



The Otis Hotel, downtown Spokane, Washington

# There's No Place Like Home:

Finding a place for Spokane's low-income to hang their hats

by Toby Hatley

**B**OB PEELER WAS NOT WORRIED as he stepped into the Otis Hotel. After all, he was familiar with the aging and clearly decrepit building. Twenty-seven years as a case worker and homeless outreach program director for the Spokane Neighborhood Action Program had taken Peeler into hundreds of shelters, domestic squabbles, jails and below standard apartments – even a tent city or two was on his resume. The Otis was downtown Spokane's housing of last resort and Peeler was here to help 77 residents, many of them disabled, felons, sex offenders, elderly – and all of them poor – find new homes. It was something he had done thousands of times before. Bob's clients were usually happy to see him, knowing he would help overcome their usual challenges. But this time was different.



"I thought I'd be doing them a big favor," says Peeler who, along with a team of several other local outreach professionals who called themselves the Home Finders, were ready to help relocate residents to new digs. The Otis had a new owner with plans to renovate the decaying 97-year-old building, which meant moving everyone. Their next accommodations would be safe, clean and modern: No more walking down the hall to use the bathroom or to fix a meal in the common kitchen; their new homes would also meet all fire, safety and health codes – something the Otis did not. Full service grocery stores would soon be nearby, not just the small convenience store across the street that only sold packaged food, beer, wine and cigarettes. And residents would be safe, something not always found at The Otis. The Spokane



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Fire Department responded to the Otis several times a month, drug deals outside the front door were common, the health department's needle exchange program was around the corner and a woman had recently been stabbed just down the street. All that would change by leaving the corner of First and Madison. "We knew what we were doing but this was a whole different group from what I'd experienced before," says Peeler. But Otis residents did not want to leave; they were not the only ones.

Downtown Spokane's west end contained the last of the city's once plentiful cheap housing where the extremely poor, mentally disabled and those with criminal backgrounds could find an affordable place to live. But that changed in the spring of 2007 when it was announced that three West 1st Avenue area, low-income apartment buildings within a block of each other, right in the middle of downtown's emerging Davenport Arts District, were being sold and that renovations and changes of use would force people to move. Almost 200 people were, at least at first glance, suddenly being displaced so work could begin on The Commercial Building, the New Madison Apartments and the Otis Hotel.

The Home Finders worked an average of 20 hours a week on top of their full time jobs trying to relocate everyone. It was tough. Residents' reluctance to leave familiar surroundings, even for better neighborhoods with more amenities, was a huge challenge because of their meager incomes, lack of mobility and reliance on nearby social services. Peeler discovered that most residents lived on between \$400 and \$700 a month – what the federal government calls extremely low income. The National Low Income Housing Coalition says Spokane's Fair Market Rent for a safe, up-to-code, one bedroom apartment is \$498 a month without utilities, far more than Spokane's extremely poor can afford.

Transportation was also an issue, as most tenants did not own cars. Leaving downtown meant they could no longer walk to a nearby health clinic, several food kitchens that served free meals or psychiatric services. The criminal backgrounds of some also barred them from passing prospective landlords' background checks. "I had never experienced anything like this before," Peeler says. "They became angry, frustrated and felt discarded."

Unprecedented cooperation among developers, low-income advocates and government agencies eventually relocated everyone; creating new affordable housing also shifted from a developer's dilemma to a public problem. But those who dealt with the long simmering issue that boiled over this summer were caught short by the lack of low-income housing, no plans to solve the problem and the reluctance of affected residents to seek better accommodations. Now, however, there is a unique chance to find a permanent solution to the problem that has been ignored for decades – one that could be a model for the entire country.



Marty Dickenson

The alternative is to risk losing the region's reputation as a great place to live, work, play and raise families.

Signs pointed to an affordable housing shortage for years but the speed with which it hit surprised everyone says Downtown Spokane Partnership (DSP) president Marty Dickenson. The Davenport Hotel, River Park Square and The Fox Theater, part of the city's resurgence, were clues that were missed says Dickenson. "Just looking around you gotta' know it's coming," she says.

