Microsoft's commitment to addressing affordable housing in the Puget Sound region

The Need
The Seattle region is continuing to experience a growing housing affordability crisis, where demand for low- and middle-income housing continues to outstrip supply. It’s a long-term challenge, made worse by the COVID-19 pandemic, and one that disproportionately impacts communities of color.

“This is more than a home, it’s a community. And there needs to be room for all of us.”
—Jane Broom
Senior Director, Microsoft Philanthropies

Our Approach
In 2019, Microsoft launched an affordable housing commitment that currently stands at $750 million, focused on advancing affordable housing solutions in the Puget Sound region through targeted investment of loans and grants. We continue to engage with jurisdictions, housing developers and finance agencies to determine the best opportunities for accelerating the construction of more affordable housing in the region.

Examples of investments to date, include:

- **Washington State Housing Finance Commission**: $250 million line of credit to the Washington State Housing Finance Commission (WSHFC) (could create up to 3,000 more affordable housing units over the next decade).

- **Evergreen Impact Housing Fund**: $75 million investment for low-income housing on the Eastside (will create approximately 1,500 estimated units).

- **King County Housing Authority**: $60 million loan at below-market rates to finance acquisition of five middle-income residential apartment complexes in Kirkland, Bellevue, and Federal Way (preserved 1,029 units).

Innovative Financing
Microsoft's approach goes beyond simply writing a check. A common barrier to creating affordable housing is the ability to quickly secure financing for the period between project construction and completion. A similar challenge relates to extending borrowing capacity for partners who are working to preserve and grow our region's supply of affordable housing. Microsoft is piloting creative financing programs that accomplish both goals, providing partners with much-needed capital to move their projects forward.

Smart Policy
Addressing the affordable housing crisis will take more than just money – our community must also adopt critical housing policy measures to truly make a difference. We applaud leaders from the cities in our region who are enacting housing reforms such as reducing parking requirements, expanding affordability, and increasing density near transit.

Community Support
We all need to work together as a community to make progress. We believe that every individual and every business, large and small, has a responsibility to contribute however they can. That’s because ultimately, a healthy business needs to be part of a healthy community, and a healthy community must have housing that is within the economic reach of everyone.

Looking Ahead
We continue to listen to, learn from and work with our public and private partners on the front lines of our region’s housing crisis. Together, we are working to turn the vision of affordable housing into reality across the Puget Sound region.
Urban Housing Ventures Fund
Affordable Housing Initiative

Creating affordability for middle income workers
Microsoft invested $40 million to support the acquisition of 336 units across three properties through the fund Urban Housing Ventures (UHV). The fund is led by Stream Real Estate with the support of Freddie Mac, WAFd Bank and Washington Trust Bank. The properties, located in Bellevue and Kirkland, will allocate 40% of the units to maintain affordable rents for middle income workers. This investment creates new affordable units from existing units over an initial period of twenty years in market-rate buildings with high-demand locations. Learn more at urbanhousingventures.org.

Financial structure
Privately funded structure, with $40 million impact equity from Microsoft in combination with an interest-only loan provided by Freddie Mac at a below market interest rate. Stream Real Estate contributed the remaining equity while WAFd and Washington Trust provided mezzanine debt.

Investment

<table>
<thead>
<tr>
<th>Date Committed</th>
<th>November 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>$40 million</td>
</tr>
<tr>
<td>Commitment Term</td>
<td>20 years</td>
</tr>
<tr>
<td>Affordability Bracket</td>
<td>60-80% AMI</td>
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<tr>
<td>Partners/Sponsors</td>
<td>Stream Real Estate, Freddie Mac, WAFd Bank and Washington Trust Bank</td>
</tr>
</tbody>
</table>

Properties

<table>
<thead>
<tr>
<th>Properties</th>
<th>Waterscape at Juanita Village</th>
<th>Borgata</th>
<th>Aventine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>11801 97th Ln NE, Kirkland</td>
<td>37 103rd Ave NE, Bellevue</td>
<td>211 112th Ave NE, Bellevue</td>
</tr>
<tr>
<td>Year Built</td>
<td>2012</td>
<td>2001</td>
<td>2010</td>
</tr>
<tr>
<td>Approx. # of Units</td>
<td>197</td>
<td>71</td>
<td>68</td>
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</tbody>
</table>

Locational context
Located within downtown Bellevue and downtown Kirkland, the investment provides housing for middle income earners within some of the highest priced neighborhoods in the region. The properties offer renters close proximity to job centers and neighborhood amenities.
Support of KCHA acquisitions preserving workforce housing

Microsoft invested $60 million to support King County Housing Authority’s (KCHA) acquisition of five multifamily properties. The investment helps preserve 1,029 units at affordable rent levels for middle income groups. The project was funded with an additional $30 million from King County and $140 million in bonds from KCHA. Rents will be preserved through KCHA’s ownership and operation, with a priority on maintaining and growing affordability for residents. Without KCHA and Microsoft’s action, these properties would likely be bought by investors looking to turn the properties into market-rate housing and likely significantly rent-burdening or displacing current residents.

