

# The Financial Challenge of Affordable Housing

Bellevue Community Forum

June 23, 2016



# The Cost of Housing

- Acquisition of existing units is historically less expensive than building new
- 2015 Sales of 100+ Unit Apartment Complexes in East King County
  - Average Sales Price: \$310,000 per unit
  - Lowest Sales Price: \$244,000 per unit
  - Somerset Green (1986 Const. \$397,500



# The Value of Housing

	Dupre + Scott Average 2BR Rent in Bellevue	Low 2BR Rent in Bellevue
Monthly Rent	\$1,716	\$1,500
Annual Rent	\$20,592	\$18,000
Less Operating Costs	(\$6,500)	(\$6,500)
Net Operating Income	\$14,092	\$11,500
Cap Rate	4.50%	4.50%
Capitalized Value	\$313,156	\$255,556



# Renters in Bellevue

Proportion of Bellevue Renters	Annual Income less than	Affordable Rent
Over 40% of Renters	\$60,000	\$1,425
35% of Renters	\$50,000	\$1,175
25% of Renters	\$35,000	\$800

\$75,000 annual income needed to afford average  
2 BR rent in Bellevue



# Financing Gap for Affordable Housing

Annual Income	\$60,000	\$50,000	\$35,000
Monthly Affordable Rent	\$1,425	\$1,175	\$800
Annual Rent	\$17,100	\$14,100	\$9,600
Less Operating Costs	(\$6,500)	(\$6,500)	(\$6,500)
Net Operating Income	\$10,600	\$7,600	\$3,100
Affordable Debt per unit	\$185,000	\$133,000	\$54,000
Acquisition Cost per unit	\$250,000	\$250,000	\$250,000
Financing Gap per unit	\$65,000	\$117,000	\$196,000
Financing Gap: 100 units	\$6,500,000	\$11,700,000	\$19,600,000



# The Reality

- 2/3 of current homeowners would not be able to purchase median priced home in Bellevue today
- What is affordable to you...what is affordable to your adult kids...
- Would you be able to move in to Bellevue today?
- Should Bellevue be investing in TOD in S King Co.?
- How can employers attract workers for jobs < \$75K/yr
- 17% of all households in Bellevue make less than \$35K/yr (40% < \$75K). Should they be required to move?
- Highland Village...