The DSP has been the driving force behind the central business district's economic development efforts since being formed in 1995 by a group of downtown property and business owners. The results were already stun-

ning when Dickenson took over in May 2005. New downtown investments were nearing \$3 billion; restoration of historic landmarks such as the Davenport and Steamplant Square had helped re-energize the moribund business community, and national retail chains and restaurants that had previously ignored Spokane were moving in. Local developers also realized that the city's ample supply of decaying, almost century-old buildings could be rehabilitated which would provide new life, attract new businesses and draw more permanent residents to the city's core. But increased development was not Dickenson's first hint that Spokane's supply of cheap housing had virtually disappeared. "DSP wasn't pounding that drum," of more downtown investment she says. "The safety of the buildings and what was going on behind closed doors was."

Budget cuts and policy changes during the 1980s and 1990s had eliminated a dedicated downtown police presence. Dickenson began lobbying for more officers and tougher enforcement after fielding dozens of complaints from DSP members about aggressive panhandlers, drug dealers, prostitutes and transients sleeping in downtown doorways. People began feeling so unsafe in the central business district, Dickenson says, that DSP considered installing surveillance cameras on private buildings as a way to deter criminal activity and show law enforcement that help was needed. It was while she struggled with the crime issue that Dickenson noticed another potential problem: The number of safe and affordable low-income buildings had dwindled, which forced many into substandard and unsafe housing.

Most of the remaining low-rent inventory was squeezed into a seedy two block area along West 1st between Monroe and Jefferson where those on general assistance, social security or other government subsidies could afford the average \$200 to \$350 a month rents. It was also a favorite spot for the state Department of Corrections to house newly released felons.

But the neighborhood was changing and the buildings became prime targets for developers. The Fox sits across the street from the Otis, New Madison and the Commercial Building – they're within two blocks of the Davenport, the Spokane Athletic Club, the KHQ-TV studio and the upscale businesses in Carnegie Square. The west end's new condominiums, nightclubs, restaurants



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and art galleries were also drawing more visitors and full-time, middle to upper income residents.

Larry Soehren, Vice-President of Kiemle and Hagood, the region's largest commercial real estate firm, says a "perfect storm" of a strong economy, aging buildings and community neglect led to the huge loss in affordable housing stock. "We knew we had a good inventory of low income housing downtown so the focus became developing higher end stuff," says Soehren, whose company also manages almost 900 subsidized, affordable housing units. He says a growing economy made downtown condo projects and apartment renovations more feasible. But Soehren, one of the founding members of the Downtown Spokane Partnership says the recent appearance of moderate, market-rate and high-end housing has had no effect on the dwindling supply of affordable units – not one low-income resident has been displaced by a condo project.

Developers and low-income housing advocates say not replacing the lost housing stock hurt more. Former low-income apartment buildings such as the Saranac in downtown's east end and the Jefferson Hotel and Norman building on West 1st are examples of an estimated loss of 700 affordable rentals over the past five years. The Saranac was converted to offices and is now part of the Community Building complex. The Jefferson and Norman's tenants were evicted in 2003, and today, though the buildings were gutted, they remain closed. Soehren says that "not caring and not acting on the problem will create an even bigger drain on the community's resources such as police, fire, mental health and medical."

Many of the aging buildings were also allowed to decay to the point where it became extremely difficult and expensive to keep them open says Chris Batten, co-founder of RenCorp. Batten's company specializes in renovating historic buildings in the city's urban core; projects include affordable rental housing, mixed use developments and moderate to market-rate condos. Batten says many older buildings used for low-income housing don't meet current fire or safety codes but won't be modernized because not enough rent can be charged to pay for the upgrades. So the properties continue

to decline, become less safe and eventually close because owners cannot break even let alone make a profit. "We should have seen the handwriting on the wall and we just didn't," says Batten.

Batten saw another storm brewing, however. Valencia, California based BlueRay Technologies announced in May 2007 that it was buying the Commercial Building out of bankruptcy and would spend \$12 million to convert the three-story, low-income apartment complex to a manufacturing plant for next-generation DVD's. Batten and a development partner had just decided to proceed with plans to modernize the nearby New Madison Apartments; a de-



Chris Batten

cision by Batten's RenCorp to purchase and renovate the Otis Hotel followed shortly. Dozens would need new homes in a matter of weeks.

Batten had begun developing a long term strategy for the New Madison and Otis almost a year before BlueRay entered the market because he understood the logistical and public relations challenges of evicting the extremely poor, physically and mentally disabled and sex offenders. Most did not qualify for any federal housing programs, which would make it easier to find homes; potential landlords would also be reluctant to open their doors. Batten was urged by many downtown business owners to give tenants the legally required 20 days notice and move on. He refused saying

it would have been irresponsible because three weeks was not enough time to find everyone new homes. He also did not want to be seen as the developer who kicked people onto the streets – and RenCorp did not want to even consider how a tent city or FEMA trailers would play in the media.