Financial structure

This investment was structured as permanent debt financing with below market interest rates.

Conversion & preservation

Properties

<table>
<thead>
<tr>
<th>Properties</th>
<th>Juanita View</th>
<th>Emerson</th>
<th>Kirkland Heights</th>
<th>Kendall Ridge</th>
<th>Riverstone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>11800 101st Pl NE, Kirkland</td>
<td>11010 NE 124th Ln, Kirkland</td>
<td>13310 NE 133rd, Kirkland</td>
<td>15301 NE 20th St, Bellevue</td>
<td>27314 24th Ave, Federal Way</td>
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<tr>
<td>Approx. # of Units</td>
<td>94</td>
<td>207</td>
<td>180</td>
<td>240</td>
<td>308</td>
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</tbody>
</table>

Locational context

Located in Bellevue, Kirkland and Federal Way, the investment contributes to preserving affordability in some of the neighborhoods with the fastest rent growth in the region.
Microsoft invested $6.8 million in the development of a non-profit hub that will include 280 units of affordable housing above. The property, owned by Together Center, includes covenants for affordable housing. The completed project will be owned by Together Center, Polaris (Inland Group) and Horizon Housing Alliance.

The Together Center, a consortium of non-profit groups, will take up approximately 50,000 square feet of the ground floor. These non-profit and community groups include A Regional Coalition for Housing (ARCH), Kindering, Child Care Resources, NAMI Eastside, Open Doors for Multicultural Families, People with disAbilities, and many more.

This project will provide housing for families and individuals earning 0-60% of area median income (AMI), including 60 units for families existing homelessness. Inland Group is the developer and general contractor supporting the project. The project is expected to be complete in Spring 2023. Learn more at togethercenter.org.

Financial structure
This investment was structured as mezzanine debt for the construction period of the project.

Locational context
The project, which is located at the Together Center’s current location, is approximately two blocks north from the Redmond Transit Center. The neighborhood offers many services and several food options within walking distance.
Grant for community driven equitable housing development

Microsoft contributed a $2.5 million philanthropic grant to Rise Together, a unique collaboration between six non-profit organizations (Community Roots Housing, Byrd Barr Place, White Center Community Development Association, Africatown Community Land Trust, Southwest Youth & Family Services, and GenPRIDE) who have come together to prevent displacement and preserve the diversity of their communities.

The coalition will result in approximately 475 new and preserved units of low-income housing in Seattle’s Central District, Capitol Hill and White Center neighborhoods. The Rise Together partners have come together to make a bigger impact on housing affordability and healthy communities than they could working individually.

With a comprehensive approach to community needs, their collective work will result in the creation of housing and vital neighborhood resources that encourage opportunities for all. Learn more at risetogethernow.org.

Properties

<table>
<thead>
<tr>
<th>Name</th>
<th>Africatown Plaza</th>
<th>LGBTQ – Affirming Affordable Senior Housing</th>
<th>Boylston-Howell Family Housing Rehabilitation</th>
<th>White Center Community Hub</th>
<th>Liberty Bank Building</th>
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</thead>
<tbody>
<tr>
<td>Address</td>
<td>1120 23rd Ave, Seattle</td>
<td>1515-1519 Broadway, Seattle</td>
<td>1726 Boylston Ave, Seattle</td>
<td>10821 8th Ave SW, Seattle</td>
<td>1405 24th Ave, Seattle</td>
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<tr>
<td>Year Built</td>
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<td>2023</td>
<td>1998</td>
<td>2024</td>
<td>2019</td>
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<tr>
<td>Approx. # of Units</td>
<td>126</td>
<td>118</td>
<td>30</td>
<td>81</td>
<td>115</td>
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Locational context

This grant supports specific communities by stabilizing housing opportunities and providing support services while helping the communities maintain proximity to the economic opportunity within the city of Seattle.
Grant for permanent supportive housing

Microsoft provided a grant of $5 million to Plymouth Housing’s PROOF campaign. The PROOF campaign is aimed at developing new permanent supportive housing for people experiencing chronic homelessness.

“Permanent supportive housing” is a permanent with on-site social services that will help residents thrive. The campaign will fund the development of approximately 600 new housing units by 2023, one of which opened in April 2020.

The PROOF Campaign has garnered financial support from corporate and community partners and coupled that support with public funds to finance new housing projects. Learn more at plymouthhousing.org/proof/.

Financial structure

This contribution to affordable housing was provided in the form of a philanthropic grant.

