My View from Kim Herman, Executive Director

AHAB pursues affordable housing

As a leadership transition unfolds at the Affordable Housing Advisory Board (AHAB), I thought it would be a good idea to talk with the outgoing chair, Hugh Spitzer, to get an inside perspective on a variety of issues, including the Report of the Growth Management / Housing Task Force, which AHAB released at the end of last year. I last interviewed Hugh in December 2004, for the second issue of My View. At that time, we discussed AHAB's just released Advisory Plan 2005-2010. Now, more than two years later, Heyward Watson has been appointed by the Governor to chair AHAB and I wanted to get Heyward's perspective on AHAB's future. I also spoke with several other AHAB board members to get their perspectives as well.

Washington's Affordable Housing Advisory Board (AHAB) plays a unique role in supporting the development of low-income housing solutions across our state. On the one hand, AHAB operates at a sufficient distance from the rough and tumble of politics that it can function like a think tank—an incubator for consensus building, where parties with opposing interests can brainstorm fresh approaches to seemingly intractable problems.

On the other hand, AHAB's ideas have to be practical and effective. As outgoing chair, Hugh Spitzer explains, “The basic principal that I got folks to agree to, fairly early, when I became chair was that the board should focus on, and be guided by, the ‘value-added principal’; that means we avoided spending members’ time on things that AHAB can’t do anything about, or things that somebody else can probably do better.”

By all accounts, AHAB has been remarkably successful in adding value under Hugh's six-year tenure. Yet all of us in the affordable housing community are confident that Hugh's successor, Heyward Watson, will keep AHAB running at the same high standard. Heyward's credentials are impeccable. He recently took over as CEO of Impact Capital. Prior to that he was director of the Fannie Mae Washington State Partnership Office, where he was responsible for customer relations, community lending/community relations, and government relations. Before that, he worked here at the Commission for seven years, as director of Homeownership Programs.
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AHAB’s four roles
The state legislature established AHAB in 1993 to replace several existing advisory boards and task forces at the Department of Community Trade and Economic Development (CTED) and consolidate all advice on housing and housing-related issues to the department in a single body. Hugh states that AHAB’s duties fall into four main areas:

1. **Five year plan.** AHAB’s most important function is to write an affordable housing advisory plan every five years. The plan analyzes the need for affordable housing in the state and assesses how well markets and government programs are meeting the needs of the population. Looking back to the previous plan covering 2000-2005, Hugh notes that, “the State managed to implement almost all of the recommendations during the first three or four years. I am hopeful that most of the current recommendations will be similarly enacted.” In fact, the legislature is off to a good start, having significantly increased contributions to the Housing Trust Fund (HTF).

2. **Legislative support.** Every year, AHAB supports specific pieces of legislation that it believes will help carry out the objectives in the five-year plan. As Hugh explains, “along with other AHAB members, I’ve testified regularly on legislative issues. AHAB works with conflicting interest groups to develop a position. For example, in the 2006 session we worked directly with conflicting interest groups on legislation related to tort reform and condominium construction. And we’ve commented frequently on issues like the need to dedicate more money to the HTF and preferential tax treatment for owners of low-income housing.”

3. **Rapid response.** AHAB steps in to “fight fires” when asked by the governor or the legislature to help on specific issues in the housing arena that need immediate attention. As Hugh recalls, “in 2002, the HTF was having trouble tracking its loans. CTED hired a consultant, who performed an in-depth study. They made a set of recommendations which AHAB endorsed, then CTED devised a program to clean up the accounting process, and that was quite successful.”

4. **Forum for competing interests.** As you can see from the box nearby, the membership of AHAB is structured to represent the broad spectrum of interests across the state. “AHAB provides a forum,” says Hugh, “for very different institutional interests to get together, to try to understand one another’s concerns, and to reach consensus on a common plan of attack on housing issues.” For example, AHAB helped mediate a dispute that came up a few years ago involving farmworker housing. In this case, the issue involved advocates for locating housing directly on the farmers’ premises versus those who wanted off-farm housing. “That was fun,” Hugh recalls.

