

NEF facilitates innovative new method to create affordable permanent supportive housing

The recent closing of Clay Apartments by developer Low Income Housing Institute (LIHI) marks not only the success of this deal, but the promise of innovation which could lead to more sources of affordable housing in Seattle and beyond. Originally developed by Blueprint Capital, Clay Apartments was intended to be upscale market-rate rental units. However, shifts in the market caused largely by the ongoing COVID-19 pandemic drove the developer to seek buyers for the new construction. Seizing the rare opportunity, LIHI created a plan to acquire the seven-story building for use as affordable housing. Gathering \$20.45 million in funds, roughly \$270,000 per unit, from the Seattle Office of Housing, the Washington State Housing Financing Commission and National Equity Fund's Preservation Fund, LIHI was able to secure the purchase from the original developer. NEF's \$5.55 million contribution consisted of grant funds from its *Bring Them Homes* veterans program funded by Citi and MetLife Foundation, along with a bridge loan from NEF's preservation fund platform with partner Morgan Stanley. Through this initiative, LIHI and its investors saved Clay Apartments from becoming dormant unoccupied housing and turned it into supportive units for the neighborhood's most vulnerable residents.

Clay Apartments is located in Seattle's Capitol Hill neighborhood, part of the broader area known as Central Seattle. Capitol Hill is a densely populated residential district known as one of Seattle's premier neighborhoods, with a vibrant nightlife and entertainment scene. The immediate neighborhood includes shopping, public services, and public elementary, middle, and high schools. The Clay's 76 apartments are divided into 68 studio, six loft, and two one-bedroom units. The target population for residency are people experiencing homelessness in the Capital Hill neighborhood, with 20 units set aside for veterans experiencing homelessness. Apartments will be rent- and income-restricted with 45 units at 30 percent of Area Median Income (AMI), 20 units at 50 percent, 10 units at 60 percent AMI, and one manager unit. There will be 20 units operated under a VA (Veteran's Affairs) transition in place contract and 45 units operated under a HUD (U.S. Department of Housing and Urban Development) Section 8 HAP Contract, both of which will allow tenant paid rents to be locked at 30 percent of the tenant's income.

As Clay Apartments was originally constructed for market rate rental, it offers amenities not typical of affordable housing. Each unit includes a kitchenette with ample counter and storage space, a convection oven, large refrigerator, microwave and dishwasher. Apartments also feature an in-unit washer and dryer and vinyl plank floors. The building offers several outdoor amenities including a spacious roof deck, barbeque areas, and a courtyard to the side of the building. Interior spaces will include a computer lab, counseling offices, first floor community area with a kitchen, library, and third-floor communal lounge. These spaces will facilitate delivery of services to help residents break the cycle of homelessness.

Supportive services will include case management available on a voluntary basis to all residents, provided by LIHI's resident services department. The Clay will have two on-site case managers, one specifically for the veterans. Housing stability will be the primary focus, with additional goals including improving income, increasing education, access to general health care, and more. On-

site managers will work with LIHI's supportive service managers as well as community organizations to access resources that can be utilized by residents.

With its housing, amenities, and supportive social services, Clay Apartments will become a much-needed source of aid for those experiencing homelessness in Central Seattle. In addition, it serves as an example of how market-rate developments can be converted into affordable and supportive housing. As National Equity Fund vice president Debbie Burkart summarizes, "There is no place in the entire country that has enough affordable housing, especially for people who need social services to help rebuild their health and financial independence. As Clay House powerfully illustrates, Seattle has long been a trailblazer in bridging these difficult gaps. This development will be a vital resource for local residents that contributes to the economic stability of the community, while also offering a model that can be replicated in other places. This model brings together public officials, developers, conventional lenders, and community organizations to make affordable housing part of their COVID-19 recovery plans."