
**SEATTLE HOUSING AUTHORITY
REGULAR BOARD BRIEFING**

LOCATION	Via Teleconference Line (206) 257-3799; Conference ID 877 198 629# Click here to join the meeting	
DATE	November 8, 2021, 4:30pm - 6:00pm	
BOARD ATTENDEES	Paul Purcell, Board Chair Gerald Smiley, Vice-Chair Robert Crutchfield Dr. Paula Houston	Rita Howard Twyla Minor Debbie Thiele
DISTRIBUTION	SHA Board of Commissioners; Cabinet	

Commissioner Roll Call

AGENDA:

Briefing Items

- **Resolution No. 5230** – Yesler Disposition (Block 6.2)
 -  **Yesler Site 6.2 Project** **Arlan Collins & Bob Doherty, Sustainable Living Innovations**

Informational Briefings

- SHA Vaccination Mandate Results
- 2022 Acquisition Program Strategy
- Strategic Plan Consultant Selection Process Update

Commissioner roll call was given at 4:33 p.m. The Briefing was held solely via teleconference. Commissioner Minor was absent from the Briefing.

Review 11/15/21 Special Board Meeting Agenda and Updates

Resolution No. 5230 – Yesler Disposition (Block 6.2)

Executive Director Rod Brandon introduced Development Director Terry Galiney to present Resolution No. 5230 to the Board.

Resolution No. 5230 authorizes the Executive Director to submit an application to HUD for the disposition of approximately 0.83 acres at Yesler Terrace, designated for the development of rental housing to be sold to Sustainable Living Innovations. The proposed high-rise development will consist of 375 units (which is negotiable); in addition to market rate housing, 26.5% of their units will be affordable to renters who are earning 80% of area median income (AMI). Closing is scheduled for December 2021, but this date may change. This project, which is upholding one of SHA's strong commitments for affordable units, will be very visible from the I-5 freeway.

Yesler Site 6.2 Project: Sustainable Living Innovations (SLI)

Development Director Terry Galiney introduced CEO Arlan Collins & CFO Bob Doherty from Sustainable Living Solutions to present their company and sustainable building measures to the Board.

SLI was started thirteen years ago with a goal of reimagining the modern buildings of today and driving evolution for the cities of tomorrow; in addition, they sought to make a really big difference in the environment, assist in housing affordability while creating a beautiful urban place to live. Every year, buildings consume 50% of the world's energy, 25% of the water, and contribute 33% of greenhouse gas emissions. They are changing that in buildings designed to cost effectively integrate sustainable energy and water management technologies. Sustainability is a standard feature in all SLI buildings. Central systems redesign enables greater efficiency and lower energy and water wage requirements.

SLI designs and manufactures its buildings as standardized integrated products. They currently have 141 total global patents and patents pending. SLI is the only company that can produce building panels in a factory and place them in between structural steel beams. Currently, they have the 303 Battery building, located in Seattle's Belltown neighborhood, under construction consisting of advanced technologies including Solar PV, lithium-ion battery storage, greywater treatment, waste heat Recovery and a low-voltage electrical system. Their first construction, completed in 2015, was the 47+7th Apartments located in Seattle's University District. The DESC Greenlake building, which is permanent supportive housing built in partnership with the City of Seattle, was awarded to a non-profit developer that proposed a SLI building in a competitive RFP process with the City of Seattle's Office of Housing.

Key drivers to SLI's optimized design include less raw materials, waste, construction activity and less concrete, as well as locally supplied materials. They have the ability to

measure, monitor and improve a project with SLI's automated and standardized procurement and materials management systems, and embodied carbon can be measured and continuously reduced with each new building. Their factory is locally based in Tacoma.

SHA Vaccination Mandate Results

Executive Director Rod Brandon introduced Human Resources Director Marc Nilsen to the Board for an update of SHA vaccination requirements.

