

ADDISON ON FOURTH

The New Richmond Hotel opened in 1911. In 1970, a Seattle developer purchased the terra cotta hotel and converted the hotel to low-income housing. In 2012, Goodman Real Estate (GRE) purchased apartment community for \$12,500,000 & redeveloped as Addison on Fourth for \$27,500,000 as a tax credit community. Two of the funding sources for renovation were the Low-Income Housing Tax Credit and Historic Tax Credit. Addison was placed in service in 2014. Located on the border of Seattle's International District and Pioneer Square - Addison on Fourth provides 254 studio & one bedroom apartment homes at 60% AMI rent limit - including set asides for residents with disabilities, 50 artist studios & 4 commercial spaces. From 2014 to 2018, Addison was a profitable community. Since 2019, the asset has lost over \$3,000,000.

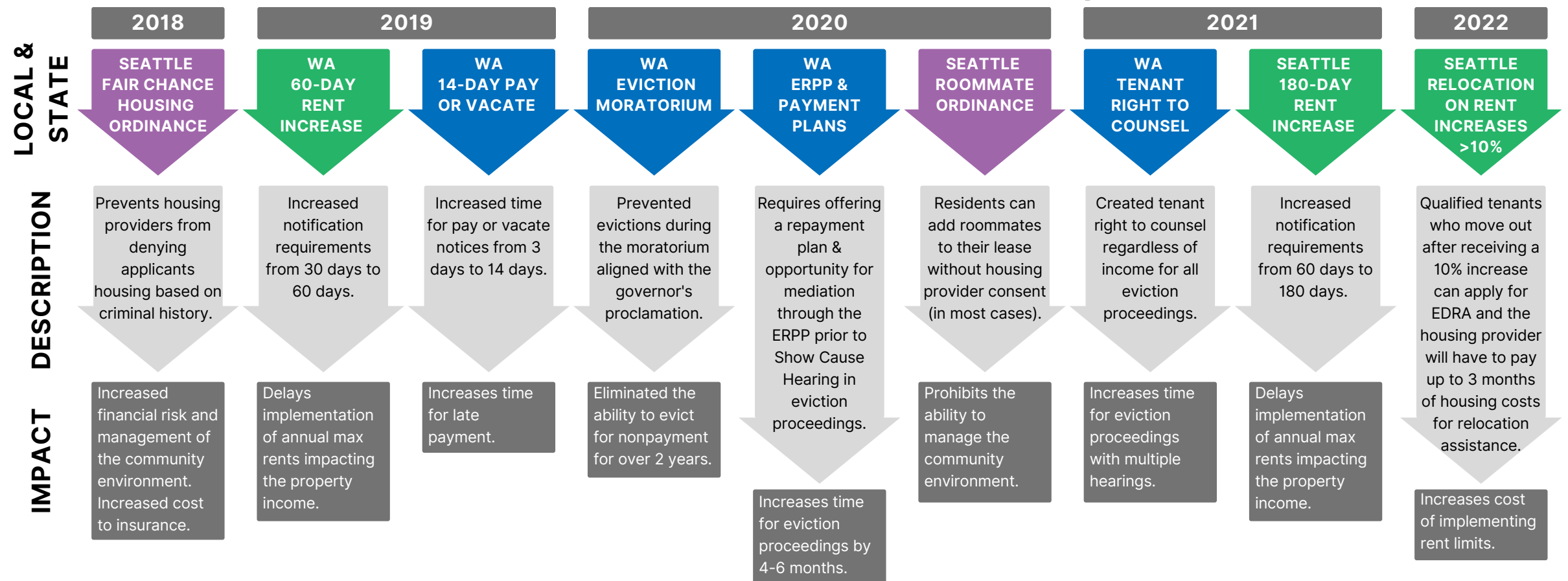


CASE STUDY ADDISON ON FOURTH

It is difficult to comprehend the dramatic and significant negative impacts to the **community, neighborhood, residents, team members, and property** since 2018. The three primary categories of impact to the right correlate to the above local and state legislation. The impact is multifaceted but generally falls into these categories.



