



Overview: Goodman Real Estate’s Continued Investment in Housing that is Affordable within the Puget Sound Region

THE ADDISION (DOWNTOWNER)

When Goodman Real Estate (GRE) purchased the Downtowner in 2012, the building was literally falling apart. It was so bad that only 35% of all units were occupied. It was accurate to call the living conditions of its low-income residents’ squalor and appalling. Bed bugs, rats and roaches infested the property to the point of nearly being uninhabitable. GRE’s goal was to improve the living conditions of the residents (no one person should have to live in these conditions) and fully restore this historic property. After investing millions, GRE successfully ensured that 254 units of housing stock that is affordable and another historic building was not lost due to neglect (the most recent loss was the Wah Mee Building.)

Seattle Tenant’s Union Claim	Fact
<p>“Goodman Real Estate used low-income housing tax credits to rehabilitate the building, dubbed it the ‘Addison on Fourth’ and then raised the rents beyond the payment standard for tenants with vouchers.”</p> <p><i>Source: Email distributed by STU, February 27th 2014</i></p>	<p>Because of the dire condition of the building and the associated renovation cost, housing developers (low-income or market rate) could not afford to make the needed investments to make the building livable, yet still maintain it as low-income housing.</p> <p><u>GRE is currently one of the only for-profit, private sector developers in Seattle choosing to investing millions to operate and maintain low-income and workforce housing (60% AMI).</u></p> <p>Only 35% of the units were occupied in the Addison when GRE purchased the building because of the appalling way the previous owners operated the property. GRE successfully enabled over 25% of that group of residents to remain to this day.</p> <p>The building was in such dire straits when GRE purchased it that the property was in jeopardy of losing all vouchers for all remaining residents.</p> <p>GRE invested more than \$20 million in the building (\$75,000 per unit) and worked actively with its residents to help them secure vouchers to stay at the Addison if possible.</p> <p>We also worked closely with HUD and SHA to make sure all tenants received new vouchers and HAP portable contracts. <u>We were 100% successful, helping existing Addison residents, even if they later decided to relocate to another building.</u></p> <p><i>(Continued on next page)</i></p>



THE ADDISON – cont'd.

Seattle Tenant's Union Claim	Fact
	<p>Finally, it is false to claim GRE raised rents above SHA standards. GRE's investments, together with SHA's partnership, ensure that new residents now enjoy a healthy, positive living environment at 60% of AMI with rents below \$995, including utilities. The building is now more than 90% occupied.</p>
<p>"Only a handful of the original tenants at the Downtowner remain in their homes."</p> <p><i>Source: Email distributed by STU, February 27th 2014</i></p>	<p>Because of the appalling nature of the building when GRE purchased it, the property was only 35% occupied. Many residents left prior to our involvement due to the appalling conditions that existed because of the previous management of the building. After the renovation we were able to maintain 25% of that original group of residents.</p> <p>The safety of residents was one of our first concerns when we purchased the property and the building needed a full seismic retrofit plan, which meant we had to vacate several floors entirely. GRE offered fully renovated units on other floors and also offered full relocation assistance, should they decide to move.</p> <p><u>100% of residents who chose not to remain at the Addison are still in low-income housing in a new location.</u></p>
<p>"Repositioning" "underperforming" apartments is code for raising the rents in affordable housing."</p> <p><i>Source: Email distributed by STU, February 27th 2014</i></p>	<p>When GRE purchased the Addison, its conditions were deplorable. GRE spent \$90,000 alone just treating all units for bed bugs, roaches and rats. Many units were deeply infested with mold and the entire building suffered from smoke damage from a fire.</p> <p>We believe strongly that no human being should have to live in conditions like this. And those who advocate that people should, just to keep the rent low, are not focused on the whole picture and are doing a great disservice to people, historic buildings, neighborhoods and the city.</p> <p>Buildings wear out and at some point in their physical life they must have money invested in them or they hurt both their residents and the neighborhood where they reside.</p>



THE ADDISON – *cont'd.*

Seattle Tenant's Union Claim	Fact
	<p>The challenge is how to do it with the least cost increase for the resident. The rent SHA was willing to pay, given the condition of the building, was lower than the threshold SHA allowed for renovated units. SHA set the rent, not GRE. Once the building was renovated the rent was priced at 60% of AMI, which is less than \$995 per month including utilities.</p> <p>We believe that our approach is a direct, and much-needed, investment in people and housing in Seattle in a way that ensures that residents are safe, healthy and able to live in a home they can be proud of.</p> <p>The renovation of Yesler Terrace is the life cycle of a property that is most similar to the Addison.</p>
<p>“GRE also began charging \$200 for parking.” <i>Source: Email distributed by STU, February 27th 2014</i></p>	<p>This is incorrect. The Downtowner did not provide parking. Parking was available in the parking lot next door, which was available at market rate prices and open to the public.</p> <p>Of the 87 units that were occupied upon purchase most did not own a car and instead use public transit. Only 10 residents at closing chose to purchase parking in the parking lot.</p> <p>U-Park operates and sets pricing for the lot, which is currently \$193/month.</p>



