

Excerpts from... Bloomberg Businessweek's
**Microsoft Learns Money Alone Can't
Fix Seattle's Housing Mess**

The company has taken a lead among big tech companies in helping to keep Seattle residents in their homes, but the scale of the problem is much bigger than its commitments.

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EXCERPTS:

- “Microsoft Corp. unveiled a \$500 million pledge last January to tackle the housing crisis in the Seattle area.
- “If Microsoft’s experience over the past year is any gauge, the companies are approaching the task thoughtfully. But good intentions and careful investments won’t be enough to address a complex, urgent dilemma decades in the making. “We can’t expect that a couple of corporate gifts are somehow going to solve the problem,” says Jenny Schuetz, a fellow at the Brookings Institution who studies housing policy. “The scale of need is just so much bigger.”
- “On Jan. 15, Microsoft—now valued at more than \$1.2 trillion—announced an additional \$250 million line of credit to the Washington State Housing Finance Commission, along with several new projects and grants. The company’s efforts so far are expected to preserve or create more than 6,700 affordable homes, with about half the \$750 million total yet to be committed.
- “Last spring, Microsoft asked developers to present their best ideas for building and preserving middle-and low-income housing. “To be honest,” Broom says, “we were a little underwhelmed.” Most of the 15 or so proposed projects weren’t far enough along to fund, she says, or didn’t target the suburbs Microsoft wanted—within an hour’s commute of Bellevue, Wash., near its Redmond headquarters, areas where there are few affordable developments under way.
- “The standout proposal was from the King County Housing Authority, which administers federal rental assistance and owns more than 11,000 units in the cities around Seattle.

- “Last year, Watson’s group used a \$60 million loan from Microsoft (interest-only for 15 years at 1%) to help buy the complex and four other properties in the region. Its plan is to boost rents only as much as the housing authority’s operating costs rise—typically about 3% a year, vs. 5% to 8% a year for a market-rent increase in the area.
- “Preserving a unit of affordable housing costs around \$300,000 to \$350,000 in the Seattle area, compared with more than \$400,000 for new construction, says Stephen Norman, the housing authority’s executive director. Preservation, however, requires competing with aggressive private investors looking to gut units and start fresh.
- “Fixing the mess will require new housing, too, which means overcoming some tough math. The companies are looking to stretch their dollars across a wide range of projects in California and contribute land that can be used for residential development. But costs to build are so high that Google and Facebook, which each pledged \$1 billion, say they’ll probably create only about 40,000 homes combined—in a state that needs millions of them.
- “The pricing out of working-class populations (cops, nurses, firefighters) has rendered these areas less attractive. It’s much tougher for, say, schools to hire talented teachers who know they’ll be signing up for a 90-minute-or-longer commute each way.
- “While the housing money is helpful, the tech companies would create a more durable legacy if they worked to change policy. The federal government has pulled back dramatically from housing assistance, currently spending about a third of what it did in the late 1970s.
- “Nimby-influenced policies have all but outlawed construction of new affordable housing in many places. Large employers have an outsize ability to sway that sort of thing.
- “The company also backed last year’s increase to the state’s housing trust fund. “That was really the muscle of Microsoft,” says former Governor Christine Gregoire.
- “Challenge Seattle has worked with the company [Microsoft] to advocate for more middle-income housing. Facebook has backed a controversial bill that would force California cities to rezone for higher density. Corporate advocacy for such reforms is relatively new.

THE STORY IS INSTRUCTIVE:

1. Corporate massive monetary contributions are helpful but do not significantly “move the needle.”
2. Corporate appreciation for their dependence on “cops, nurses, firefighters” and teachers is putting the emphasis on the indirect impacts of the issue, where it belongs.
3. Corporate support for local policies that improve the political and regulatory environment for affordable housing for low and middle income families is effective.
4. Corporate support for organizations that know how to produce affordable housing, such as federally funded programs, state housing trust funds and local housing authorities, is effective.