



WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Opening doors to a better life

HOMEOWNERSHIP • JUNE 2018

My View

A unique, inside perspective on housing and community development from the executive director of the Washington State Housing Finance Commission

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KIM HERMAN, EXECUTIVE DIRECTOR



Affordable Homeownership in Washington State: IS IT STILL WITHIN REACH?



HEADWINDS TO affordable homeownership

We all know what a tough environment this is for low-income homebuyers across the U.S. and in much of our state.

In addition, rising property taxes are placing an increasing burden on those who are already homeowners but who don't have the financial cushion to cover unexpected costs.

This issue of *My View* covers these and other challenges to affordable homeownership. I'll also share many of the tools and practices that are helping low-income buyers, from downpayment assistance and home-loan programs to financial counseling to an array of self-help home-building and rehab programs.





For those with limited incomes, buying a home takes enormous commitment—and a willingness to clear many hurdles and endure many disappointments along the way. Yet once people are able to achieve and sustain affordable homeownership, the impacts can be exponentially powerful. For so many, owning that home makes a world of difference. Lives stabilize and change, and in turn, communities benefit, too.

Particularly for those living in the Seattle/King County region, the door is barely open: High home prices and low inventories are pricing out the least-advantaged buyers. Elsewhere in many parts of the state, abetted by financial education, financing tools, government programs, and creative strategies, opportunities still exist—although we need to make use of every possible tool and strategy we can.



Here at the Commission, we hear moving stories virtually every day about the transformative good that happens when individuals and families are able to secure that first home of their own. It's certainly heartening to see the efforts made by nonprofits and municipalities to ensure homeownership is still possible.

Inventory, interest rates, jobs, and ladders: A conversation with UW's James Young

I spoke with James Young, Director of the University of Washington's Washington Center for Real Estate Research (WCRER), to hear about current conditions and key factors that are influencing local markets.

If you're interested in data about Washington State's housing market, James is "that guy." He publishes [quarterly reports on all aspects of the market](#). Most of the data we share in this issue are thanks to James and WCRER.

Let's start with **interest rates**. Rates are currently still low in terms of historical averages. But they are rising, and "first-time buyers are more sensitive to interest-rate movement," James points out. Banks base lending criteria on ability to pay; higher interest rates either increase the monthly mortgage payment or require a higher downpayment to offset that difference.

Then there's **inventory**. In housing, demand always increases faster than supply—and right now, demand is in hyper mode across the state.

Inventory involves a tangle of

supply-and-demand issues, including land availability and costs, pressures on developers, the availability of skilled tradespeople, local job markets, and much more. Qualified labor is in short supply right now, constraining new-home construction. Developers can make more money building higher-end and custom homes, so that's where the focus is for many. There's also the issue of buildable land, particularly in the Puget Sound region. And don't forget the length of time it takes to build, particularly in high-density urban areas that require a lot of permitting. Booming construction slows down the process as local planning entities strain their capacity for inspections and issuing permits.

Since 2015, first-time housing affordability has worsened for 38 out of 39 Washington counties

For lower-income individuals and families, escalating rents are an acute issue. Much of their paychecks are going toward rent. And those who are in a position to aspire to

homeownership are seeing their prospects dim, as high earners move into the Puget Sound region and drive up the cost of homes. "What's often lost in this discussion is this concept of a ladder," says James.

Traditionally, people don't own a home and stay there forever. But in Puget Sound, for example, the continuum of affordability has been upended. With the rise in values, people are staying put.

And starter homes cost increasingly more. The First-Time Housing Affordability Index (FTHAI), tallied by WCRER each quarter, captures the ability of people, county by county, to afford a starter home. It assumes that the purchaser's income is 70% of Area Median Income (AMI), and the house is 85% of that area's median price. It also assumes a 10% down payment, and that 25% of buyers' income can be used for monthly mortgage payments. A reading of "100" indicates a good balance between costs and ability to pay. The lower the number, the worse the prevailing conditions are for buyers.

Looking at [data from the FTHAI for the](#)



"It's all demand-driven. Everything hinges on jobs, interest rates, and wages—how much a homebuyer is able to pay."