Summing up, Hugh explains that AHAB operates “at the 20,000 foot level. That’s not 30,000 feet, and it’s not ground level. We try to understand housing affordability problems and to make recommendations for things that the state government can specifically do that will really make a difference—to generate more affordable housing or protect housing stock that we have. We have to differentiate between issues where we’ll be effective, and others that should be left to local governments or the private sector. That’s the value-added principal again.”

AHAB’s Anatomy
By statute, the membership of AHAB consists of the following representatives appointed by the governor:

- Residential construction industry (2)
- Home mortgage lending profession (2)
- Real estate sales profession
- Apartment management and operation industry
- For-profit housing development industry
- For-profit rental housing owners
- Nonprofit housing development industry
- Homeless shelter operators
- Lower-income persons
- Special needs populations
- Public housing authorities
- Washington association of counties (2)*
- Association of Washington cities (2)*
- Chair of the affordable housing advisory board
- One representative at large

The following three members serve as ex officio, non-voting members:

- The director of the Department of Community Trade and Economic Development
- The executive director of the Washington State Housing Finance Commission
- The secretary of the Department of Social and Health Services

*One each from the east and west sides of the Cascade Mountains
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AHAB: Building consensus
Now I’m going to take a closer look at the consensus building process in the context of several issues that AHAB has tackled recently—or are on the punch list.

Growth management
AHAB’s Growth Management Task Force (GMTF) originated with Washington State real estate professionals and builders who, historically, have been concerned that the Growth Management Act (GMA) has been increasing the cost of, and reducing access to, housing for working people. Last summer, Governor Gregoire responded by directing AHAB to investigate the issue and make recommendations.

The GMTF had representatives from a wide variety of interest groups, including cities, counties, environmental interest groups—as well as real estate professionals and builders. AHAB’s goal was to find a consensus on what the legislature could do to increase the supply of affordable housing, assuming the GMA would remain in force and there would be growth boundaries. The task force came up with a list of approximately 120 ideas. The final report presents only those that received unanimous approval. These include recommendations to transfer state money to local communities for infrastructure; to streamline the zoning and permitting processes, and to make them more uniform between jurisdictions; and to track the amount of land that is available for development.

Clearly, one divide in the GMTF was the difference between how the GMA is impacting urban vs. rural areas—along with the needs of the east vs. west of the Cascades constituencies. “In wearing the hat for Eastern Washington,” comments Tom Moak, “part of my agenda has been that some of the crises we see in Western Washington aren’t necessarily statewide crises. We need to look at issues from a statewide perspective: if you bring mandates to cities and counties that don’t have problems, you’re creating costs without identified benefits.”

The jury is still out on how effective the GMTF actually was. Sam Anderson, who represented housing developers, is disappointed by the lack of tangible results. Says Sam, “we spent a lot of time, and accomplished very little. Frankly, a lot of the things the real estate professionals and builders want to do would put greater requirements on the cities. The cities say, ‘we’re happy to do that, if somebody gives us the money...’” Sam characterizes the debate between developers, the cities, and the environmental community as follows: If you have a mandate that takes building lots out of the system, then you have to figure out where you’ll put them back in, so there’s no net loss of housing.

“The environmental community doesn’t like that idea; they don’t like moving the urban growth boundary,” Sam says. “In the end, it was good to have a dialogue, but not one legislative proposal came out of it. Nobody was willing to take what I thought were bold steps forward to address the issue.”

Paul Purcell has a different take. As founder and president of Beacon Development Group, Paul brings the perspective of a for-profit developer that has developed more than $300 million worth of housing, office and mixed-use properties over the last 20 years. Says Paul, “The GMTF was a great example of the diverse interests that come to the table around housing issues. We had 120 ideas on the brainstorm list but could only agree on about 20. The discussions were very frank but, objectively, there were large gaps that prevented getting a consensus on things. The great thing about it was that people were respectful of others’ opinions; people tried to hear through why others held their particular positions....”

The bottom line for Paul is that the task force “laid the groundwork for ongoing discussions on how to create better public policy to encourage affordable housing. It’s important to get unanimous agreement. The task force worked hard to make that happen.”
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“We built a coalition...and the coalition did a great job of lobbying the legislature to invite back the insurance companies and make it more palatable for them to do business in Washington State.”

