OFFICE OF HOUSING (OH)

2027–2028 PROPOSED BUDGET

OVERVIEW & POLICY CONSIDERATIONS PAPER

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Table 1. Department Budget Summary

Budget Summary Level	2026 Adopted	2027 Proposed	% Change	2028 Proposed	% Change
Operating Budget					
Homeownership & Sustainability	$29.9M	$25.7M	(14.0%)	$25.7M	0.0%
Leadership and Administration	$11.8M	$11.5M	(2.4%)	$11.8M	2.0%
Multifamily Housing	$310.7M	$310.5M	(0.1%)	$310.2M	(0.1%)
Total	**$352.4M**	**$347.7M**	**(1.3%)**	**$347.6M**	**(0.0%)**
FTE	**69**	**69**	**0%**	**69**	**0%**

I. OVERVIEW AND SUMMARY

Overall, the Office of Housing's total appropriations would decrease by 1.3 percent from the 2026 Adopted Budget to the 2027 Proposed Budget and then remain the same in the 2028 Proposed Budget. The Homeownership & Sustainability Budget Summary Level (BSL) experiences the largest decrease, as $3.4 million in one-time funding allocated in 2026 is removed in 2027. The Leadership and Administration BSL is reduced due to technical changes. The most substantial change in OH's budget is in the 2026 Year End Supplemental, where OH's 2026 JumpStart Payroll Expense Tax Fund (JumpStart) appropriation is reduced by $65 million as the Executive transitions to basing OH's annual JumpStart appropriation largely on its cash expenditure needs. More information on this change is provided in the sections below.

A. Operating Budget

JumpStart Appropriation

OH's multi-family capital budget in the 2027-2028 Proposed Budget remains consistent with the 2026 Adopted Budget, including its JumpStart appropriation.

Because OH funds housing projects, which are capital projects, there can often be a significant time gap between date of initial funding award and when expenditures begin. As a result, OH has historically carried forward a large balance of JumpStart from year to year. However, as noted above, the 2026 Year-End Supplemental would reduce OH's 2026 JumpStart appropriation by $65 million as the Executive makes the transition to basing OH's annual JumpStart appropriation largely on its annual cash expenditure needs. The $65 million is used to support other City priorities in the Proposed 2027-2028 budget.

With the proposed reduction in the 2026 Year End Supplemental, OH would have a total of $263 million in JumpStart appropriations in 2026. The City Budget Office (CBO) and OH have determined that is the amount needed in 2026 for expenditures related for capital projects and resident services contracts, operating, maintenance and services contracts, and workforce stabilization contracts. If there is additional JumpStart remaining at the end of 2026, after accounting for all expenditures, the funding would either be returned to the JumpStart pool for other uses or be carried forward in OH. This is a significant change from past practice, in which 100 percent of all available OH JumpStart appropriation was carried forward each year.
The Executive's overall goal is to carry forward only 1) the minimum needed for OH to pay for planned multi-family capital expenditures in the next fiscal year, with a modest buffer and 2) all awarded but unspent homeownership funds, since homeownership appropriations would continue to be based on awards and not projected expenditures.

The Executive's position is that reducing OH's 2026 JumpStart allocation by $65 million is a decrease in affordable housing investment over the long term, as the JumpStart Tax does expire in 2040. However, they state this action itself does not impact capital investment levels, capital awards, or the speed of construction of awarded projects in the near term due to the plan to hold OH's JumpStart appropriation at $140 million in 2028 and the out years, and to make new multi-family awards based on future year appropriations. Given that this statement depends on budget decisions in future years, it is not possible for Central Staff to fully assess the accuracy of this position. See the Issue Identification section below for more details on this proposed change.

