Microsoft’s $500M affordable housing plan begins to shape

Microsoft unveiled details of its massive affordable housing initiative earlier this week, saying it will fund projects from developers that provide a significant number of units to middle- and lower-income families within a reasonable commute of the company’s headquarters in Redmond, Washington.

Jane Broom

Microsoft Philanthropies Director Jane Broom laid out the company’s strategy for its $500 million housing plan Wednesday during an event in Bellevue, Washington, according to GeekWire.

Both communities are near the Seattle metro area.

As part of that plan, Microsoft will fund housing projects with at least 100 units that set aside at least 40 percent of those units for middle-income families, or 80 percent for low-income families.

Real estate developers will further have to commit to keeping those units affordable for 10 years.

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Broom also reportedly said that the projects must lie within a 60-minute commute of Bellevue during peak rush hour.

The company will begin taking applications for the funding in about a week, GeekWire reported.

Microsoft first announced its affordable housing initiative in January. At the time, Microsoft executives wrote in an open letter that median income in the Seattle region “hasn’t kept pace with rising housing costs, increasingly making it impossible for lower- and middle-income workers to afford to live close to where they work.”

“Teachers, nurses, first responders and many in key roles at nonprofits, businesses and tech companies now begin and end their workdays with long commutes,” the letter added. “And people who are homeless face problems that are even more daunting.”

Seattle and surrounding communities have been particularly affected by affordable housing woes in recent years.

The area has seen a 21 percent increase in jobs since 2011, thanks in part of huge technology companies like Microsoft and Amazon. But at the same time, housing construction has only grown by 13 percent during that same time period.

Meanwhile, home prices in Seattle rose nearly 93 percent over the roughly decade-long period between the bottom of the housing crisis and last January, according to data from local multiple listing service Northwest MLS (via the blog Urban Condo Spaces). Recently though, the area has seen home prices cooling off, to the relief of some would-be buyers.

Of course, Seattle’s housing affordability challenges are hardly unique across the U.S., with recent analysis from the Associated Press showing that in the last seven years home values in more than three-quarters of U.S. metro areas have risen faster than incomes. The imbalance between job growth and housing costs has been driving people out of expensive coastal cities like Seattle, San Francisco and Los Angeles, and into more affordable metros such as Boise, Phoenix and Salt Lake City.

Recent reports also offer little hope that the trend toward less affordable housing is going to end anytime soon. In May, for example, data from CoreLogic showed that rents were continuing to soar, especially in the once-affordable Southwest.

A report from the National Association of Realtors last month also found that housing affordability dipped in March as home prices rose.

Microsoft's affordable housing plan was designed to address these problems at least on its home turf. At the time it announced the plan, the company said that it would set aside $225 million for lower-than-market rate loans to inject capital and subsidize the preservation and construction of middle-income housing.

The remaining money would be used to make loans at market rate returns to support the building of low-income housing across King County.

At the event Wednesday where Broom announced new details about the program, former Washington Gov. Christine Gregoire also reiterated the need for more affordable housing in the region.

"There is a cascading effect when your middle-income can't afford to live in a community," Gregoire reportedly said. "There is a direct correlation with low-income and ultimately homelessness. Socioeconomic diversity is good for the vibrancy of a city and without it, we cannot be a livable community."

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