

Homeownership Assistance Project

CDBG General Purposes Application

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Community Development Block Grants

- Community Development Block Grants (CDBG) are state-administered grants that fund eligible local governments for community development projects that principally benefit low- and moderate-income (LMI) persons
- Skagit County, as a county with fewer than 200,000 people, is eligible to apply through the Washington State Department of Commerce



CDBG Eligible Activities

- **Acquisition**, final design (as part of a construction project), construction, reconstruction, or installation of public facilities or community facilities
- Clearance, demolition, removal, and rehabilitation of building and housing
- **Activities in support of affordable housing**
- Some economic development activities, such as local microenterprise assistance programs and public infrastructure directly resulting in job creation
- Planning-only activities, such as capital facility plans and feasibility studies



CDBG Ineligible Activities

- CDBG application preparation costs
- New housing construction
- Government buildings
- Regular government operations
- Facility maintenance/operations
- Most equipment
- Projects located in a floodway
- Costs incurred prior to CDBG award
- Professional services and contractors not procured following CDBG requirements
- Most projects located in a CDBG entitlement area (Anacortes, Mount Vernon, and Bellingham)



CDBG Maximum Grant Amounts

Project Type	Maximum Grant Award	Max Investment per household
Construction and Acquisition	\$900,000	\$35,000 per household
Housing Rehabilitation	\$500,000	\$35,000 per household
Microenterprise Assistance	\$250,000	\$35,000 per household or job created/retained
Planning Only	\$30,000	N/A



How are Projects Selected?

1. Threshold review: Does the project meet the minimum CDBG requirements?
 - ✓ Be submitted by a local government served by the state CDBG program
 - ✓ Be an eligible activity
 - ✓ Meet a CDBG national objective (benefits LMI persons)
 - ✓ Document how and when a public hearing was conducted
 - Upload the required forms identified through the application
2. Rating and Selection:
 - Each section of the narrative is worth 20 points: Financial Review, Need Statement, Capacity Statement, Readiness/Feasibility Statement, Results Statement
 - Applications must earn at least 65 points to be eligible for funding
3. Award
 - It can take up to 90 days to execute a CDBG contract



CDBG General Purposes Application

- Application is to continue the existing CDBG Homeownership Assistance Project
- Program began in 2015 with a \$750,000 CDBG General Purpose award, and continued in 2018 with another \$750,000 award
- 41 LMI households have been able to purchase a home with help of CDBG grants of up to \$25,000
- Funding available to assist up to 15 more households, expect that to run out within a year



Homeownership Assistance Project

- Project can assist LMI homebuyers in Skagit, Island, San Juan, and Whatcom counties (except within Anacortes, Bellingham, and Mount Vernon city limits)
- Skagit County homebuyers will be prioritized
- Currently have memorandums of understanding with nine nonprofit LMI homeownership agencies
 - Habitat for Humanity of Island County
 - Habitat for Humanity in Whatcom County
 - Home Trust of Skagit
 - Kulshan Community Land Trust
 - OPAL Community Home Trust
 - Parkview Services
 - San Juan Community Home Trust
 - Skagit Habitat for Humanity
 - Whatcom-Skagit Housing
- Nonprofits determine eligibility and help homebuyers find other assistance to bring down cost of mortgage to an affordable amount



Financial Review – 20 points

- Skagit County is applying for the maximum grant amount of \$900,000 due to:
 - The extreme need for affordable housing in our service area
 - The shortage of financial assistance for eligible homebuyers
 - Our successful track record of spending homeownership assistance grants in a timely manner
 - The expected need for homeownership assistance funds in our region over the next three years, as expressed by our partnering nonprofits
- The funds will be able to assist 26 households with awards of \$33,750 plus project admin costs, for a total investment of \$34,615 per household
- Nonprofits will monitor owner occupancy for 10 years
 - If home is sold within 10 years, nonprofit will ensure that it is sold to income-eligible homebuyer or it will recapture and reinvest CDBG funds to assist another LMI household
 - Community land trust models ensure affordability for much longer, sometimes permanently



Financial Review

- Nonprofit homebuying agencies are adept at applying for a variety of funding to bring down the cost of the mortgage
- Project will leverage more than \$6.7 million in other local, state, and federal funding, and private financing:
 - Homebuyers' mortgages and down payments
 - Homebuyers' sweat equity and Habitat for Humanity volunteer labor and donated materials
 - HUD SHOP deferred loans when sweat equity is involved
 - RCW 82.14.370 Sales Tax for impact and utility hook-up fees
 - HOME Investment Partnerships funds from Skagit County Consortium
 - Federal Home Loan Bank Affordable Housing Program forgivable loans
 - Washington State Housing Trust Fund
- Skagit County will donate the general administrative costs, estimated to be approximately \$15,000



Financial Review

- Budget was determined by assessing homebuying transactions that were awarded CDBG Homeownership Assistance Funds in 2020
- CDBG will contribute approximately 11% of total project costs
- Homebuyers' mortgages will account for 70% of project costs
- Remaining 19% of project costs will be coming from other matching sources, including sweat equity, private funds, homebuyers' down payments, other public funding
- These are estimates, as we expect home prices to be quite a bit higher than in 2020

Activity	CDBG	Skagit County	Other public sources	Other private sources
General Admin		\$15,000		
Project Admin	\$22,500			
Acquisition	\$877,500		\$1,427,894	\$5,373,186
Total			\$7,716,080	