Proposed 2027 JumpStart Uses

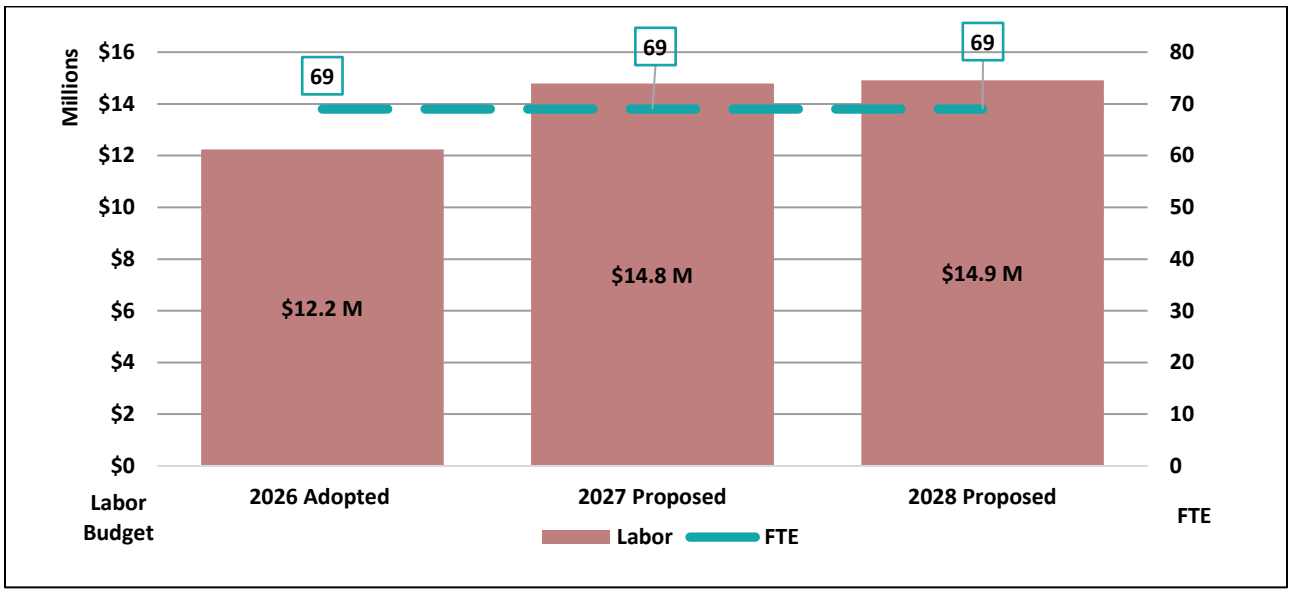
Chart 1. Office of Housing's Proposed use of their $140 million JumpStart allocation in 2027

Proposed Use	Amount	Notes
Capital expenses for multi-family rental projects	$69 million	Funds to pay for expenditures on multi-family projects that received awards in 2026 or prior years.
Resident Services	$2 million	Annual contract with providers to support services at housing that is not Permanent Supportive Housing (PSH)
Workforce Stabilization	$25 million	Annual contracts to support worker wages at PSH projects.
Operating, maintenance and services	$20 million	Annual contracts for PSH projects; OH makes an upfront 20-year commitment but renews contract annually
Homeownership Capital	$5 million	New homeownership awards will be based on current year appropriations, not future years like multi-family
Green New Deal Capital	$2 million	Oil to electric conversions for low-income households
Administration	$6 million	Expenses across various programs
Federal Funding Risk Reserve	$11 million	Intended for Continuum of Care (CoC) Backfill
Funding for new multi-family projects – new production, debt restructure, preservation, etc.	$0	Awards made for these purposes in 2027 will be paid for with future year appropriations
Total	**$140 million**	

It is notable that at least half of the JumpStart, if not more, is proposed to be used for purposes related to stabilization, and not to new production. Of the $140 million proposed appropriation for OH JumpStart in 2027, 33 percent ($47 million) is reserved for annual contracts to support operations and services, and this amount will continue to grow in future years due to inflation. Another $11 million is reserved for a federal funding risk reserve in addition to $26 million of OH JumpStart put in reserve in 2026, for a total federal funding reserve of $37.4 million at OH. See the Human Services Department Policy Considerations Memo for more information on the City's total federal funding reserve and risks related to federal Continuum of Care (CoC) funding.