JAMES YOUNG

Director, Washington Center for Real Estate Research (WCRER)
University of Washington

[fourth quarter of 2017](#), just *one* Washington county saw an increase in FTHAI since the fourth quarter of 2015: Whitman County, in southeast Washington. Among the most difficult counties for first-time buyers to afford to buy a home were King (47.4), San Juan (31.5), Skagit (42.2), and Kittitas (52.2). Pierce County (61) and Snohomish County (59.4) were barely more affordable. In fact, *just 10 out of 39 Washington counties were at 100 or higher*—although four additional counties reached 90 or above, including Spokane County at 98.8.¹

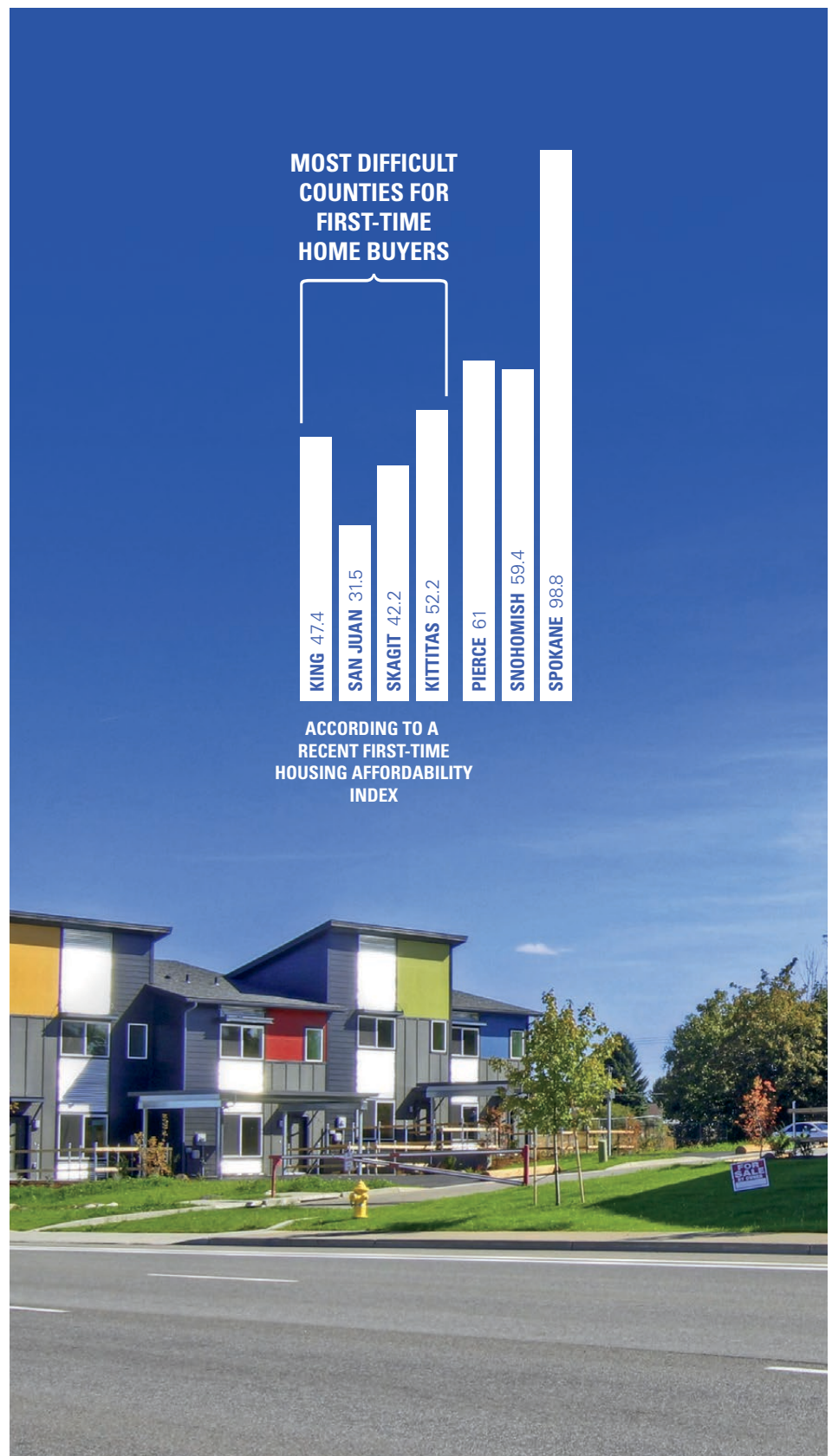
Taking pressure off renters

There may be at least some light at the end of the tunnel, at least for those who want to remain renters in Seattle and its environs. The market is finally responding to the boom in rental construction. “A huge amount of multifamily rentals is coming on the market in the next three or four years,” James says. According to his survey of apartment developers in King, Pierce, and Snohomish Counties, some 24,000 new units are under construction right now, and another 13,000 are planned—a boost of almost 15%. “That’s a lot of rental housing going up,” he notes. “With that much supply coming online, it’s going to take some of the pressure off rents.”

