

RESOLUTION R-4958

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND AUTHORIZING THE DULY-APPOINTED ADMINISTERING AGENCY FOR A REGIONAL COALITION FOR HOUSING (ARCH) TO EXECUTE ALL DOCUMENTS NECESSARY TO ENTER INTO AN AGREEMENT FOR THE FUNDING OF AN AFFORDABLE HOUSING PROJECT, AS RECOMMENDED BY THE ARCH EXECUTIVE BOARD IN 2012, UTILIZING FUNDS FROM THE CITY'S HOUSING TRUST FUND.

WHEREAS, A Regional Coalition for Housing (ARCH) was created by interlocal agreement to help coordinate the efforts of Eastside cities to provide affordable housing; and

WHEREAS, the ARCH Executive Board has recommended that the City of Kirkland participate in the funding of a certain affordable housing project hereinafter described; and

WHEREAS, the ARCH Executive Board has developed a number of recommended conditions to ensure that the City's affordable housing funds are used for their intended purpose and that projects maintain their affordability over time; and

WHEREAS, the City Council approved Resolution R-4804 on March 2, 2010, approving the Amended and Restated Interlocal Agreement for ARCH; and

WHEREAS, the City Council desires to use \$300,000 from City funds as designated below to finance the project recommended by the ARCH Executive Board;

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

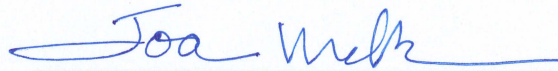
Section 1. The City Council authorizes the duly-appointed administering agency of ARCH, pursuant to the Amended and Restated Interlocal Agreement for ARCH, to execute all documents and take all necessary actions to enter into Agreements on behalf of the City with:

Imagine Housing Totem Lake Senior Apartments in an amount not to exceed \$300,000.

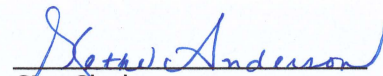
Section 2. The Agreement entered into pursuant to Section 1 of the Resolution shall be funded in an amount not to exceed \$300,000. Such Agreement shall include terms and conditions to ensure that the City's funds are used for their intended purpose and that the project maintains its affordability over time. In determining what conditions should be included in the Agreement, the duly-appointed administering agency of ARCH shall be guided by the recommendations set forth in the ARCH Executive Board's memorandum as of December 14, 2012, a copy of which is attached hereto as Exhibit A.

Passed by majority vote of the Kirkland City Council in open meeting this 15th day of January, 2013.

Signed in authentication thereof this 15th day of January, 2013.

  
MAYOR

Attest:

  
City Clerk





Together Center Campus  
16225 NE 87<sup>th</sup> Street, Suite A-3 ♦ Redmond, Washington 98052  
(425) 861-3677 ♦ Fax: (425) 861-4553 ♦ WEBSITE: www.archhousing.org

**MEMORANDUM**

TO: City of Bellevue Council Members  
City of Clyde Hill Council Members  
Town of Hunts Point Council Members  
City of Issaquah Council Members  
City of Kenmore Council Members  
City of Kirkland Council Members  
City of Medina Council Members  
City of Mercer Island Council Members  
City of Newcastle Council Members  
City of Redmond Council Members  
City of Woodinville Council Members  
Town of Yarrow Point Council Members

FROM: Kurt Triplett, Chair, and ARCH Executive Board

DATE: December 14, 2012

RE: Fall 2012 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board (EB) has completed its review of applications for the Fall 2012 Housing Trust Fund round and recommends funding for three projects. Recommendations total \$1,283,737 as summarized in the attached table, Proposed Funding Sources. The actual amount will depend on final action by the City Councils.

Following is a summary of the applications, the recommendation and rationale, and proposed contract conditions for the three proposals recommended for funding at this time. Also enclosed are:

- Exhibit 2: Summary of Trust Fund Applications
- Exhibit 3: Sources of funding for projects summary by ARCH member
- Exhibit 4: Leveraging summary for the three projects
- Exhibit 5: Economic summary for each of the projects individually
- Exhibit 6: Summary of funded projects to date

1. Imagine Housing Totem Lake (Phase 2) Senior Apartments

Funding Request: \$875,000 (Deferred, Contingent Loan) Plus 8 Section 8 Vouchers

CAB Recommendation: \$875,000 (Deferred, Contingent Loan) Plus 8 Section 8 Vouchers  
See attached Funding Chart for distribution of City Funds



Project Summary:

Imagine Housing (IH) – an east King County based non-profit corporation is proposing a 95 unit new construction project adjacent to Francis Village in the Totem Lake neighborhood of Kirkland. The building is four levels of residential units over one level of structured parking and community, amenity and service space. It is designed to serve seniors living independently, aged 62 or over, at 50%, and 30% of Area Median Income (AMI). Fifteen (15) units will be restricted for serving senior veterans and other seniors who have faced homelessness.