B. FTE & Labor Changes

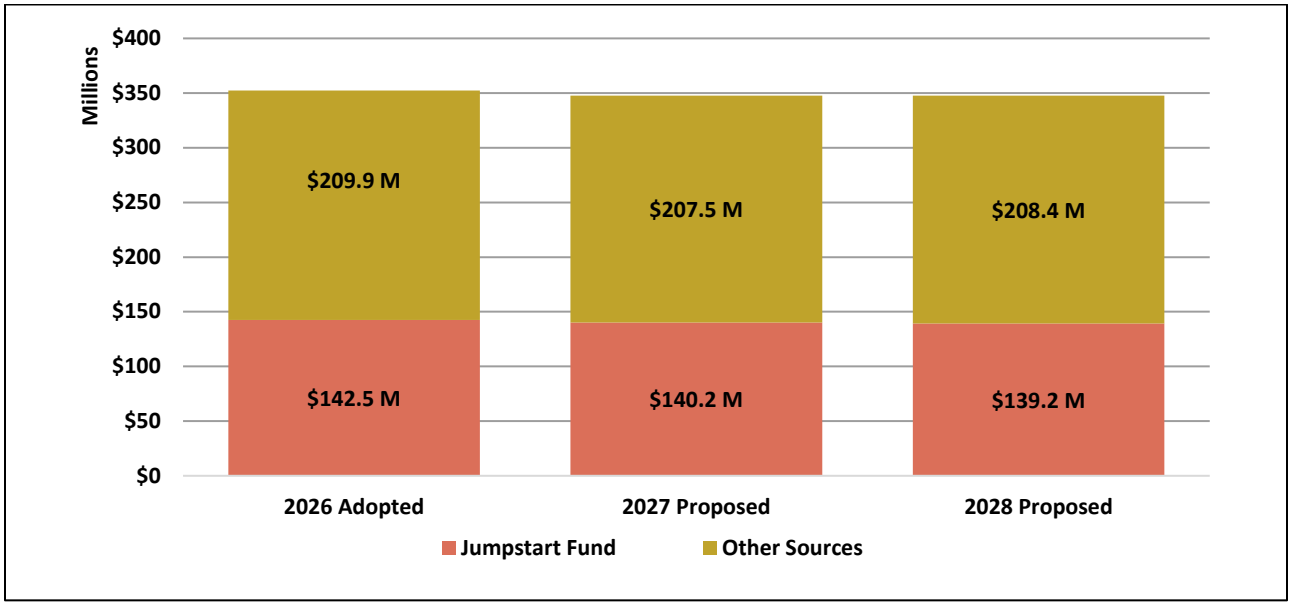
Figure 1. FTE & Labor Budget Summary



There are no changes to the number of FTE in OH from the 2026 Adopted Budget to the 2027 - 2028 Proposed Budget.

C. Fund Appropriations Summary

Figure 2. Fund Appropriations Summary



JumpStart would comprise $140.2 million of funding in 2027 and $139.2 in 2028. The other funding source shown in Figure 2 is composed primarily of the 2023 Housing Levy, which provides $138 million of revenue annually. Other funding sources in 2027 and 2028 include Mandatory Housing Affordability fees ($20 million), weatherization grants ($3 million), HOME funding ($3 million) and program income ($4 million). All other funding sources, except JumpStart, are heavily regulated by local, state or federal statute and have limited flexibility in terms of how they can be used.

II. ISSUES FOR COUNCIL CONSIDERATION DURING BUDGET DELIBERATIONS

1. Basing OH's JumpStart appropriation mostly on annual cash expenditure needs will require careful financial management.

Under this approach, OH will be using future-year appropriations to pay for multi-family capital commitments made in the current year. OH and CBO will need to have a strong system for monitoring year-to-date JumpStart expenditures and projected expenditures to ensure that adequate appropriations are always available. Additionally, OH and CBO will need a strong methodology for determining JumpStart amounts to be included in Multi-Family Notices of Funding Availability (NOFA), in order to accurately align any new commitments with future available JumpStart.

Options:

A. Council could adopt a Statement of Legislative Intent (SLI), requesting that OH provide quarterly budget to actual information and quarterly updates to its project expenditure projections, along with an explanation of any refinements OH has made to projecting project expenditures.

B. Council could adopt a SLI, requesting that OH inform them, prior to the publication of the 2027 Multi-Family NOFA, of the amount and purpose of any JumpStart included in that NOFA and provide the methodology for how this amount was determined.