WA State & Seattle Landlord-Tenant Law Changes in Last 5 Years



IMPACT OF THE EVICTION PROCESS

- The Eviction Resolution Pilot Program (ERPP) delays court eviction proceedings by **4-6 months**; increasing eviction cost an average of **\$7,270**.
- If resident requests mediation, the ERPP delays court eviction proceedings by a total of **9 months** increasing eviction cost an average of **\$11,539**.
- In addition to court eviction proceedings for nonpayment, in cases of behavior, even when a neighbor files a protection order, the cost of eviction is **\$21,387**.
- After 2019, Addison's loss from vacant apartment homes **increased by 120%** comparing to the previous three years the loss went from \$638,661 to \$1,429,379.
- Since 2019, the amount spent on security personnel increased **\$636,876 (251%)**, cleaning services increased **\$69,052 (1,012%)**, appliance replacement increased **\$81,599 (772%)**, and waste removal increased **\$123,855 (99%)**.



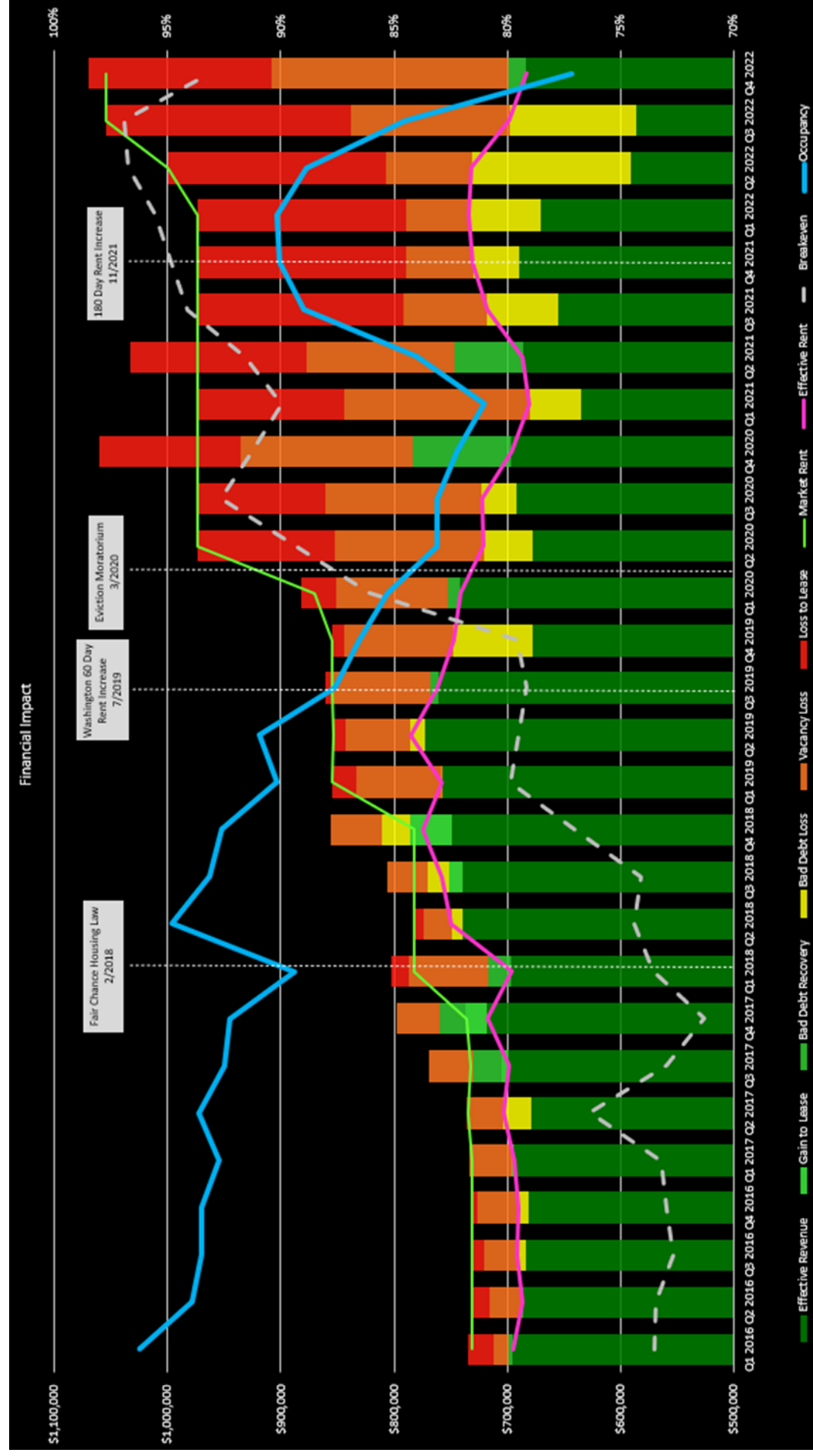
IMPACT ON THE LIVING ENVIRONMENT

- Over the past three years, Addison installed **126 cameras** to monitor, report & document for nonpayment and behavior eviction proceedings to meet burden of proof requirements. The installation cost exceeds **\$250,000**, with an annual monitoring cost of **\$79,248**.
- **911 calls more than doubled** in nearly all reported crime categories after the Fair Chance Housing passed in 2018.
- After Fair Chance Housing was passed, Addison's negative reviews increased by **20%**.
- Since February 2021, Seattle Police Department (SPD) now has a **three-officer minimum requirement** to respond to calls at the community.
- In the past two years, there have been many examples of an Addison resident requesting SPD to remove a non-resident from their home. SPD is unable to remove the non-resident as the non-resident has rights to the apartment home because of the roommate ordinance.