But will that also take some pressure off the homeownership market?

“It might . . . but it also depends,” James says. “It’s all demand-driven. Everything hinges on jobs, interest rates, and wages—how much a homebuyer is able to pay.” ■

¹ *Washington State’s Housing Market, 4th Quarter 2017*; Washington Center for Real Estate Research



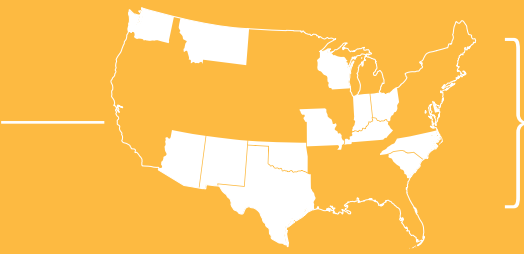


HOME ADVANTAGE HAS
HELPED THE COMMISSION
OFFER MORE THAN

21,000

AFFORDABLE MORTGAGES
TO 1ST TIME HOME BUYERS

In addition to working
with the commission,
HILLTOP works with
housing finance agencies
(HFAs) in 12 other states



95% of people they help
are first-time buyers

Mike Awadis: A National Perspective

I asked Mike Awadis, managing director of HilltopSecurities, to weigh in with what he's seeing from a national perspective. Here at the Commission, we've worked with Mike and Hilltop since 2012 to offer our [Home Advantage first-mortgage program](#). Hilltop provides us with access to the capital markets, helps us manage interest-rate volatility and risk, and helps us securitize these mortgages through Fannie Mae and Ginnie Mae, all at the lowest interest rates we can make available to homebuyers.

Unlike our House Key mortgage program, which is limited by the amount of bond revenues we can generate, Home Advantage has no funding limits. The bottom line is that this program has helped us offer a greater number of affordable mortgages to first-time buyers in our state—more than 21,000 since the program launched in 2012.

Mike and Hilltop work with 13 state housing finance agencies (HFAs) across the U.S. About 95% of those who obtain mortgages through these state agencies are first-time homebuyers. The most significant challenge

for lower-income buyers, Mike says, isn't getting an affordable mortgage—it's actually finding a home to buy.

Even in traditionally more affordable markets like the Midwest, Mike says, "there's just not enough affordable housing out there. And our borrowers are getting out-bid by traditional borrowers who have either more downpayment or are putting a significant amount of cash into purchasing a home. It's getting very difficult for first-time homebuyers to find homes that fit in their price range or their income range. We hear from our HFA partners and lenders that there just simply isn't enough housing stock for people to buy."

Among the biggest contributors to the current predicament, in Mike's view, is the fact that homebuilders haven't built enough new homes over the last decade to meet growing demand. Like James, he points to the current lack of skilled tradespeople, and the fact that developers can typically profit more from building more expensive homes, as key factors.

Ironically, the improving economy is largely to blame for the increase in housing demand as young people try to create new households. During the period of the Great Recession, Mike says, we saw record low household formation in this country. Many young adults who couldn't find jobs moved back in with their parents.

"We've gone from years of very, very low household formation numbers, to all of a sudden, the economy improves, we're at 4% unemployment, and people are ready to finally move out," Mike says.

This has created a ripple effect of housing demand that we simply can't meet." ■



**"There's just not enough affordable housing out there.
And our borrowers are *getting out-bid* by traditional borrowers."**

MIKE AWADIS
Managing Director
HilltopSecurities

HomeSight: Reaching out beyond Seattle

Melody Dawe is director of [HomeSight's Homeownership Center](#), which helps low-income and first-time homebuyers reach their goals through financial counseling, homebuyer education, and strong expertise in layered financing and downpayment assistance. Last year, HomeSight helped about 240 new buyers get a home.

Based in Seattle, HomeSight has worked in King County and its northern neighbor Snohomish County for many years. But as affordability began its sharp decline, HomeSight realized it had to branch out. In Everett and Snohomish County, for example, the inventory for affordable homes has dropped, and with it, HomeSight's ability to

help buyers affordably secure a home there. This wasn't the case even a year and a half ago, Melody notes.

