & Occupation taxes from gross rents, and other ideas for new revenue. Creating new funding may take a think tank approach.

I'm happy to discuss this and any other topics related to the CDBG POA project.