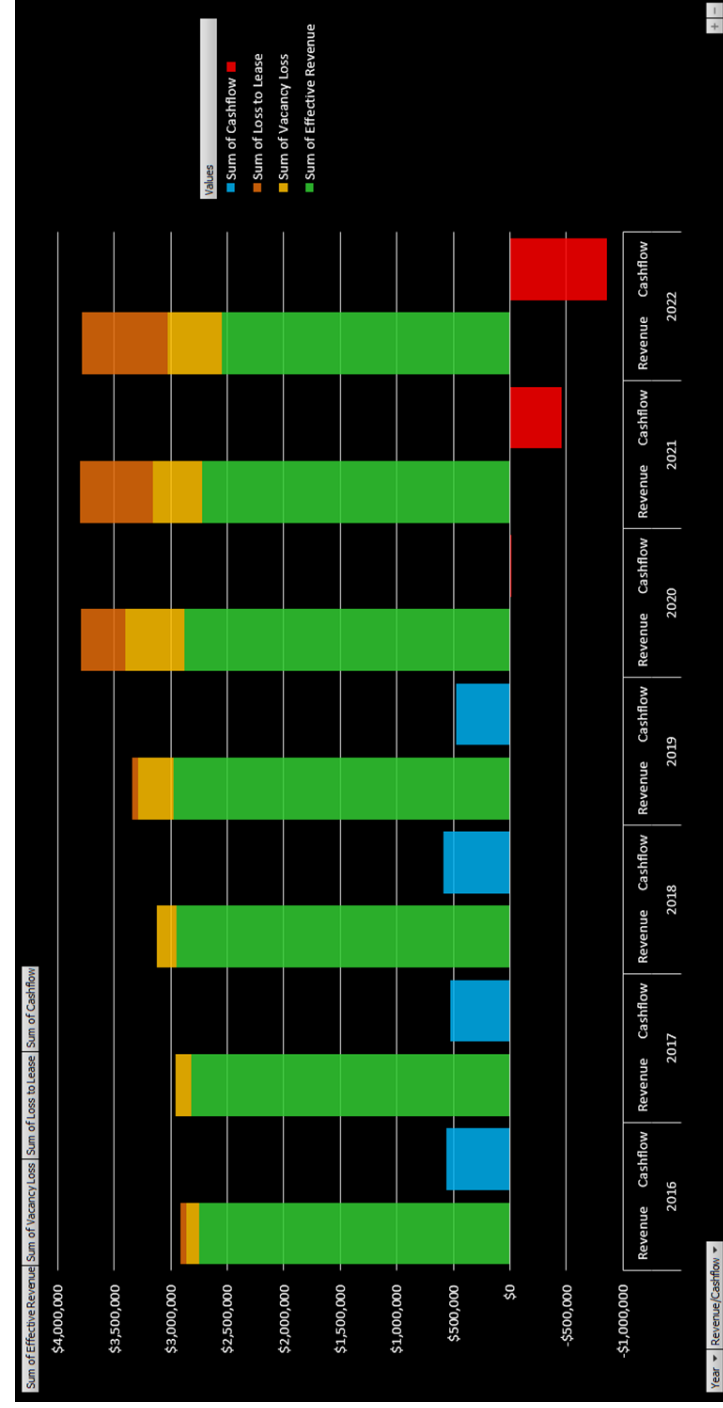
IMPACT OF RENT INCREASE RESTRICTIONS

- After the 60-day rent increase requirement passed in 2019, loss to lease exceeded **\$1,800,000**.
- When Seattle Relocation (EDRA) was passed, **90%** of Addison apartment homes were below the rent limits as determined by HUD and City of Seattle.
- As of July 2022, the average rental rate was **\$353 (36%)** below HUD rent limits - resulting in an income loss of **\$78,000** per month.
- As of July 2022, **218 (86%)** apartment homes were more than 9.9% below the HUD rent limits. Providing a rent increase notification of HUD rent limits, would result in **\$673,887** EDRA payments (assuming as a 60% AMI community, all Addison residents would qualify for EDRA with less than 80% AMI).
- Alternatively, it is estimated to take **10 years** to reach HUD rent limits for all Addison residents not to exceed the 2022 imposed EDRA payment (assuming a HUD rent increase of 4% annually) - estimating an accumulated loss of **\$3,900,000** over 10 years.



This graph shows the financial impact of legislation from 2016 to 2022 to Addison on Fourth.

- **Dark Green Bar: Effective Revenue** - represents income received. The trend shows revenue moderately increasing with the downward trend decrease beginning in 2019.
- The yellow, orange, and red bars represent distinct categories of losses for Addison on Fourth.