Melody speaks to what those in the Puget Sound area know as a hard reality: "The invisible lines in Pierce and Snohomish Counties—which is how far out can someone purchase to get the most house for their dollars and still be able to make the commute to work—has been pushed out from Seattle farther and farther."

Starting with Pierce County a few years ago, HomeSight is now offering homebuyer assistance statewide—targeting areas where they believe they can have the most impact, including Spokane, Yakima, and Benton coun-

ties in the central and eastern parts of the state.

HomeSight is also offering its mortgage products, including purchase assistance programs, to qualified buyers anywhere in Washington. "We're finding that our partnerships with our nonprofit partners are really helping drive some of our statewide expansion," she says. "And that is taking on a life of its own."

Among these partners are community-based [Habitat for Humanity](#) affiliates and Community Land Trusts (CLTs). HomeSight is also collaborating with Community Frameworks and NeighborWorks Grays Harbor to help homebuyers in every corner of the state.

IN 2017 HOMESIGHT WON A GRANT WORTH
\$3 MILLION
AND HAS SINCE DEPLOYED 100 LOANS





“We’re finding that our partnerships with our nonprofit partners are really helping drive some of our statewide expansion. And that is taking on a life of its own.”

MELODY DAWE
Director
Homeownership Center, HomeSight

This partnership, called HomeSage, takes advantage of each organization’s geographical footprint and expertise.

Downpayment assistance: Project Reinvest

Because there are frequently so many headwinds to affordable homeownership for low-income people, we often speak about “layers” of financing. The extreme could be as much as seven layers of financing subsidies.

Right now, Melody says, four to five layers are typical. That includes a first mortgage (the technical term for the main home loan) with, potentially, secondary mortgages to help buyers meet their initial financing needs. In addition to the Commission’s own downpayment-assistance loans, [NeighborhoodLIFT](#) and Project Reinvest are two unique downpayment support programs that HomeSight now offers to qualifying lower-income buyers.

The LIFT funding, made available through a grant from Wells Fargo Foundation, will likely be fully deployed by the time this issue goes live. It was launched in July 2016 and has helped more than 300 homebuyers in King, Pierce, and Snohomish Counties with loans of up to \$7,500, forgiven after three years. “It’s been very successful for affordable homeownership,” says Melody.

Project Reinvest funding is limited, but still available at the time of this issue. It offers a deferred loan of \$10,500 at zero-percent interest, due upon the sale of the home or after 30 years, whichever comes first. This grant can be used by qualifying homebuyers for downpayment assistance or closing costs. Administered through NeighborWorks America, funding for Project Reinvest was the result of a Department of Justice settlement with Bank of America.

HomeSight won a \$3 million Project Reinvest grant in April 2017. A year later, they have deployed 100 loans, with another 150 available through April 2019.

For Melody and HomeSight, every home—and every homeowner—matters. “Even though our impact might not be as large as we would like, we give individuals that opportunity to change their lives and their family’s lives. That home is the way for low-income individuals, particularly when they’re starting out or are in a situation where they don’t have a lot of opportunities, to stabilize their costs. It’s an opportunity to put their feet down underneath them and get their head up and look around. Homeownership serves so many purposes, some that can’t be quantified—like having a place in the world.” ■





"We are seeing some reverse mortgage companies being very aggressive in pursuing foreclosure when an issue arises."

DENISE RODRIGUEZ
Deputy Director
Washington Homeownership Resource Center (WHRC)



WHRC: A statewide resource for homeowners struggling to keep their homes—and those striving to secure one

Denise Rodriguez, deputy director of Washington Homeownership Resource Center (WHRC), came to her current role from a background in helping lower-income people attain the knowledge and gain the tools they need to be financially empowered. “Homeownership is the only kind of housing that can truly help lower-income people to achieve the financial stability that we all really want,” she says.

For low-income people with disabilities, Denise points out, homeownership can be particularly stabilizing. It’s the only form of wealth they can build if they receive Supplemental Security Income. The SSI program caps how much money participants can save. That makes it hard for them to save for retirement—and owning a primary residence is exempt from that. As those who receive SSI age, they can potentially draw on the equity of their home to help with their living expenses.

WHRC was founded to help educate homebuyers more than two decades ago. Since last decade’s foreclosure crisis began, they’ve placed a huge focus on helping people to *keep* their homes. After the 2011 Foreclosure Fairness Act was passed in Washington State, WHRC was awarded the state contract to maintain a hotline as a resource for those facing foreclosure. Loan servicers were required to include WHRC’s contact information on foreclosure notices. At the height of the crisis, WHRC received some 1,600 calls per month from vulnerable homeowners.

