

**[NB: The date on this memo should be May 6, 2026.]**

## MEMORANDUM

**TO:** City Council  
**FROM:** Anna Killion-Hanson, Director of Housing & Neighborhood Development  
**DATE:** May 4, 2026  
**RE:** **Re: Councilmember Stosberg's Response to Memo**

This memo provides clarification in response to questions raised regarding the Right of First Refusal and the silent second framework. The prior memo was intended to describe potential tools for preserving long-term affordability in single-family homeownership.

### **Right of First Refusal / Formula-Based Pricing**

The prenegotiated price within the Right of First Refusal (ROFR) structure would be **formula-based**. The memo provided an example of a possible formula — not a finalized formula.

That distinction matters.

Contracts may contain any number of enforceable terms designed to preserve long-term affordability while maintaining financeability and market function. The framework discussed included the following limitations:

- In no event may the average annual increase exceed 3% appreciation per year;
- In no event may the purchase price exceed the PUD AMI restrictions applicable to the unit (120% AMI).

The repeated characterization that a hypothetical example somehow represented a finalized structure is simply inaccurate.

### **Appraisals**

Appraisals are independent valuations determined under the Uniform Standards of Professional Appraisal Practice (USPAP). They are driven by market data — not policy preference or political opinion.

Under the sales comparison approach, appraisers evaluate sold comparable homes within the same neighborhood, or within approximately one square mile when appropriate, generally using sales within the previous 12 months and making adjustments for square footage, condition, amenities, and other market-based factors.

The referenced figure of \$125,000 was hypothetical and used illustratively. It was not presented as a guaranteed valuation, nor as a definitive pricing mechanism.

## Appreciation Cap Clarification

The memo also clearly explained that the 3% appreciation cap would be calculated on a compounding annual basis. This was explicitly stated.

***“3% appreciation will be calculated on a compounding basis by year.  $\$83,160 \times 1.03 = \$85,654.80 \times 1.03 = \$88,224.44$ , with this method being used to adjust over the total number of years between the initial purchase and recent sale.”***

Using the example provided:

- Year 1: \$83,160
- Year 2: \$85,654.80
- Year 3: \$88,224.44
- Year 4: \$90,871.18
- Year 5: \$93,597.31
- Year 6: \$96,405.23
- Year 7: \$99,297.39
- Year 8: \$102,276.31
- Year 9: \$105,344.60
- Year 10: \$108,504.94

...and so forth through the applicable holding period.

The methodology was plainly described in the memo. Assertions to the contrary suggest the explanation was either overlooked or misunderstood. The mathematical difference in Councilmember Stosberg's memo is related to when year one is calculated, which was clarified in the previous document but omitted.

## AMI Index Methodology

AMI indexing has become an increasingly common affordability preservation tool because it ties resale pricing to income growth rather than speculative market appreciation.

Under this structure, the resale formula adjusts based on the percentage change in Area Median Income (AMI) as published annually by HUD. The purpose is straightforward: as AMI rises, the allowable resale price rises proportionally, allowing future income-qualified buyers to continue purchasing the home without requiring additional public subsidy.

Importantly, AMI indexing avoids distortions created by abnormal historical market events such as the 2008 financial collapse or the COVID-era housing surge. HUD's annual AMI determinations already account for broader economic conditions and regional income trends.

Again, the memo discussed a possible formula — not a finalized formula. Repeatedly framing preliminary examples as fixed policy is misleading and would not accurately reflect the purpose or content of the original memo.

## **Silent Second Structure**

The proposed silent second mortgage structure is also being mischaracterized.

A silent second mortgage — likely in the form of down payment and closing cost assistance, potentially around \$10,000 — would be executed at the initial sale. That subsidy would remain attached to the affordability structure and roll forward with subsequent transactions.

No new subsidy would be injected at each resale.

The silent second would be forgiven upon execution of a new silent second with the next qualified buyer. In practice, the subsidy simply rolls from one income-qualified purchaser to the next in order to preserve long-term affordability.

Likewise, the Right of First Refusal is simply a contractual agreement entered into voluntarily at the time of purchase. Future buyers either agree to the affordability terms or choose not to purchase the home.

Additionally, it has been repeatedly stated that the City, or its assignee, would hold the ROFR. In many cases, implementation would simply involve connecting qualified buyers with available, affordable ownership opportunities in order to preserve permanent affordability.

## **Larger Policy Concern**

It is increasingly concerning that, despite repeated testimony from multiple entities, there remains a refusal by certain Councilmembers to acknowledge a fundamental reality: the affordability mechanisms currently embedded within the UDO were primarily designed around multifamily rental development and do not translate effectively to single-family affordable homeownership.

That concern has now been raised repeatedly by professionals actively working in affordable housing implementation, financing, and development.

If the stated goal is truly affordable homeownership, then the City needs tools that are enforceable, financeable, and practical.

Finally, this process has also exposed a troubling tendency to dismiss the expertise of the very people working daily in affordable housing implementation, finance, and compliance. Those of us operating in this space are not discussing theoretical models — we are dealing with the realities of underwriting, subsidy layering, market absorption, legal enforceability, and long-term stewardship in real time.

Disagreement is expected. Dismissiveness, condescension, and repeated mischaracterization of clearly stated information are not constructive policymaking. If Council genuinely wants affordable homeownership delivered, it must begin by listening to the practitioners who are actually responsible for making these projects function in the real world.

Staff remains available to work through final terms, implementation details, and legal mechanisms necessary to ensure that the affordability structure is clear and applicable.