Need Statement – 20 points

- Project will address lack of homes that are affordable to LMI households
- Current housing markets are extremely tight and homes sell quickly, often for higher than asking price
 - 59% fewer listings in Skagit County in Q4 2020 than Q4 2019
 - 67.8% - Island County, 58.6% - San Juan County, 53.8% - Whatcom County
- COVID-19, and associated supply constraints and demand increases, caused prices of lumber and other building materials to jump significantly
- Expected number of homes to be purchased by eligible homebuyers in the coming years, as reported by our partnering nonprofits:

County	Homes: 2021	Homes: 2022-2024	TOTAL
Skagit	9	14	23
Island	3	12	15
San Juan	2	11	13
Whatcom	9	15	24
TOTAL	23	52	75



Need Statement

- All four counties ranked in the top 10 least affordable for first-time buyers
 - Skagit – 8th; Island – 6th; San Juan – 1st; Whatcom – 7th
- More than 30% of Skagit County residents spend more than 30% of gross monthly income on housing costs
 - Island – 27%, San Juan – 17%, Whatcom – 34%
- Median home costs have risen in the past year:

County	Median Home Price	% Change since 2019
Skagit	\$439,200	16.6%
Island	\$457,600	19.2%
San Juan	\$732,100	6%
Whatcom	\$470,400	15.2%



Need Statement

- Many studies and reports document the need for more affordable housing in our area:
 - Skagit County Consortium 2018-2022 Consolidated Plan
 - Skagit County Housing Inventory and Transportation Analysis Report
 - 5-Year Homeless Housing Plans for all four counties
 - San Juan County Resolution 13-2017: Affordable Housing Workgroup Strategic Plan and Housing Needs Assessment
 - Washington State Department of Commerce, 2015, [Housing Needs Assessment](#)
 - National Low Income Housing Coalition, 2020, [Out of Reach](#)
 - University of Washington Real Estate Commission, 2020, [Washington Market Highlights: Fourth Quarter 2020](#)
 - National Low Income Housing Coalition, 2021, [The Gap: A Shortage of Affordable Homes](#)



Capacity Statement – 20 points

- Skagit County has been successfully operating this program since 2015 and has been working on housing affordability for many years
- Will be operated by Public Health's Community Services and Development division alongside the division's other grant programs that address housing and services for people with low to moderate incomes
- Christi Brua Weaver will be managing the project and working closely with nonprofit agencies
- Policies and procedures are already in place
- Relatively simple for a CDBG project
 - No construction, payroll certifications, architecture or engineering contracts, and no subrecipient



Readiness/Feasibility Statement – 20 points

- Unlike housing development, which can take years to build, this project is ready to go immediately, and is, in fact, currently operating
- Skagit, Island, and Whatcom counties have been cooperating around housing affordability for years
 - Established, along with 16 towns and cities, the Skagit County Consortium to access HOME funds in 2014
 - San Juan County wishes to join this consortium, but HUD has disallowed its membership because it is not contiguous with the other three counties
- Site control is not applicable at this stage – an environmental review will be completed for each house before closing, giving us time for due diligence
 - Project is categorically excluded not subject to 24 CFR 58.5: Activity to assist homebuyers purchase existing dwelling units or dwelling units under construction ...
- CDBG HOA will not allow for purchase of homes occupied by anyone other than the owner-occupier who is a willing seller, except for a non-owner tenant-occupied home where the tenant is the proposed homebuyer
- URA required for all sales except for new builds



Results Statement – 20 points

Direct and Community Benefits

- Project will deliver a transformative, generational change for the 26 LMI households that directly benefit
- Project will add 26 affordable homes to our housing system
 - Homes will remain affordable for a minimum of 10 years
 - Many of these homes, utilizing the community land trust model, will stay affordable permanently
- Project will allow future generations of LMI households to become homeowners, improving the overall health of our housing system
- As long as this program continues, more long-term or even permanently affordable homes will enter the housing market



Results Statement

Economic Benefits

- Short-term effects
 - Jobs in construction and real estate sectors
 - Increase in local spending
 - Sales tax, permitting and impact fees, document recording fees, utility hook-up fees
- Long-term effects
 - Ongoing property taxes
 - Workforce retention: Affordable housing means workers can afford to live where they work
 - Less spending on employee turnover, recruitment and training, loss of productivity or loss of quality that can result from higher turnover
 - Housing is an essential component of a healthy economy and is a long-term capital asset – People won't move where they can't afford to live
 - Less spending on housing means more discretionary spending, which can benefit the local economy and improve quality of life



Results Statement

Outcomes Table	
BEFORE PROJECT	AFTER PROJECT
LMI homeownership programs currently in operation, but with increased land and building costs, capacity is limited	LMI homeownership programs continue to operate, with greater capacity to help more LMI households, even as land and building costs increase
26 LMI households without affordable homes at risk of being priced out of their rentals as rents continue to rise	26 LMI households are able to find and purchase affordable homes that will have stable, predictable monthly costs
LMI households have virtually no chance at finding affordable homes to purchase	More LMI households have a chance at homeownership, as homes funded through this program will remain affordable long term, and as more affordable homes come online with this program's continuation
LMI households often live in unhealthy, energy-inefficient rentals due to cost constraints	LMI households have access to funding that will allow them to live and grow in healthy, energy-efficient, affordable homes
Low-wage workers priced out of the area, forced to move to other communities	Housing becomes more affordable, allowing low-wage workers to stay in their communities and encouraging people to move to the region
LMI households forced to choose whether to pay for housing or other necessities, or to take on more debt to cover all expenses	LMI households have more disposable income after housing costs, allowing them to purchase other necessities without taking on additional debt



CDBG Application Timeline

- Application Due: 5pm on Wednesday, June 2
- Awards Announced: September
- Contract with Department of Commerce Executed:
by end of 2021



Questions or Comments?

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