LOCKHAVEN

The Lockhaven is a 50-year old 22-building unique apartment building in the heart of Ballard that is reaching the end of its physical life and needs reinvestment and renovation to remain a contributing member of Ballard’s urban fabric. GRE purchased the building at a competitive, full-market price in August 2013. GRE’s goal is to invest in the Lockhaven and maintain this very unique assemblage of buildings as apartments with below-market rents for the next 50 years or more.

Seattle Tenant’s Union Claim	Fact
<p>“The Lockhaven was market-rate affordable housing for working folks, seniors, and tenants with Section 8 vouchers.”</p> <p><i>Source: Email distributed by STU, February 27th 2014</i></p>	<p>The prior owner had to operate the Lockhaven at well below-market rates for many years due to the poor physical condition. It was not, however, low-income housing.</p> <p>Any residents who receive Section 8 vouchers or who earn 50% of AMI or below (about \$40,000 for a multiple member household; about \$30,000 for single member household) were provided relocation assistance by GRE and the City of Seattle.</p> <p>In addition, GRE offered relocation assistance for about 10 individuals who just missed the City of Seattle’s cut-off for relocation assistance, in addition to paying for a relocation specialist to work one-on-one with all tenants to help them with their move.</p>
<p>“After Goodman Real Estate attempted to illegally evict tenants without relocation assistance, tenants have been organizing for five months asking Goodman Real Estate to keep rents affordable for the current tenants that live there.”</p> <p><i>Source: Email distributed by STU, February 27th 2014</i></p>	<p>GRE has never tried to evict residents.</p> <p>It’s true that in September 2013, due to a communication error with the property management company, relocation notices were sent early to about 12 residents. GRE has repeatedly apologized for this error and immediately worked with the City of Seattle to ensure Lockhaven operated under their guidelines for relocating all residents.</p> <p>Our process with residents has been deliberately slow (9-18 months for move-out) to help ease this transition. We welcome any residents’ return to Lockhaven once the exterior and interior renovations are finished.</p> <p>In addition, we cannot keep rents at existing rates (more than 50% below market) without taking an ongoing and unsustainable annual loss on the building.</p> <p>We bought the building from the seller at market prices and will operate it at a very thin margin to keep rents below market-rate.</p>



LOCKHAVEN – cont’d.

Seattle Tenant’s Union Claim	Fact
<p>“Goodman Real Estate plans to cosmetically renovate the building, and raise the rent by as much as \$700.”</p> <p><i>Source: Email distributed by STU, February 27th 2014</i></p>	<p>The reason the prior owners had to keep rents well below market rate was because of the poor condition of the units and the infrastructure of the buildings. Over a 40-year period, only minimal exterior and interior investments to Lockhaven were made. In the meantime, the median rent in Ballard rose 64% in the last five years, while rents at Lockhaven remained relatively unchanged do to the poor condition. While rents will increase, <u>GRE is targeting rents that residents who make 70-90% of AMI can afford.</u></p> <p>Our \$4.5 million investment in Lockhaven provides important infrastructure needs that ensure these buildings will survive for another 40-50 years. This includes insulation (most buildings don’t have any), replacing the electrical (which is about 50 years old), new roofs, plumbing, siding and windows.</p> <p>It is inaccurate to call these improvements cosmetic. They ensure not only the viability of the building, but the health and safety of its residents.</p>
<p>“As of this writing, Goodman Real Estate has not put a single proposal forward to keep part or all of Lockhaven affordable”</p> <p><i>Source: Email distributed by STU, February 27th 2014</i></p>	<p>This is not true. We evaluated whether this building qualified for low-income tax credits and found it does not because GRE purchased the entity not the asset. Additionally, it does not qualify for the City’s MFTE program, because developers can only use MFTE on new buildings.</p> <p>In addition, we met with Sharon Lee from the Low Income Housing Institute (LIHI) at the request of the STU and explored opportunities to have LIHI purchase some of the buildings at Lockhaven or sublease a portion of the buildings.</p> <p>Because we purchased the company (not the buildings) and collateral concerns by our lender, neither option was possible.</p> <p>LIHI is an organization GRE has partnered with in the past and contributes to financially, as it serves an income population that needs ongoing support as Seattle continues to grow.</p> <p>We communicated this to STU and Councilmember Licata via email on February 24, 2014.</p>

THE THEODORA

The Theodora is a 50-year-old building with 116 single-occupant rooms (200 sq. ft. or smaller) that includes central food service (no kitchens in the units). The current occupancy of the building is less than 25%, or about 30 units.