Condo insurance reform

Over the past several years, the spiraling cost of liability insurance for condo developers has had a significant impact on affordability. Sam Anderson brought the issue to AHAB. “Condos are a first point of entry for many new home buyers,” says Sam. “Many low-income housing developers can’t build and sell reasonably priced condos with the insurance rates they face.”

AHAB held a series of fact-finding meetings on what was driving the price hikes, and then recommended moves to improve the climate for Washington State condo developers. “I thought AHAB provided a terrific forum for presenting the issue,” Sam says. “We built a coalition, and a large part of that coalition was low-income developers and people involved with public housing. All of us agreed that we needed to fix this. The coalition did a great job of lobbying the legislature to invite back the insurance companies and make it more palatable for them to do business in Washington State.”

Real estate tax assessments

As executive director of the Affordable Housing Management Association (AHMA), Joe Diehl represents the managers of some 32,000 Section 8 and tax credit properties in the state, including private sector managers, nonprofit managers, and housing authorities. For the Council on Affordable and Rural Housing (CARH), he represents the managers and owners of USDA Section 515 properties—about 9,500 housing units. Joe’s official role with AHAB is to represent the apartment management and operation industry, “but I weigh in on tribal issues when they come before the group as well,” he says.

“We felt that some of the counties were not following standard processes in valuing affordable housing,” recounts Joe. “Their assessments were based on comparable sales. When a nonprofit purchases affordable housing, for example, the property’s use is restricted, and should not be valued like a market-rate apartment building.”

Joe points out that a large percentage of the issues his members care about are federal in nature, because Sections 8 and 515, as well as the tax credit programs, are federal programs. “When I spoke on the tax assessment issue at a recent AHAB meeting, I said, ‘I haven’t really said much for the past six years [of my tenure], but this is really important.’” Several months ago, AHAB wrote a letter to the governor to ask her to intervene, and since then, “we’ve gotten a bill before the legislature and are working to get it through this session. We’ve gotten the county assessors to sign on to it. There’s only a certain level of rents that you can charge at our properties based on the applicable regulations. If real estate taxes go up, they can torpedo the entire investment and the property could go under. That’s a major concern for affordable housing.”
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Mobile home park closures
Mobile home park closures are on the docket this year for AHAB. As land prices rise, parks are closing all over the state. Lynn Davison, executive director of Common Ground, acknowledges that the closure of mobile home parks in the state is part of the overarching—and growing—crisis of workforce incomes not keeping pace with housing costs. “This is a critical issue,” she says. “In losing mobile homes, we are quickly losing a lot of unsubsidized affordable housing. It’s occurring in every county in the state.”

The loss of mobile home parks is certainly being felt in the Tri-Cities, which has been the fastest-growing area in the state since 2000. In Kennewick, for example, back in the 40s and 50s when Hanford was in its heyday, many mobile home parks were established along the Columbia River. Tom Moak, who serves on the Kennewick City Council, points out that his city is promoting riverfront economic development, which puts him, and the community, in a bind. “I’m an advocate of riverfront development,” he says. “I know there’s going to be an impact on people. How do we deal with this in a humane way?”

State warranty for new residential construction
Right now there’s a controversial bill before the legislature that would require all contracts for new home construction and major remodels to include a construction warranty. “Hugh and AHAB have been helpful in the home warranty debate going on in the state legislature right now,” says Sam. Hugh wrote to the legislature recommending that further study is warranted before the legislation is created. “If there’s a problem, and if part of the fix is a warranty, so be it, but let’s figure out a warranty that works, first,” Sam says.

Housing for seniors
Senior housing is another issue that AHAB members have agreed to take on this year. People are generally aware that our core federal entitlement programs, Social Security and Medicare, face serious funding shortfalls in coming decades. The aging baby boom generation will require more services of every kind. Yet the potential crisis posed by the lack of appropriate senior housing has been relatively overlooked. “We are living in a state whose population is aging,” says Lynn. In Washington State, with its increasing proportion of senior citizens, “how we address the demographic issue is important from a public policy standpoint.”

