

Real Estate

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Affordable housing, without public funds

- *Mount Baker Housing Association plans to buy and upgrade a number of small apartment buildings.*

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A local low-income housing development group has done something unusual: It bought and is renovating an apartment complex without using public money.

This Rainier Beach complex is the first of a number of small apartment buildings the Mount Baker Housing Association hopes to purchase and fix up in the same manner, according to Executive Director Mike Rooney.

In late 2008 the nonprofit decided on this tack. With nothing in the development pipeline, Rooney said Mount Baker figured it might displace other developers with projects ready to be built if it vied for the limited affordable housing funds available because of the credit crunch and the poor economy.



Photo courtesy Mount Baker Housing Association [\[enlarge\]](#)

The Mount Baker Housing Association is using its own money to buy and renovate affordable housing complexes like this one in Rainier Beach. The group said it doesn't want to compete with other developers for the limited public funds now available.

“It was kind of what's best for the industry,” he said. “That's where this decision came out of.”

The Mount Baker group was fortunate in finding a good deal. It bought the 26-unit Creston Park Apartments for nearly \$1.7 million, or \$65,335 a unit. The price is about \$200,000 less than the seller, Creston Park LLC, paid when it bought the property in 2007. The seller lists Mark Matson as the manager and D. Douglas Matson as the agent.

The Mount Baker group put down \$200,000 on the complex, which is at 10500 51st Ave. S. The seller financed the rest at a good rate, Rooney said.

Harry Hoffman, executive director of the Housing Development Consortium of Seattle-King County, said few affordable housing developers have as much cash on hand as Mount Baker did to purchase property without public funds.

"I'd say this is extremely unusual," said Hoffman, whose consortium is a professional association for affordable housing developers and related organizations.

"It sounds like they did a really good thing," he said. "They leveraged their money very well."

Hoffman said it's quite difficult to build a 26-unit affordable housing project for the \$2 million to \$2.5 million he estimates Mount Baker will put in this project.

But older apartment complexes generally don't have features some special needs low-income people require, or spaces for programs such as childcare or adult education, he said.

The Mount Baker acquisition is not a "panacea," Hoffman said, "but it's certainly a great tool."

The long-term solution to providing affordable housing in Seattle, Hoffman said, hinges on the \$145 million renewal of the Seattle Housing Levy, which Seattle Mayor Greg Nickels has proposed, and also the availability of county, state, federal and other funding.

The state Legislature has drastically cut the Housing Trust Fund used to finance affordable projects, and few investors want to purchase the low-income tax credits that fund housing "because very few investors have taxes to worry about today," said Hoffman. This makes some projects that were viable a year ago "feel less so now," he said.

The Mount Baker Housing Association has had a financial surplus for about 10 years because it is small, has low overhead, hasn't developed a multifamily project since 1994, and has owned most its properties long term so there's little debt, Rooney said.

It will spend \$20,000 to \$25,000 to renovate each unit in the Rainier Beach complex, now renamed Crestwood Place.

The project was built in 1979 and has 24 two-bedroom, one-bath units and two one-bedroom, one-bath units. They will be rented to individuals and families who earn up to 50 percent of the Seattle area median income. For a family of three that's \$37,950.

Rooney said there are good deals on property now, and Creston Park was well priced because it had high vacancy. "I don't think we would have been able to do this a couple years ago," he said.

The redevelopment team includes GGLO Architects, GTR Construction, Falkin and Associates, PBS Environmental, Kantor Taylor Nelson & Boyd, Bush Roed & Hitchings, and Paragon Real Estate Advisors.

None of the low-income tenants will be displaced during the renovation, Rooney said.

The Mount Baker Housing Association was founded in 1988 and provides affordable housing to low-income families in Southeast Seattle. It owns and operates 202 units in Rainier Valley.

Rooney said the goal is to buy one apartment complex a year or every other year.

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