Batten's initial development plans included low-income apartments but he knew that subsidies were needed for any affordable housing component. So he approached the city's Community Development Department in June 2006 to explore financing options. "I was told that one bedroom units were not a priority," he says. Community Development said there were enough of those and that it was focused on affordable two and three bedroom apartments. He was also told that relocating low-income residents was his problem – not the City's. Batten had better luck with Spokane County's Department of Housing and Community Development, which approved a \$225,000 grant to create 20 low-income units in the New Madison. But both projects were delayed a year because of the City's response.

He asked Dickenson and the Downtown Spokane Partnership last spring to help persuade the City and the non-profit housing community to support a new idea: Use public money to keep the Otis open through the winter as temporary housing for those being displaced. Batten said that would be enough time to create 20 new low-income and 40 market-rate apartments in the New Madison and find new homes for Otis residents.

Then-mayor Dennis Hession and City Council President Joe Shogun both told Batten that they appreciated his efforts and concern for the tenants but rejected his request for \$450,000 to fund the transitional plan. They said putting any money into an aging building that would soon be remodeled was not in the City's best interests. The non-profits were also cool to the idea; distrust of private sector developers had arisen over the years and many said during a series of meetings this summer that any extra government housing money should be earmarked for non-profit groups dealing specifically with low-income residents and the homeless. Instead, with Shogun taking the lead, the City appropriated \$250,000 to be used only for relocating



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people; Hession appointed an Affordable Housing Task Force, which included developers, low-income advocates, legal experts and government officials to find solutions. Answering the low-income housing problem was now public policy.

Northeast Washington Housing Solutions helped move 49 tenants from the Commercial Building in two weeks. NWHS executive director Steve Cervantes says federal housing vouchers made the job easier because displaced tenants could use them for market-rate housing almost anywhere. But the Home Finders had trouble despite the City's quarter million dollars and another \$50,000 from RenCorp, which kept the Otis, open three months past the original August closure deadline. SNAP's Peeler says no federal money meant housing was harder to find for Otis and New Madison residents. He also says many were reluctant to leave because they would be separated from their friends – perhaps the closest family that most ever had.

"The Otis had a real sense of community," he says. The communal kitchen and bathrooms may have been inconvenient, but they offered residents, especially those who rarely ventured outside, a chance to interact with others. Peeler also says people took on different traditional community roles. Some watched over others, a few became mediators, others were shoppers. "They kind of developed a family," Peeler says. "They fit in."

The place also had a bad reputation – an undeserved one says Peeler. "They're not all bad people," he says. The average tenant was 58 years old and had lived there for nine years on \$620 a month. A few had called the Otis home for more than 25 years. Only six of the 77 people eventually moved were not either physically or mentally disabled. Ten were convicted sex offenders.

Peeler says several residents were rejected by prospective landlords when they listed the Otis on their rental applications so they used the address instead – 110 S. Madison – it didn't help. Many others were like Robert, a resident who had lived in the Otis for 20 years. Peeler says the 56 year old handyman was being treated for cancer when the eviction notices came. But Robert refused assistance because he just wanted

to be left alone says Peeler. "He thought that moving from the Otis would be his death warrant." Eventually Robert accepted help; everything was approved for him to go to the Cooper George, an assisted living facility near downtown. But he was told just before he moved that he did not qualify because of open sores on his feet caused by his chemotherapy treatments. All agencies pulled together and finally found him a home two days before the Otis closed November 15th.

The problem's urgency also created new alliances. Catholic Charities of Spokane executive director Rob McCann says when he walked into an early meeting and saw low-income housing advocates, private developers, City Council members, the Downtown Spokane Partnership and law enforcement sitting at the same table he "thought it was



Larry Soehren

either going to be a blood bath or that there would be a lot of talking and window dressing and that nothing would be done." But he says Spokane is very good at helping people who need it most – better than most cities in America.

McCann says he wasn't surprised that traditional antagonists began working together – they had a common goal. He and RenCorp's Batten had been at odds over clients of the House of Charity, a Catholic Charities property across the street from Batten's east downtown office. But they put aside their differences when Batten asked for McCann's help. Batten says relocating so many people could not have been done without McCann and Catholic Charities. McCann's feelings are mutual. "Chris did everything he could," says McCann. "He really cared for the people in the

Madison and the Otis. The people were moved out with dignity, compassion and respect, which would not have happened in Seattle. Now the opportunity is in front of us to map out a dialogue of how we're going to live together."