Lynn holds the special needs populations seat on AHAB, which includes senior housing. “But,” she points out, “in reality, in any individual discussion, everyone takes part. I don’t just participate in issues that directly affect special needs housing; I don’t think anybody operates that way either. I would say we’re all fully engaged. There’s an interest in helping CTED make good public policy decisions about housing. Everyone has that interest—above their individual representations.”

With land prices on the rise, many mobile home parks, like the one pictured at left, are closing all over the state—giving way both to industrial uses and less affordable housing developments. “This is a critical issue,” says AHAB board member Lynn Davison. “In losing mobile homes, we are quickly losing a lot of unsubsidized affordable housing.”
Inclusionary zoning
An ongoing debate that has been one of the more contentious for AHAB members is inclusionary zoning. The issue centers around planning ordinances that require that a certain share of new construction is earmarked for people with low to moderate incomes. “That one will continue to be knock-down drag-out,” predicts Sam. He echoes many AHAB members in stressing that part of his role is helping to educate his peers from the perspective of the constituency he represents on the AHAB board. In Sam’s case, he holds a for-profit builder seat. “We firmly believe inclusionary zoning doesn’t work,” he says. “Many nonprofits will say that it’s the only answer, that developers should be forced to include low-income set-asides in their developments.” From Sam’s perspective, inclusionary zoning can serve to deter developers—exacerbating a problem it’s meant to fix.

Sam thinks that AHAB provides a great forum for this kind of back and forth. The bottom line, he says, “is figuring out how to house the community. We all work together to get people shelter. That’s our cumulative role: to figure out how we can house everyone in clean, adequate housing. The debate for most is financial resources: how do we maximize the amount of money for affordable housing, and how do we facilitate being able to spend it wisely?”

Hugh relates that one of the “biggest eye openers” he experienced as AHAB’s chair was the realization that nonprofit and for-profit builders have such similar interests. Says Hugh, “Folks often think of the private sector being 180 degrees different from the public sector. In fact, both have the same problems—getting construction insurance, the speed of getting permits, and the difficulty of finding buildable land. Builders are builders and developers are developers.”

In terms of building consensus, Hugh notes that low-income housing is an issue that actually unites different interests. “Low-income housing advocates are politically and culturally liberal and often have similar perspectives on issues as environmentalists,” Hugh observes. However, because “builders are builders,” the nonprofits serve as a useful bridge between for-profit builders and environmentalists.

A good example is Paul Purcell’s Beacon Development Group. After working for Catholic Community Services of Western Washington, Paul founded Beacon because he believed there were areas of the development process that required hard-core business skills. Says Paul, “the business of affordable housing development is a business with investors, with financial institutions, with architects; it really happens within the for-profit world. At the same time, the nonprofit sector’s ability to provide long-term management and delivery of services is generally superior to for-profit management.”

With this in mind, Paul created Beacon’s business model as “a development bridge between for-profit development and the nonprofit world of ongoing management and property ownership.” Beacon’s clients are public housing authorities and nonprofit developers. A good example of how this type of partnership works is the as-yet-unnamed project in Pasco that is pictured below. Beacon found a building site, purchased it, developed it, and then turned it over to a nonprofit with the right long-term management capabilities. While this project was not a direct outcome of any specific AHAB initiative, it illustrates the kind of cooperative approaches that are needed to address the challenge of meeting low-income housing needs in Washington State.
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Aging of the affordable housing portfolio
One increasingly troubling issue that hasn’t yet been brought up before AHAB is our state’s aging affordable housing portfolio. Joe Diehl would like to see this topic considered. “Much of the affordable housing that exists, with the exception of tax credit properties, was built in the 70s and 80s,” he says. “As is common with a lot of government-subsidized programs, there’s not a lot of money available to go back into keeping these apartments in good condition and keep up with capital improvements. We have an aging low-income housing portfolio that we’re trying to keep together with duct tape. Properties are going under; we’ve already seen nonprofits coming in to try to rescue these in preservation deals. It’s going to take more than the HTF. Maybe the state should take a more active role.”