Mr. Nilsen gave a short timeline of all the different key steps that unfolded to the staff vaccination mandate, a decision made in August that indicated a need to step up to a mandate. One of the items that really shifted the landscape was Covid Delta. SHA had gone for several months with no staff who had been affected and infected. It was thought that we were out of the woods around July, but there were a lot of outbreaks that happened in August and that really drove home the need that SHA needed to step up with a requirement. Fortunately, none of them happened in the work site, but in the community at large. SHA had a policy out by the end of the month and worked very closely with our labor partners to drive it using place meeting deadlines, which unfolded by having the required deadline of November. The first part of the incentive plan was that for those people who were fully vaccinated by the deadline. SHA worked with the unions, and we had a \$500.00 incentive, which will go out to staff who received the vaccine and offered an extended deadline as well for staff that one did not include a cash incentive, but they would be able to retain employment. For non-compliance staff, they began a paid administrative leave on November 1 for a month, with their official separation of employment being on December 2, while retaining health benefits through the end of December. As a result, 92% of SHA staff are now vaccinated which compares favorably with some of the other local government agencies. Five percent of SHA staff did receive an approved exemption and that's again very similar to what the City of Seattle experienced; 3% of SHA staff chose not to vaccinate and they will be separating from the agency.

One of the major values that we had going into this effort was to try to have a race and social justice lens as to how we did our outreach, so one thing we intentionally did was we wanted to provide resources and informational sessions with staff just to talk where they could talk with doctors and medical providers and have any concerns addressed. Many staff and leadership at SHA reached out to their staff members to talk to them one on one. Human Resources staff also fielded concerns and questions. So, there was a close parity between persons of color versus white staff in the vaccination efforts also reflected in the separations. Likewise, among staff of color. There are some variations and some of those are reflected in the community at large. But overall, I think SHA leaders and managers and partners really stepped up in mitigating and minimizing any potential disparities. So, in summary, when we first started back in August, 78% of our staff were already vaccinated, or in progress, which is good, but there was still had a gap. Final vaccination rates are now comparable with the City, which came in at 94%, a bit higher than SHA, but we did a little better than the County at least as of a few weeks ago. The vaccine related employment separations are not going to significantly inflate our annual turnover rate and we think they were low enough where that's not going to have a major impact. In fact, most of those positions are now posted and we are actively recruiting and think we're going to be in good shape going forward.

2022 Acquisition Program Strategy

Executive Director Rod Brandon introduced Housing Finance & Asset Management Director Jared Cummer, who in turn introduced Sr. Budget Analyst James Mayton to the Board to present SHA's 2022 Acquisition Program Strategy.

Mr. Mayton began with a highlight a few of the economic trends that SHA has been thinking taking into consideration to prioritize for our next round acquisitions looking at key economic trends first at the macroeconomic level looking at a comparison to the sell price per multifamily unit within the city of Seattle and the regional housing market relative to that of the United States. The rate of growth and the cost of acquiring new multifamily units within our region is much greater than that of the broader US. The chart shows that in the last 10 years, the pricing of multifamily units in our region has increased by 150% and over the last 10 years, including throughout that recovery from the Great Recession that growth rate has been relatively consistent. In addition, Mr. Mayton highlighted macro-economic chart that is informing the agency on opportunities in 2022. The chart on the right represents a plot of consumer expectations about future inflation. The red line represents one year from today. The blue year represents 3 years today and this data is simply an aggregation of a wide sampling of consumer households that the Federal Reserve Bank of New York is pulling on a regular basis and is reflected. But since 2021 began, there's been a noticeable uptick in consumer expectations about future inflation and the reason that's important is because expectations about increased inflation can become a self-fulfilling prophecy. It's difficult to forecast the future, but this data presented indicates that consumers are increasingly expecting greater inflation rates and they could be expediting some of their purchases that in turn will represent higher bids on pricing for things like food, gas, housing, and education which will in turn drive increases in prices.

