

# THE FRONT PORCH

## IN THIS ISSUE

- Affordable housing is expensive
- Housing Action Plan
- HRB and Land Trust partnership
- Revealing who owns America

Housing Resources Bainbridge  
1989-2024

## FUNDRAISER + BIRTHDAY

Thursday, September 19, 2024  
5:00-7:00 pm

Let's look back on all we've done in 35 years and look ahead to many more years of creating and sustaining the affordable housing that makes our community stronger and more inclusive.

Join us as we celebrate and support permanently affordable homes for Bainbridge Island.



RSVP by September 9, 2024 at  
[housingresourcesbi.org/events](https://housingresourcesbi.org/events).



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# THE FRONTPORCH

HOUSING RESOURCES BAINBRIDGE



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## Affordable housing is expensive to build. Now what?



HRB is the only nonprofit affordable housing provider based on Bainbridge Island. But in today's economy, forgoing profit in and of itself is not sufficient to bridge the gap between what it costs to build a home and what low-income buyers can afford to pay.

In our region, a simple 1,400 square foot single-family home costs \$550,000-\$650,000 to build, depending on site and infrastructure requirements and the cost of land. That price is unlikely to drop. The cost of construction has risen 30% since the start of the pandemic due to an increase in the cost of labor and materials, and although prices have stabilized in the last year, construction costs continue to rise 4-6% annually. In addition, interest rates have risen drastically, further reducing the total mortgage that buyers can afford. Income has not kept pace.

HRB's Ferncliff Village (above) features  
24 small single-family homes built in 2013.

They would cost \$550,000-\$650,000  
to build today, but thanks to  
resale restrictions sell for about  
\$180,000-\$320,000 to income-eligible buyers.

HRB typically works with homebuyers earning 65-80% area median income (AMI), or, for example, an annual income of \$70,070-\$86,200 for a family of three in Kitsap County. A widely accepted rule of thumb is that buyers should limit housing costs (including mortgage, property taxes, and insurance) to 35% of their monthly household income. This means that a three-member household in this income bracket, acquiring a mortgage at 6.5%, could afford a home priced at \$230,000-\$325,000, which is far less than what it costs to build one.

To bridge this gap, nonprofits like HRB historically depended on government funding and the availability of subsidized loans for low-income buyers. For example, this year HRB secured a competitive \$2.5 million grant from

*(continued on page 3)*



Dear Neighbor,

The most shocking thing about this year’s cuts to the USDA 502 Direct Loan Program is not the 30% reduction but how little there was to begin with. This national program, which helps low-income homebuyers obtain affordable financing, had only \$1.25 billion when it was fully funded. Let’s put that figure, and government spending on low-income housing more generally, in perspective. In 2020, the federal government spent \$193 billion on homeowner tax subsidies, such as the mortgage interest deduction and capital gains exclusion. These subsidies do not correlate to need and disproportionately benefit the highest earning households. In comparison, just \$53 billion was spent on direct housing assistance for low-income families.

With interest rates for conventional mortgages exceeding 7% in the last year, low-income buyers nationwide depend on the low-interest loans provided by USDA. At HRB, we have a few buyers at Wintergreen Townhomes who must now wait longer than expected to receive their USDA loan. Others are working with our homeownership program director to find alternative, and likely less subsidized, financing. It will all work out. But it doesn’t need to be this hard.

Effectively addressing our nation’s affordable housing crisis will entail a partnership between government and housing providers like HRB. This interdependence could not be more apparent than in the city’s most recent progress report on its implementation of the Housing Action Plan. Five of the six accomplishments it describes involve the work of HRB, mostly in instances where our projects have been made more viable through city policies and funding decisions. We at HRB have no illusions. As a small nonprofit, we can’t build all the housing that our community needs, but our ability to build is augmented by the city’s support. That our homes are permanently affordable, high quality, and well cared for so that they serve many generations of residents makes them all the more worthy of this support.

The federal government may have let us down. But the city sure won’t.

With gratitude,  
*Phedra Elliott*  
Phedra Elliott  
Executive Director



Phedra Elliott

## HRB helps fulfill aims of city’s Housing Action Plan

June 2023, City Council voted to adopt the Housing Action Plan (HAP). This document, commissioned by the city of Bainbridge Island and prepared by ECONorthwest, outlines overall strategy; policy and program ideas; and resource and funding allocations that can help the city meet existing and anticipated needs for both affordable and market-rate housing. As part of the implementation process, staff were directed to prepare a biannual progress report.