Role of AHAB with the legislature
There’s always a tension between how far a policy-making forum like AHAB should be expected to penetrate the law-making fray. In much of the recent legislation that treats affordable housing issues in the state, AHAB has been called out to play an oversight role. Lynn stresses, “we need to be clear about AHAB’s role with the legislature.”

In the passage of HB 2163 (funding to end homelessness), for example, AHAB was called out to review plans, and in the current legislative session, Rep. Mark Miloscia’s Affordable Housing For All bill, the role AHAB played was, Lynn observes, “interesting and somewhat new. Still—a piece of our agenda is being driven by that legislation. Members of AHAB are trying to be as clear as we can about the roles that are appropriate for us to play as an advisory group—as well as roles that may be beyond what an advisory group should be playing.”

Heyward looks ahead
After serving six years as AHAB’s chair, Hugh felt he needed to spend more time teaching at University of Washington School of Law. He says the transition has gone smoothly and he’s delighted with his successor. “Heyward Watson is perfect,” says Hugh. “He has a background in mortgage banking and government. He is a finance person too. He doesn’t really have any particular agenda to push. That’s very useful. The Chair helps manage these 19 different people with all their different interests. It’s like being a conductor.”

In my view, Heyward will handle the baton with skill and tact and insight. He acknowledges that he discussed taking on the chairmanship with Hugh at some length. Says Heyward, “Hugh had the same opinion that I’ve always had about this kind of role. I see AHAB as a way for us to figure out—to hear all the voices through the whole process—what the state of Washington should support that’s good for all of the citizens, not just one group over another. I want to make sure we stay focused on every group involved. That we carefully look at these issues one at a time, versus just being mad about something, which doesn’t help the citizens in the long run.”

From my long acquaintance with Heyward, I know he’s waiting to know the territory before rushing to judgment. He’s made a career as a problem solver, and a strong reason he was chosen as chair is his ability to be even-handed. “My concern right off the bat,” he says, “is that I don’t know these players very well. I’ve got to get to know them, to hear what their issues might be. We can then move these through the process.” For Heyward, there are strong components of good will and good sense at this stage: “Our job is to come up with a compromise that makes sense for everyone.

“I’ve been in awe of Hugh’s leadership for a long time, I’m honored to have this position. I want to do the right job for the people of Washington State.”

HEYWARD WATSON
was appointed by Governor Gregoire to take on the role of Chair of AHAB for a four-year term, effective February 2007.
AHAB isn’t Hugh’s success alone, but during the past six years of his tenure as chair, he has succeeded remarkably in guiding the board in zeroing in on key issues and urging the membership’s patchwork quilt of voices into a thoughtful and cohesive whole.

For the AHAB board members I interviewed, Hugh has been the consummate chair. But let’s hear it in their own words:

**Tom Moak:** “Hugh has been the eloquent spokesman for AHAB. Hugh’s stature has helped AHAB be recognized as a force and voice in affordable housing; he’s been successful in carrying the AHAB hat to the legislature.”

**Lynn Davison:** “Hugh has been a fabulous chair. He has been very strategic in choosing issues that were really important—where he thought that the group could offer something of value. That has helped us have impact. The credibility of the chair is truly important in having the impact be felt; Hugh has been extremely successful there.”

**Sam Anderson:** “Hugh has been a phenomenal chairman—he’s as good a consensus builder as anyone I’ve ever met.”

**Joe Diehl:** “Hugh has been outstanding. I’m sad to see him go. He has been a true leader and has truly focused on the issues. He does so much work on his own volunteer time.

Oftentimes after a meeting there are six or eight letters that have to be sent out; he not only drafts them but drafts them very well.”

**Paul Purcell:** “Hugh has made a great contribution to the public discussion of affordable housing by authoring a large number of public statements and op-eds. He is a very credible person in every arena. He has raised the level of discussion: that’s been a significant component of his contribution, and I think the appointment of Heyward will continue that.”

For more information about the Commission and its work, visit [www.wshfc.org](http://www.wshfc.org) or call 206-464-7139 or 1-800-767-HOME (4663) toll free in Washington State.