C. No Change

2. Making awards based largely on OH's future JumpStart appropriation may require unknown future trade-offs.

As noted above, the Executive's plan is to make multi-family housing awards based on future- year appropriations. If JumpStart revenue declines significantly, the City will need to make difficult decisions about reducing funding in other priority areas, so that the City can meet its public and legal obligations. Once OH makes an award decision, they issue an award letter. While not legally binding, the affordable housing provider uses the award letter to line up other funding and typically begins incurring more pre-development expenses. Obligations become legal once the City and provider execute a loan agreement for the OH award, which typically happens 12-24 months after the initial award letter is issued. Council may want advance notice of how much JumpStart is included in the annual Multi-Family NOFA, so that it has a preview of what level of future year commitments are being made.

Options:

A. Council could adopt a SLI, requesting that OH inform them, prior to the publication of the 2027 Multi-Family NOFA, of the amount and purpose of any JumpStart included in that NOFA

B. No Change

3. Basing OH's JumpStart appropriation largely on annual cash expenditure needs may impede OH's ability to react quickly and nimbly to emerging provider needs

Over the last several years, OH has been able to quickly respond to emerging provider needs, as they are able to decide in real-time if available JumpStart should be prioritized to stabilize existing properties or be awarded for new capital projects. For example:

- In 2026 OH opted to utilize available JumpStart for Urgent Operating Support awards ($18 million), a debt restructure to stabilize existing at-risk properties ($20 million), a federal funding reserve ($26 million), and supplemental funding to increase prior awards if needed to pay for increased costs (at least $21 million). Consequently, OH chose not to award any JumpStart to new rental projects in 2026, the first time that has occurred since JumpStart's inception.
- In 2025, OH opted to utilize its available JumpStart for Urgent Operating Support Awards ($10 million), debt restructure to stabilize existing at-risk properties ($55 million), and supplemental funding to increase prior awards if needed to pay for increased costs ($13 million). Consequently, OH chose to invest only $12 million of JumpStart in new rental projects.

With the change to basing appropriations on projected expenditure needs, OH will have much less (if any) available JumpStart that can be quickly used to address these types of emerging needs. This may be problematic, as affordable housing providers continue to face significant challenges. For example, OH is currently engaging a consultant to conduct portfolio preservation assessments of four organizations, which may result in recommendations for additional City funding to stabilize OH funded housing.

Options:

A. Council could adopt a SLI, requesting that OH inform them how the department addressed affordable housing provider stabilization needs in 2027 and how they will address them in 2028.

B. No Change

III. BUDGET LEGISLATION

1. 2026 Year-End Supplemental ORD

As noted above, the most significant change in the 2026 Year-End Supplemental is the reduction of OH's JumpStart appropriation by $65 million. Other changes include:

- A transfer of $2.6 million in JumpStart from OH to the Human Services Department (HSD) related to shelter expansion costs; this was part of a previous agreement with Council to use $2.6 million in federal Community Development Block Grant funding for rental assistance in OH funded projects, which was the original intended use of this transferred JumpStart.
- A decrease in OH JumpStart appropriation authority by $1.1 million associated with the Seattle Housing Authority's Northgate Commons project. This funding has been re-appropriated as part of the 2027-2028 Proposed Budget for OH. At the time of adopting the 2026 Budget, the City had committed $20 million in total to this project with $5 million to be provided in 2026. Revised project estimates indicate that only $15 million of total City funding is needed to support this project. The Council transferred $3.9 million of underspend associated with this project to other uses in the 2026 Mid-Year Supplemental. The department will allocate a portion of baseline JumpStart budget as needed over time to fulfill the remaining $15 million commitment to this project.
- Transfer $30,000 JumpStart from OH to Office of Planning and Community Development to support a facilitator for the Mayor's Housing Production Task force. This task force, established under Executive Order 2026-4, will bring together representatives from labor, affordable housing providers, community-driven organizations, and market-rate developers is charged with developing and advancing policies that accelerate housing production to meet Seattle's growing and changing needs.

2. 2026 Year-End Acceptance ORD

The 2026 Year-End Acceptance ORD accepts:

- $800,000 in grant funding from the Washington State Department of Commerce for weatherization and high efficiency electrical equipment such as heat pumps for low-income homeowners and tenants.
- $4.6 million from the Washington State Department of Commerce under the Connecting Housing to Infrastructure Program to support utility and other infrastructure costs for homeownership development projects. Specifically, this funding will support the Admiral United Church of Christ, Cloverdale, Rainier Valley Affordable Homeownership Initiative Sites Six and Seven, and the Yarrow Townhomes projects.