The June 2024 report shows that HRB has played a critical role in HAP implementation. Of the six reported achievements, five involve the work of HRB:

- **Wintergreen Townhomes.** HRB is acquiring 31 homes at this 73-unit development for its community land trust, where they will be kept permanently affordable for income-eligible buyers. HRB is subsidizing the purchase price by an average of \$95,000/per home for first-time buyers.<sup>1</sup> The project uses the city’s multifamily tax exemption program.
- **Connecting Housing to Infrastructure Program (CHIP).** HRB introduced the city to this program of the Washington State Department of Commerce and requested that it write an ordinance making Bainbridge Island eligible for funding. The program supports utility improvements for affordable housing.
- **Ericksen Community.** This 18-unit HRB development will receive \$480,000 in CHIP funding. The city submitted the application for funding with HRB as its partner.
- **Affordable housing density bonus program.** In accordance with a 2019 state law, this city program grants an increased density bonus to religious organizations seeking to develop affordable housing on their land. The city wrote an ordinance creating the program in response to a request by Bethany Lutheran Church to build Finch Green, a small community of affordable single-family homes. Passage of the ordinance, which initially applies to this project only, required a full year of advocacy by the church, HRB, and the community. Finch Green will be developed by HRB in partnership with Finch Green LLC, which was formed by the church to see the project through.
- **HRB at the Oliver (formerly Wyatt & Madison).** HRB is purchasing 13 units in this market-rate development. The city contributed \$2 million from its American Rescue Plan Act funding.

<sup>1</sup> HRB was awarded a competitive \$2.5 million grant from the Washington State Housing Trust Fund and secured \$15,000 per home in Self-Help Homeownership Opportunity Program (SHOP) funding from our partner Community Frameworks.

## Partnership between HRB and Land Trust produces maximum community benefit

HRB and the Bainbridge Island Land Trust will partner on a project that combines conservation and affordable housing. The Land Trust has acquired three 5-acre contiguous parcels near SR 305 and Lovgreen Road, notable for their relatively intact forest within a larger band of forest habitat. A portion of one parcel, fronting the road and with lower ecological value, will be sold to HRB at fair market value for affordable housing development. This allocation allows BILT to focus its finite resources on protecting land with the highest conservation values. And it allows HRB to build affordable housing outside the urban core. HRB envisions a small cluster of single-family homes for ownership consistent with the city’s existing zoning and affordable housing provisions. As with all HRB projects, the development will occupy a small footprint.

This partnership shows what is possible when two respected organizations acknowledge and act upon the capacity and limits of their missions to address the complex needs of the community. HRB and the Land Trust will continue to be focused on their respective missions with the Bainbridge community the ultimate and biggest beneficiary.



Getting ready to tour the Lovgreen site.

the Washington State Housing Trust Fund to reduce the purchase price by an average of \$80,000 for first-time buyers at Wintergreen Townhomes, where we are acquiring 31 homes. But on Bainbridge Island, as in much of the Pacific Northwest, the combination of big-city construction costs coupled with rural-county AMIs, which are typically less than those in urban areas, means that government subsidies do not close the gap between cost and an affordable sale price. The remaining gap has grown substantially over the last several years, and we must now seek the financial support of

community members and private foundations to close it. When achieving affordability requires so much subsidy, the argument for permanent affordability becomes even more compelling. HRB and other community land trusts restrict resale prices and limit sales to income-eligible buyers to keep the homes affordable while still allowing the seller to build some equity. With this model, the original subsidy used to build the homes serves generations of low-income homebuyers to come.

(continued from page 1)



### Revealing who owns America

In the next installment of the HRB speaker series, “In Residence: Conversations on the social, economic, and environmental meaning of housing,” Dr. George “Mac” MacCarthy, president and CEO of the Lincoln Institute of Land Policy in Cambridge, Massachusetts, will share findings from the Who Owns America project. Building from a parcel-level analysis of land ownership, this project exposes the extent of institutional investment and affirms the need for permanently affordable housing. The Lincoln Institute is a nonprofit private operating foundation that researches and recommends creative approaches to land as a solution to global economic, social, and environmental challenges. The presentation takes place Thursday, October 24, 2024, at 7:00 PM at the Bainbridge Library. Free tickets will be available October 1 on the HRB website.