Now that number is down to about 500-700 calls per month. But the troubling news is the

increase in foreclosure-related calls WHRC is getting from seniors and others due to sharp rises in property taxes. Owning your own home can be a form of rent control, Denise avers, but that paradigm is upended when property taxes spike.

The state Supreme Court’s McCleary decision, which requires equitable and adequate funding for public schools statewide, has sharply pushed up property taxes. In King County, for example, a deal by state legislators to fund McCleary, combined with locally approved tax levies, raised 2018 property taxes an average of 17 percent from 2017—the largest property-tax increase in King County in modern history. The small town of Carnation, in eastern King County, saw its property taxes rise by 31 percent this year.

Another trend: Mortgage defaults due to medical issues. “We are seeing some reverse mortgage companies being very aggressive in pursuing foreclosure when an issue arises,” Denise says.

Resources do exist to help people in these situations, and WHRC is building partnerships to help people connect with the right solutions. For tax-related issues, for example, the state of Washington offers property-tax exemption and deferral programs to widows or widowers of veterans, low-income seniors and disabled persons, and other qualifying homeowners [*for more information: dor.wa.gov*]. The Assessor’s Office in each county is responsible for fielding and vetting applications.

For residents of Seattle at 80% AMI or lower, the 2016 Seattle Housing Levy includes

funds set aside for foreclosure prevention assistance. There is both municipal and state interest in helping protect vulnerable homeowners, Denise says.

Foreclosure prevention is homelessness prevention

Thanks to rising property values, most people facing foreclosure are now no longer underwater on their homes and have more options, including selling that home and walking away with some equity. But Denise says she worries about the perception that foreclosure is no longer a problem because people can simply sell. But where can they go? In many areas of Washington, affordable rentals are scarce or non-existent. “[Selling is] not an easy way out: There are repercussions downstream from there.”

With all the attention on homelessness and rent escalations, “homeownership has been nudged into the back seat. But in a market like this, foreclosure prevention is homelessness prevention.” ■

HomeStreet Bank's Inside Edge: Employers helps employees get an edge on buying a home

HomeStreet Bank's Inside Edge program, also known as the Hometown Home Loan Program, is a unique partnership that helps employees of participating organizations overcome barriers to homeownership. Dianne Wasson is First Vice President, Regional Manager of Affinity Lending at [HomeStreet](#). She has run this program since its launch in 1994.

Back then, Seattle Mayor Norm Rice was seeking a way to help first responders afford a home in Seattle. Looking at a median Seattle home price of \$820,000 as of March 2018, it may be hard for some to believe that as far back as 1994, affordable workforce housing and homeownership were concerns for Seattle's leaders. "We were already a high-cost area where people struggled to afford to live," Dianne says. "The city was inspired to do something."

The mayor asked local banks to come up with proposals. Dianne says that, even then, she'd worked in the mortgage industry long enough to be able to see what the major barriers to homeownership are: "A lack of

information and confusion over how to go about it; the lack of a downpayment; and the ability to qualify for the loan." Dianne's proposal—which was accepted and continues to this day, was built around those three barriers.

More than 200 public- and private-sector employers now participate in Inside Edge. Employees receive both homebuyer education and a discount on HomeStreet's mortgage loans. The discount amounts to a credit to the borrower's closing cost equaling half a percent of the loan amount. The program also partners with a network of real-estate agents who have agreed to contribute a portion of their commissions back to borrowers.

One reason that a program like this is so valuable in our state, Dianne explains, is that Washington State law makes it illegal for municipalities to extend loans to private persons. Solutions like employer-offered downpayment assistance are off the table for public-sector employees.

Thus, education about financial resources, along with helping buyers get qualified and

become knowledgeable about their options, is a big part of what Inside Edge offers. They take a curriculum of education to workplaces, and are currently developing webcasts, too. The program has grown beyond Seattle and Washington state and is now offered in California, Hawaii, and Oregon.

Over the 24 years that the program has been in place, HomeStreet has closed more than 10,000 loans totaling \$2.2 billion. "We've saved our customers \$110 million in closing costs. We've also facilitated \$14.8 million in downpayment assistance for our borrowers," Dianne says.

