

Attachment A



Housing Authority of Thurston County
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April 30, 2021

To: Sam Gibboney, Executive Director
Joe Downing, Commission President
Bill McGregor, Commissioner
EJ Zita, Commissioner

Re: FAA Residential Restriction

Thank you for the opportunity to visit with the Port Commissioners during work session on April 19, 2021. Per the Commissioners' direction, this letter formalizes the request.

The Housing Authority of Thurston County ("HATC") respectfully requests that the Port of Olympia ("Port") petition the Federal Aviation Administration ("FAA") to terminate the deed restriction on residential uses within Block 0 (zero) of the commercial area outlined in the Port's New Market Industrial Campus Master Plan ("Master Plan"). Thurston County Tax Parcel 51750000100 (1600 74th Avenue SW, Tumwater WA 98512) within the Port's defined Block 0 is of specific interest in this request.

A 58-unit suite-style hotel that has been known as Guest House Suites and more recently as the Oyo Hotel is on this parcel. HATC and the hotel owner have executed a conditional Intent to Purchase Agreement. Conditions include FAA termination of the subject deed restriction and a subsequent ground lease agreement between the Port and HATC.

The subject land is in the extreme northwest corner of the property deeded by the Federal government in 1948. It is approximately three-quarters of a mile from the airport and not in the flight path. Densely built-out residential developments are less than a half mile from the airport. HATC has three multi-family properties in this general area of Tumwater: Sequoia Landing, Trails End Duplexes, and Allen Orchard. Current and potential airport operations are compatible with the location of these residences as well as the proposed conversion of the subject area to residential use.

The Master Plan states that, "Existing retail development near NMIC/TTC is struggling. Existing retail in NMIC/TTC sometimes suffer from lack of visibility and difficult access. It is located peripherally relative to concentrations of housing which drive retail development." The addition of housing within the subject area will help improve the situation. Retail follows residential development.

HATC's plan is to convert the Oyo Hotel to permanent housing for low income seniors and neighbors with disabilities. Seniors are the fastest growing demographic group. A substantial number of seniors live on only Social Security income. The average monthly old-age Social Security benefit is about \$1,500, with many closer to \$1,000. Disabled benefits are generally even lower. Per Thurston Regional Planning Council, average monthly apartment rent in Thurston County is about \$1,200. Given the low vacancy factor, available units are hard to find at or below the stated average rent level.

This economic pinch is why HATC routinely hears from seniors desperate to find decent, affordable housing. One elderly Tumwater resident told us that before HATC was able to assist her with a HUD Housing Choice Voucher (aka Section 8), she figured she would soon be homeless for the first time in her long, productive life. She said she was preparing to, "Rent someone's garage."

Federal funding for the rental assistance program at best only serves 25% of income eligible households. This unfortunate reality was why in the 1990's HATC started to opportunistically acquire and develop rental housing that can be offered at well-below market rate. We are proud of the quality of our rental property communities <https://hatc.org/properties/>. An *Olympian* reader poll voted one of HATC's properties as the "Best Apartment Community in South Sound." HATC will be a good partner with the Port.

Land prices, fees, and construction costs are extremely high. There is no realistic way to build decent units that would be affordable to those whose income is limited to Social Security. The Oyo acquisition and conversion will be at least 50-75% less expensive than new development.

HATC anticipates that of the 58 units in the Oyo, 1 unit will be for an on-site manager, 35 will be homes for residents with rental assistance vouchers, and 22 will be homes for residents without vouchers. Our modeling indicates that the monthly rent, utilities included, on those 22 units will be as low as \$455. An amount affordable to a neighbor whose income is limited to Social Security.

This is an extremely rare opportunity. There are few suite-style hotels in Thurston County with the potential to convert to housing. Despite the Pandemic, there are not many hospitality properties in this market for sale.

The amenities of the property provide opportunities for socialization, exercise, and other activities that help build a neighborhood, a community within a building. HATC's Housing Stability Division and partner organizations will provide supportive services that help ensure a successful community.

Recently passed American Rescue Plan Act includes funds for the specific purpose of acquiring, converting hotels to housing. City of Olympia Home Fund has provided a conditional commitment to the concept. HATC enjoys excellent borrowing relationships with two financial institutions; although we will limit debt financing to keep rents low. HATC will also inject internally generated funds for the acquisition and conversion. HATC has a strong, stable financial position.

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Given the Biden Administration's recognition of the housing crisis and inclusion of housing as infrastructure, combined with the engagement of our Congressional delegation in this specific project and the support of the City of Tumwater we are optimistic that a petition from the Port to the FAA to terminate the residential restriction on the subject land will be successful. The timing is right.

HATC stands ready to assist the Port in any way the Port requests of it in the preparation of a petition to the FAA.

We look forward to working with you and appreciate all that the Port does to support the community.

Sincerely,

Craig Chance

Craig Chance
Executive Director

Cc: Neil McClanahan, HATC Commission Chair

Enclosures:

- Map 1: NMIC Block 0 in relation to other NMIC Block
- Map 2: Closer view of Block 0, and Oyo location
- Map 3: Oyo tax parcel
- Map 4: Oyo location relative to three nearby HATC properties
- Map 5: Distance of Oyo from Airport and shows not in flight path
- Map 6: Dense Residential Near Airport, Substantially closer to airport than Oyo
- Copy of 1948 Deed Restriction