SNAP Assistant Director Ray Rieckers agrees. "We need to maintain the motivation to promote the prosperity of downtown for all economic sectors – that's crucial," he says. "Housing is a piece of that." Rieckers says this is the first time in his 30 years with SNAP that he believes the community can solve the affordable housing problem. But he says it needs a regional approach, more public money, local government housing policies and private sector help.

Spokane developer Mick McDowell concurs. McDowell has remodeled 28 different buildings and created some 900 affordable housing units in the downtown area since 1976. But the owner of downtown's America West Bank building says he shifted his focus to commercial projects in the late 1990s because government caused affordable housing to become more difficult and expensive to develop. McDowell says fewer permits, reduced building and impact fees, expanding the existing multi-family property tax abatement to include builders and more government flexibility will lure developers back to the table. "The private sector can't do it on its own," he says. "Government has to play a role to help close the gap between what it costs to create low income housing and what the developer can collect in rents."

The private sector is also more efficient and much faster at building affordable housing because private financing has fewer strings than public money says McCann. He says Catholic Charities needs at least three years to build one low-income housing project – more if land is hard to find – because federal dollars have huge restrictions including not being allowed to use the money to build housing for those with criminal histories. Developers can do the job in about half the time he says.

Spokane Mayor Mary Verner agrees the private sector must be involved. She also says that some sort of regional housing authority, which includes the City of Spokane, Spokane County, the City of Spokane Valley and the region's smaller communities is necessary. "Government



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has a fundamental role to address public safety issues," Verner says. "Government also needs to help with economic development, workforce and other affordable housing which are key if we're to continue to be competitive in the marketplace." The Spokane City Council is currently crafting a tenant relocation ordinance; Verner says she likes the concept but will see what the Council creates before endorsing it.

While Spokane is poised to begin solving its housing dilemma, Coeur d'Alene and Kootenai County have already begun. The Lake City Development Corporation recently formed a subcommittee called Kootenai Perspectives to find a solution to North Idaho's growing housing affordability problem. Kootenai Perspectives is comprised of representatives from Coeur d'Alene, Post Falls, Hayden, Kootenai County, the Panhandle Health District, local school districts and the private sector.

Coeur d'Alene City Councilman and Kootenai Perspectives member Mike Kennedy says the group began seeking solutions when a recent housing consultant's report showed that Kootenai County is short 1,800 affordable workforce-housing units. A low-income housing project using federal money was already in the pipeline so Kennedy says the group decided to focus on efforts to ensure that teachers, firefighters, police officers, government workers – regular citizens – can live near where they work. "I don't want to be Sun Valley where service workers are driving two hours for a \$9 an hour job," he says.

Two ideas are being vetted: A Land Trust and a Housing Home Equity Partnership Fund. The non-profit Land Trust would purchase property for new home construction, which Kennedy says should reduce building costs. The property will stay with the Trust but the homes could eventually be sold with the owner retaining the equity. The Housing Home Equity Partnership Fund would partner with the Idaho Housing and Finance Association to provide up to \$50,000 for a "soft second" mortgage. The idea is to close the financing gap for those who cannot qualify for mortgages because of a lack of affordable houses in Kootenai County. Owners would have to live in the homes for at least five years before being able to sell; the \$50,000

would then be repaid to the fund so it could be re-loaned. The homeowner keeps the balance.

Kennedy says these ideas should also be considered in Eastern Washington. "It's only getting more important that we work on these projects together," he says. "This issue cuts across all sorts of party and economic lines. Everyone has the same end goal in mind."

"I'm excited that Spokane can do what people say we can't do," says Kiemle and Hagood's Larry Soehren. "We're lucky to live in a community where people say we can figure out a solution." But he and others say the community cannot stop looking for permanent answers just because a short-term crisis was avoided. Compl-

gency and failing to take advantage of the current momentum to find permanent answers could push the community back to where it was a year ago. It happened before when the energy generated by Expo 74 was allowed to wane and downtown began to wither.

"We still need to be attracting people who want to live and work here – higher housing costs could mean those folks will go somewhere else," Soehren says. "The voices of the community must demand that it happen." ■

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A view of The Otis Hotel on the edge of the Davenport Arts District in downtown Spokane. The residents of the building spent the summer and fall trying to find new low-income housing, which proved to be difficult.