Why don't more private employers offer downpayment assistance to employees? There are tax barriers, she explains. "Anything along these lines ends up having tax consequences." Nonetheless, it's heartening to hear that HomeStreet has helped a few private companies in Washington to take on those hurdles in developing downpayment assistance programs for their employees.



"We've saved our customers \$110 million in closing costs. We've also facilitated \$14.8 million in downpayment assistance for our borrowers."

DIANNE WASSON
First Vice President and Regional Manager
Affinity Lending at HomeStreet

A vested interest

Anyone can qualify for the Inside Edge program if they qualify for a home loan, whether they're purchasing or refinancing. And more than 40% of those who participate in the program are first-time homebuyers. "Employers have a vested interest in helping their workforce become homeowners," Dianne affirms. "It creates a more stable work force: Employees are much more likely to stay and to change jobs less often."

Dianne believes that these *benefits* extend into emotional wellness. "A program that provides education on financial wellness can help people be more focused on their work and less stressed about personal situations. Thus, employers are able to play a big role in helping their employees with one of the most important decisions of their life—and can benefit from that at the same time." Affordable homeownership, in other words, reaches into every aspect of people's lives.

I'll add here that Dianne has made a personal and professional commitment to affordable homeownership, working over the years on state, regional, and city housing advisory boards, task forces, and oversight committees, and volunteering as a leader of nonprofit housing organizations. The Commission honored her as a Friend of Housing last year. ■





“Affordable homeownership is not a luxury—
to many people it’s *the only thing* that
can stabilize their housing.”

KIM TOSKEY
President and CEO
Homes and Hope CLT



WHAT MAKES
THE HOME
AFFORDABLE
IS THE
**“community
ownership
of dirt”**
—KIM TOSKEY

Homes and Hope CLT in Snohomish County: A vision and a legacy for affordable homeownership

Last year, Kim Toskey left a successful 16-year career as a loan officer to free up her time to launch a community land trust (CLT) in Snohomish County. Kim is president and CEO of Homes and Hope CLT. A long-time community leader, board member of organizations including WHRC and Washington Low-Income Housing Alliance, and ardent voice for affordable homeownership, Kim is now focusing her energies on fostering a way for lower-income people to achieve permanent affordability in Snohomish County.

“Affordable homeownership is not a luxury—to many people it’s the only thing that can stabilize their housing,” she says. CLTs help ensure affordability by retaining ownership of the land in a trust; homebuyers purchase and own solely the home itself. What makes the home affordable is “the community ownership of dirt.”

Before she retired as a loan originator at Heritage Bank, Kim was a “Premier Partner” with the Commission, helping hundreds of people attain homeownership through our home-loan and downpayment assistance programs and teaching hundreds of homebuyer education classes. While in the mortgage business, she was also instrumental in facilitating conversations between Fannie Mae and CLTs nationally on how to better process and streamline CLT mortgage approvals.

Homes and Hope was inspired by a collision of circumstances, Kim says. Several years back, as the housing market was taking off, people were flooding into her office and other lending institutions around the state, frantic to get a foothold in homeownership as they saw the opportunity slipping away. At the same

time, the Housing Trust Fund was not funding affordable homeownership. As well, as a board member of Northwest CLT Coalition since 2006, Kim knew how long it typically takes to secure public funding.

“We didn’t have a CLT or any specific vehicle for permanent affordability in Snohomish County, which is where I live,” she says. “I thought, ‘If we don’t get a CLT started, we’re going to be way behind the eight ball.’”

There are scores of CLT success stories across the country, and Kim has a clear vision for what could work for her county. Right now, she and Homes and Hope’s nine board members are working on several distinct approaches, including discussions with local builders about reducing the price on designated units in development plats to include CLT housing; taking advantage of municipal and state surplus land; and “the tried-and-true method of layers of subsidies from local and state and federal governments to build properties that are affordable.”

Kim, a landlord herself, is also in discussions with older landlords in her county who are retiring from the rental business. As they liquidate their rental portfolios, she’s hoping to convince them to sell a portion of these properties at a reduced price into the trust. These landlords wouldn’t have to update these properties for market-rate buyers and, Kim notes, “The homes would be a legacy that they would be able to pass on to Snohomish County.” This notion of a permanent legacy “resonates with CLT homeowners and CLT members and donors.”