New housing development

Plymouth Housing’s Proof Campaign

Affordable Housing Initiative

Investment

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<th>Date Committed</th>
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<td>Commitment</td>
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<td>Partners/Sponsors</td>
<td>Plymouth Housing</td>
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Properties

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<thead>
<tr>
<th>Name</th>
<th>2nd &amp; Mercer</th>
<th>Madison/Boylston</th>
<th>12th &amp; Spruce</th>
<th>Ballard Crossing</th>
<th>Eastgate</th>
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<tbody>
<tr>
<td>Bob &amp; Marcia Almquist Place</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Address</td>
<td>501 Rainier Ave S, Seattle</td>
<td>607 2nd Ave N, Seattle</td>
<td>1400 Madison St, Seattle</td>
<td>169 12th Ave, Seattle</td>
<td>6419 15th Ave NW, Seattle</td>
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<tr>
<td>Year Built</td>
<td>2020</td>
<td>2021</td>
<td>2022</td>
<td>2022</td>
<td>2022</td>
</tr>
<tr>
<td>Approx. # of Units</td>
<td>105</td>
<td>93</td>
<td>115</td>
<td>103</td>
<td>81</td>
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</table>

Locational context

The new housing built through Plymouth Housing’s PROOF Campaign will primarily be located in Seattle, with one of the projects in Bellevue to address the growing need for supportive housing in East King County.
$250 Million Line of Credit for the WSHFC
(Washington State Housing Finance Commission)
Affordable Housing Initiative

Public-private financing partnership
Microsoft has partnered with the Washington State Housing Finance Commission (WSHFC) on an innovative and award-winning public-private initiative.

Microsoft committed $250 million as a no-cost line of credit. This line of credit will allow WSHFC to recapture and reuse a portion of its tax-exempt bond authority, extending scarce resources and financing approximately 3,000 additional units that the WSHFC would not otherwise be able to fund.

This investment reflects a deep partnership with the WSHFC and received the National Council of State Housing Agencies’ 2020 Award for Financial Innovation. Learn more at wshfc.org.

Financial structure
Microsoft’s commitment is structured as a line of credit at below market rates.

Locational context
These funds will support the financing of affordable housing development throughout Washington State.

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**Investment**

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<thead>
<tr>
<th>Date Committed</th>
<th>January 2020</th>
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<td>Low Income</td>
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<td>Partners/Sponsors</td>
<td>WSHFC</td>
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</table>

**Property**

| Approx. # of Units | 3,000 |

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Expansion of the WSHFC land acquisition program

Microsoft invested $25 million to build upon the Washington State Housing Finance Commission’s (WSHFC) successful Land Acquisition Program (LAP).

LAP supports land acquisitions for non-profits, housing authorities and tribes who intend to build affordable housing that serves residents up to 80% of area median income.

The Expanded Land Acquisition Program (ELAP) is funded by Microsoft to support acquisitions within East King County. Any developer, non-profit or for-profit can utilize the program if their intent is to purchase land for affordable housing that serves residents up to 120% of area median income. Under the program, the project must remain affordable for 20 years. The project can also earn a lower interest rate by influencing local ordinances or regulations to meaningfully and positively impact affordable housing projects. Learn more at wshfc.org.

INVESTMENT

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<tr>
<th>Date Committed</th>
<th>November 2020</th>
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<td>Commitment</td>
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<td>Partners/Sponsors</td>
<td>WSHFC</td>
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</tbody>
</table>

Financial structure

This is a revolving debt fund with a three-year maximum term. WSHFC administers the loans which are sized up to 75% loan to land value and have interest rates varying from 2-5%.

Locational context

ELAP applies to projects within East King County, which has the largest gaps in low and middle income housing in King County.
Investment in new capital source

Microsoft has committed $75 million to the Evergreen Impact Housing Fund (EIHF). EIHF is an innovative fund that generates catalytic capital for affordable housing.

The fund was launched by a newly formed partnership between Seattle Foundation and the Washington State Housing Finance Commission with support from JPMorgan Chase & Co and the Tableau Foundation.

The fund supports affordable housing developments that are primarily financed with tax-exempt bonds. The tax-exempt bond financing, however, often does not cover all project costs. Filling this gap in financing can be challenging for affordable housing developers. The EIHF fills this gap with low interest, patient capital.

Providing this resource to the affordable housing community is expected to promote the development of approximately 1,500 additional low-income housing units. Learn more at evergreenimpact.org.

Financial structure

The EIHF investment uses investor impact equity to fund the finance of low interest loans available to affordable housing developers.

Locational context

The Fund is available for projects throughout King County.
Grant for eviction prevention and rental assistance

Microsoft was proud to provide a $5 million grant as title sponsor and work with founding partners (Seattle Mariners, King County Bar Association, and United Way of King County) to support the Home Base program.

The Home Base program works to prevent housing displacement and homelessness by providing an array of services for those strained by the cost of housing. Services include legal representation, back rent assistance, and providing caseworker help.

Originally focused on eviction prevention when the program launched, Home Base was able to quickly pivot to provide rental assistance amidst COVID-related eviction moratoriums and will continue to evolve to provide quick and flexible support to keep people in their homes.

Home Base’s goal is to reduce the number of unsheltered people in our community by fifty percent. Learn more at uwkc.org.

Financial structure

This contribution was structured as a philanthropic grant.

Locational context

The Home Base program supports people throughout King County.