Mr. Mayton presented a chart more on a microeconomic level, focused on what specifically is happening within the Seattle Metro Market and the regional market. A chart was displayed of one bed bedroom rent rates over the last 2 years as since the pandemic started. It is disaggregated between the urban submarkets, Seattle submarkets or, places like downtown Bellevue. Those urban one-bedroom rents were impacted the most by the pandemic and many news stories about people fleeing the city in response to the pandemic, perhaps moving in with relatives in the suburbs, or doubling up with friends and moving out because remote working allowed for that and the amenities of the city or no longer desirable. Some of those trends did manifest last year in 2020. Those have been one-bedroom submarket rent have rebounded substantially and have nearly caught up with the current growth that has been seen since the beginning of the pandemic for the more suburban markets. The main takeaway is that urban one-bedroom rents, while there was some reprieve, the year over year growth that is seen with that depth and then that fantastic recovery. What that has meant for consumers and urban rental markets is they are seeing 20% year over year rent increases effectively. That rate of growth isn't going to hold, but we do expect that the long-term trajectory of rents in the city of Seattle will continue along with the same type of supply and demand forecasts that we've seen regionally for quite some time.

SHA is in a window of opportunity, where debt rates are relatively cheap. It's not free money, but it's quite close, and compared to the expected rate of inflation, locking in

today's pricing for multifamily acquisitions would be very prudent given that the long-term trajectory of multifamily prices has already been 150% in the last 10-year window and per a presentation earlier where it was noted that type one construction escalated by 20% in 2021 alone. There doesn't seem to be any reprieve from that can be seen and it would be expected that trend for Multifamily housing costs to continue to grow using low debt rates to acquire as many units as possibly at a relatively affordable rate serving people that are low income, perhaps at 60 to 80% AMI, as opposed to trying to get as many 30% AMI units possible right now. That would make sense to shield SHA from higher acquisition costs down the road, especially given that we might buy units that currently serve folks at 60 to 80% AMI and later reposition. The criteria that we were given when we went about acquiring our last round of properties in 2019 was, we wanted to serve more low-income households, we wanted to maintain the financial strength of agency and we were concerned about preserving subsidized affordable housing stock, which is something that SHA can do while. We really wanted to increase SHA 's inventory of units in opportunity neighborhoods more specifically and were thinking about the research out of our Creating Moves To Opportunity initiative and thinking about those opportunity neighborhoods in North Seattle for families with children. Given that we wanted to add large family units to achieve that opportunity for children, and all at a lower cost than new development, goes back to what is the cost to buy used multifamily units versus brand new product.

Mr. Cummer noted that one thing to keep in mind about comparisons to SHA's prior acquisition program is that in prior acquisitions, half of the units were owned by Boeing Union that was not interested in maximizing their value. They wanted to make sure that the units remained affordable. It allowed SHA to put together an attractive financing package to bundle it together. However, since then, the rates have declined, so the rates we were looking at when we bought the properties compared to what we've we're looking at now are lower. A strategy or a partial strategy of buying the properties on a five-, or ten-year bullet bond, where it's interest-only payments, and refinanced out of it in that period into a tax credit acquisition is to come up with a feasible way of refinancing the properties. Uhm the properties. This will be explored more with the Board at a future meeting.

Strategic Plan Consultant Selection Process Update

Executive Director Rod Brandon introduced Policy & Strategic Initiatives Director Andria Lazaga to update the Board.

Ms. Lazaga informed the Board that because SHA is in the middle of a procurement process for the consultant, that she would be circumspect to information given. She reported that some good proposals have been received with a review panel consisting of Commissioner Howard, Commissioner Purcell, and SHA F&A staff is currently in place. SHA is on track to have a consultant selected by the end of the year and ready to begin scheduling the initial planning processes with the Board, which will include starting with some grounding around race and social justice and how that will inform our processes going forward.

Mr. Purcell then asked the Board if there were any questions, or comments pertaining to the Briefing. After a brief discussion, the meeting was adjourned at 6:03p.m.

Secretary-Treasurer