Public officials in Snohomish County are interested and on board with Homes and Hope, too. Projects currently under discussion include one within the Everett city limits and another near the county’s southern border. “It doesn’t take a genius to see what has happened in King County,” Kim says. “We have working people who are being forced out of their housing because they can’t afford it. This is not about *them*, this is about *us*.” ■



Spokane County and SNAP: A different homeownership picture

I mentioned in quoting WCRER's First-Time Housing Affordability Index numbers that Spokane County is one area of the state where homeownership appears to be still within reach of lower-income people. Chris Pasterz, SNAP Director of Financial Stability, affirms this. "There's that balance right now where homeownership is affordable and it's available—but it's going," Chris says. "People are trying to get off the rental bandwagon and are excited about it."

SNAP, short for [Spokane Neighborhood Action Partners](#), is the largest private human-services agency in the county. SNAP helps

"equip people to exit poverty," says Chris, through financial education and services. For those seeking the step up to homeownership, homebuyer education classes are just the beginning. Chris' team focuses on helping buyers make it all the way from rebooting their credit scores to pass muster with banks, to creating a budget they can realistically adhere to, to securing an affordable home.

About 80% of those they educate and coach for homeownership earn under 80% AMI. Chris' team is still helping families at 30% AMI achieve homeownership, but it takes time and commitment, he says. These families work

with SNAP's partners Habitat for Humanity and Community Frameworks in self-help homeownership programs.²

SNAP homebuyer education participants typically need six to 18 months of financial planning before they are ready to buy. SNAP's free services include educating clients about financing options (such as downpayment assistance), helping them improve their credit scores, create a budget they can realistically adhere to, create a savings plan, and learn how to be a savvy homebuyer. "We surround our clients with professionals that get our mission. As part of the process, families are getting





“People are trying to get off the rental bandwagon and are excited about it.”

CHRIS PASTERZ
Director of Financial Stability
SNAP

▲ Members of SNAP’s Financial Stability team helping to support homebuyers include (left to right): Kevin Dunning, Karen Snider, Chris Pasterz, Mary Westerman, Gary Anderson, Dale Raugust, Jennifer Hentges, Diane Sears, Mark Wrenn, and Harry Birak.

exposure to building inspectors, lenders, real estate professionals, to get the chance to build their knowledge and their experience.”

Each year, about 500 people participate in SNAP’s Home Buyer Education Program. Another 120 families receive pre-purchase counseling.

As home prices rise in Spokane County, there’s a sense of “buyers’ angst”—concerns over missing out on the opportunity. “People

are hearing about interest rates going up. And there’s not as much inventory. Distressed sales are down from the same time last year. Single-family home sales are up 20% from what they were last year.” The median resale price for Spokane County for 4Q 2017 was \$222,700, a change of 8.4% from 4Q 2016.³ Even worse, between March 2017 and March 2018, prices in Spokane went up more than 18%.

Chris quotes the words of SNAP’s pre-purchase counselor to hopeful homebuyers: “It’s not a myth. This is not Seattle or Santa Barbara. There are affordable homes. There may be only 75 homes in Spokane County that you can afford. But hey, you only need one.” ■

² Our [September 2017](#) issue discussed self-help homeownership in rural Washington, including Habitat for Humanity and USDA’s Mutual Self-Help Housing program.

³ *Washington State’s Housing Market, 4th Quarter 2017*; Washington Center for Real Estate Research

Community Frameworks: Surprises and challenges in developing affordable homes in Bremerton and Spokane

Community Frameworks has a dual commitment to both Spokane and Bremerton, in Kitsap County. Both counties on opposite sides of the state are hovering close to that magic “100” affordability score. But make no mistake—even in areas where first-time affordability is still within bounds, becoming a homeowner is no walk in the park.

Community Frameworks’ mission is to create affordable housing as a catalyst to help communities thrive. They are a developer of multifamily rental housing. They provide technical assistance to other nonprofits. They provide homebuyer education and downpayment-assistance loans. And they also create homeownership opportunities by building and preserving homes for first-time buyers.

It’s about this latter aspect of their work that I asked Deb Elzinga, president & CEO of Community Frameworks, to share insights with *My View’s* readers.

In Bremerton since 2012, Deb says, Community Frameworks has been using a model that takes advantage of acquisitions and remodels. Called Built in Bremerton, it

employs HUD’s Self-Help Homeownership Opportunity Program (SHOP). SHOP requires a minimum of 50 sweat-equity hours for a single buyer (or 100 hours for two buyers), plus a volunteer labor component. Thus far, they’ve helped more than 20 participants achieve homeownership through this program.