The building's owner, Volunteers of America (VoA), is a national non-profit housing provider dedicated to providing low-income housing. Due to the age and configuration of the building, VoA determined that The Theodora was financially unsustainable and that the current configuration no longer meets the needs of today's senior and disabled residents. VoA has funded significant operating deficits for several years and continues to do so on a monthly basis. VoA worked for several years to redevelop the building, but could not achieve a feasible redevelopment of the site for continued low-income housing. Additionally, the property was first marketed to non-profit low-income housing developers during an exclusive bid period, but no organization made an offer. The property was then widely marketed to for-profit developers and a contract is pending with Goodman Real Estate.

VoA has been working for several years on the development of an affordable housing site in the Greenwood community, where they currently operate the Greenwood food bank. If successful this will provide approximately 60 units of service-enriched housing with ground floor commercial space for the continued operation of the food bank or other community services.

GRE's goal is to renovate this historic property and meet the need for increased workforce housing (65 – 85% AMI) in Wedgwood. It should be noted that a lower AMI could not be reached because of the low unit count of the building and high construction costs required to bring the building up to code. These factors created a larger overall cost that did not have a subsidy option (Low Income Tax Credit, etc.).

Seattle Tenant's Union Claim	Fact
<p>“The Theodora has been home to people in need for over 100 years. The HUD contract and mortgage is an important asset to Seattle's affordable housing, and we do not support converting our valuable affordable housing resources to market rate housing geared toward higher-income tenants. The tenants who currently live at the Theodora have a right to stay in their homes and in the communities they have built.”</p> <p><i>Source: STU website</i> http://savethetheodora.wordpress.com</p>	<p>The Theodora was built in 1964. so it is not true that it has been around for 100 years. While VoA has provided other services on this site prior to that time, the current building is approximately 50 years old.</p> <p>The current owner, VoA, is a national non-profit low-income housing provider. After 50 years of payments, the current HUD mortgage and contract is maturing in 2014.</p> <p>Because the building is 50 years old, significant investments are needed to maintain the building as a functioning and healthy place for residents to live.</p> <p>VoA worked for several years to pull together sufficient public and private sector financial resources to rehab the building and continue its operation as low-income housing, but was unfortunately unsuccessful.</p> <p>When VoA decided to sell The Theodora, their first priority was to find a low-income housing developer who could purchase it and operate it in the same capacity as VoA or renovate and operate as an apartment building. They hired CBRE to market it to not for profits during an exclusive bid period, but no offers were made.</p>



THE THEODORA – cont’d.

Seattle Tenant’s Union Claim	Fact
	<p>VoA then put the building on the market to for-profit developers and GRE was selected as the buyer. One of the reasons they were selected is because they are able to maintain the historic character of the property, ensure significant essential renovations are made that will extend the building’s useful life, and seek to achieve rents that ranged from 65% - 85% of AMI.</p>
<p>“The pending sale of The Theodora to Goodman Real State has already meant displacement, financial hardship and considerable trauma for vulnerable residents. For some residents, the sale would mean (and has already meant) leaving both their neighborhood and community, and the City of Seattle.”</p> <p>Source: STU website http://savethetheodora.wordpress.com</p>	<p>It is inaccurate to state that any of the 30 residents currently at The Theodora or residents who have voluntarily moved since or prior to the initial announcement have been displaced or experienced financial hardship. No changes have been made to any residents’ rent or home and won’t be made for many months. VoA met with residents in the summer of 2013 once they knew they would be marketing the property for sale. They felt it was important to provide open communication to residents even though the long-term use of the Theodora was unknown and therefore they could not make a definitive statement about whether future relocation of all residents would be necessary. VoA made it clear that no resident was being required to move at that time, and made additional counseling and support services available for residents needing additional support regarding this news and their future planning</p> <p><u>We are strongly committed to ensuring that 100% of residents at The Theodora continue to receive subsidized housing and / or relocation assistance that exceeds the City of Seattle’s standards.</u></p> <p>In addition, VoA and GRE will hire a relocation specialist to work one-on-one with each resident, to help them secure new low-income housing that meets their needs.</p> <p>VoA and GRE are fully committed to ensuring that no resident will experience additional financial hardship because of this change in ownership.</p>