 - **Yellow Bar: Bad Debt Loss** - signifies rent that was billed but not collected. The trend shows significant bad debt in 2021 and 2022. The trend shows significant increase of bad debt begins in 2019.
 - **Orange Bar: Vacancy Loss** - represents the revenue lost due to apartment homes being vacant.
 - **Red Bar: Loss to Lease** - signifies the revenue loss due to leases offered and accepted at less than the market rate value for the applicable apartment home. Beginning in 2019 there is consistently loss to lease with the sharp increase in 2020.
- **Light Green Bar: Market Rent** - represents collections exceeding the charged rents.
 - Note, the increase in Q4 2020 and Q2 2021 are due to the Large Landlord Fund or CARES funding received.
- **Green Line: Market Rent** - represents maximum rents/market rent as permitted by HUD as determined on an annual basis in Q2.
- **Pink Line: Effective Rent** - demonstrates our effective rent or the rents that were charged.
- **Dotted Gray Line: Breakeven** - demonstrates our expenses and amount of revenue required to obtain "breakeven."
- **Blue Line: Occupancy** - the total resident occupancy at Addison on Fourth. Since 2018, occupancy decreased, with a spike of occupancy correlating the dropping the price of rent.



This graph contrasts revenue and cashflow.

- **Trend:** Revenue was stable through 2019, but in 2020 revenue loss grew and cashflow deteriorated. This trend continued and increased through 2022.