“This works well in a rehab/infill model with a self-help component, where homebuyers are contributing to finish work on contractor-built homes, such as painting and landscaping installation,” says Deb.

Meanwhile, Community Frameworks had put their homeownership program in Spokane on hold after the 2008 housing crash. But last year, they were able to relaunch it, thanks to winning a significant grant award from Project Reinvest, the HomeSight-administered downpayment assistance program. The grant allowed Community Frameworks to return to Spokane’s homeownership market using their Bremerton program model.

“Across the state, land prices are high, making it more difficult for organizations to make projects pencil out,” Deb says.

“Downpayment assistance is crucial to creating affordable homeownership opportunities, especially for infill/rehab projects.

“Although modest in scale, we hope to find some winning strategies to continue this type of work,” Deb adds. “We will build five new construction homes and complete three rehab/resale homes this year.”

CLT model helps, but federal funds dwindle

The community land trust (CLT) model is beginning to take up a large percentage of the homes Community Frameworks funds through their SHOP program. “In higher-cost areas, this has been a crucial vehicle for bringing affordable homeownership opportunities to those with incomes at or below 80% AMI,” Deb says.

To illustrate: In 2017, 39% of completed SHOP-funded homes in our state were sold to buyers between 31 and 50% AMI; of these, 89% were developed under the mutual self-help model. *Just one unit* was sold to a



“Downpayment assistance is crucial to creating affordable homeownership opportunities, especially for infill/rehab projects.”

DEB ELZINGA, President and CEO of Community Frameworks

◀ Opposite photo: Celebrating Community Frameworks’ Built in Bremerton’s 20th home last October were, left to right, CF staff members Gina Chamberlain, Courtney Storey and Lelaine Keith; Former Bremerton Mayor Patty Lent; CF Affiliate Services & Homeownership Manager Heather Wegan; and CF President and CEO Deb Elzinga.

homebuyer at 30% AMI or below, and that was made possible due to the CLT model, Deb points out.

All told, last year, Community Frameworks and its affiliates helped create 88 new homebuyer households in our state. “This is about average,” Deb says. “Numbers are staying relatively stable for now.”

But the homes now being completed were funded mostly with SHOP dollars from prior years. Deb explains that “over time, we know we will see a big decrease in the number of families we serve—not because of a decrease in need, but because the SHOP pot has diminished at the federal level by more than half in the last several years.”

The challenges for Deb and Community Frameworks are myriad. First, SHOP requires that the homes completed through this program are sold to eligible low-income buyers at prices below the prevailing market. In Bremerton in 2018, Deb says, that means a sales-price limit of \$257,000. But that house will likely appraise for about \$300,000. This impacts the local market. “That home acts as a comparable for the appraiser of the home across the street. We need to ensure that we’re keeping the homes affordable without bringing down values elsewhere.

“There are always surprises and challenges in this type of program,” Deb notes. “Right now, we are struggling with market conditions in both Bremerton and Spokane.” Nonetheless, “the mutual self-help model is working well in our state, though those value limits are becoming problematic across the state—even in some rural areas.”

Partnerships are critical

In these challenging times, Deb says, “partnerships are critical. We have had good success with building solid, productive relationships in both Bremerton and Spokane.

Our partnerships with city government in both communities have been important.” For example, Community Frameworks has been able to work with the City of Spokane to acquire city-owned properties and land “at very affordable levels. Without that assistance, we would not be able to make the numbers work—and sell the renovated properties at very affordable price points.”

In Bremerton, she notes, “positive partnerships with city and county government, and the local housing authority, will mean an expanded downpayment assistance program for more

prospective homeowners in Bremerton and Kitsap County.”

Community Frameworks also maintains positive partnerships with non-governmental entities such as SNAP, HomeSight, WHRC, and countless others.

All of these partners pursue this work because they know the value of homeownership: from helping people achieve financial stability and empowerment, to helping children realize greater opportunities, to creating a more stable workforce and fostering economic activity, to stabilizing communities. ■



COMMUNITY
FRAMEWORKS
HELPED CREATE
88
NEW HOMEBUYER
HOUSEHOLDS
LAST YEAR

▲ Homebuyers Autumn and Jordan participated in the Built in Bremerton program.

▼ This page and cover: The Williams family of Tacoma became homeowners in 2015 with the help of Commission downpayment assistance.



The Washington State Housing Finance Commission is a publicly accountable, self-supporting team, dedicated to increasing housing access and affordability and to expanding the availability of quality community services for the people of Washington.



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