The community space and residential units are designed according to the principles of universal design. It is intended that the residents will be able to continue living in the units even with increased frailty and the units may be adapted (such as changing kitchen cabinets to accommodate wheelchairs) to meet their changing physical needs. The amenity space will have a flexible design to meet the social and physical interests of the population. The property will contain a rooftop garden that will provide passive recreational opportunities as well as gardening and educational opportunities.

Funding Rationale:

The CAB supported the intent of this application for the following reasons:

- Experienced applicant
- Applicant has site control
- Development targets range of lower income senior households. Provides housing for a population (senior housing) that currently is below long term ARCH Trust goals.
- Homeless Veteran and disabled unit set-asides
- The project expands the residential development within the Totem Lake area
- Site has access to transit, shopping and is near a major hospital/medical complex
- Relatively low per unit ask to ARCH

Potential Conditions:

Standard Conditions: Refer to list of standard conditions found at end of this memo

Special Conditions:

1. Prior to September 1, 2013, Imagine Housing shall provide to City or Administering Agency an update on the status of the project which will include: updates on applications for other public funding; updated capital and operating budgets, status of design review and/or City permit applications (including determination on the number of parking spaces required), and progress toward being able to meet all funding conditions within the 18 month period specified in Condition 2. If the City or Administering Agency evaluation indicates that funding conditions cannot be met within the 18 month funding condition period, (e.g. no application submitted for other public funds), then the ARCH Executive Board will be authorized to have the funding award expire and Imagine Housing will have to reapply to ARCH for funding.
2. In the event the first funding condition is met the funding commitment shall be extended to eighteen (18) months from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to City or Administering Agency no later than sixty (60) days prior to the expiration date. City or Administering Agency will consider an extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion.



Commitment shall end if King County and or Commerce do not fund in the 2013 funding round, and applicant will have to reapply to ARCH.

3. Funds shall be used by Imagine Housing toward design, and consulting services, new construction, development period utilities, insurance and construction contingency. Funds may not be used for any other purpose unless City or Administering Agency has given written authorization for the alternate use. Spending of construction contingency must be approved in advance by City or Administering Agency. If after the completion of the project there are budget line items with unexpended balances, the public funders shall approve adjustments to the project capital sources, including reductions in public fund loan balances.
4. Funds will be in the form of a deferred, contingent loan. Loan terms will account for various factors, including loan terms from other fund sources, available cash flow, receipt of an asset management fee to the Applicant and project reserves. Final loan terms shall be determined prior to release of funds and must be approved by city Staff. Based on the preliminary development budget, it is anticipated that loan payments will be based on a set repayment schedule, and begin after repayment of deferred developer fee (approximately year 15), with 1% interest. The terms will also include a provision for the Applicant to a deferment of a payment if certain conditions are met (e.g. low cash flow due to unexpected costs). Any requested deferment of loan payment is subject to approval by City or Administering Agency, and any deferred payment would be repaid from future cash flow or at the end of the amortization period.
5. The net developer fee shall be established at the time of finalizing the Contract Budget. It is anticipated that the Net Developer Fee inclusive of any project management fees and incidental costs incurred by the developer, shall not exceed \$985,000 based on the current size and description of the project. Net developer fee is defined as that portion of the developer fee paid out of capital funding sources and does not include the deferred portion which is paid out of cash flow from operations after being placed in service.
6. Until such time as any deferred developer fee is fully repaid, all cash flow after payment of operating expenses and debt service, shall be used to repay the deferred developer fee unless otherwise approved by City or Administering Agency.
7. A covenant is recorded ensuring affordability for at least 50 years, with affordability as shown in the following table. Affordability levels will be defined using the requirements for tax credits, and utility costs will be based on King County Housing Authority allowances, or as otherwise approved by City or Administering Agency. (The matrix is subject to change dependent on selected proposal, but shall generally reflect the following)

Median Income Level	Studio	1 Bedrm	2 Bedrm	Total
Very Low Income 30% AMI	6	24	8	38 (8)
Low Income 31-50% AMI	9	36	12	57
Total	15	60	20	95 (8)



Up to 8 of the very low income units can utilize Section 8 vouchers. They can be used in a combination of one and two bedroom units. The final mix of one and two bedroom units will be approved by City or Administering Agency. Considerations in the determination of unit mix will include overall need in the community, unit mix of existing federally assisted and Section 8 assisted housing for seniors in east King County, and Section 8 program requirements.

8. Based on the availability of adequate support services, up to 15 units will be set-aside for homeless, unless otherwise approved by City or Administering Agency.
9. Submit documentation of the city's approval of the required number of parking spaces, and that the project design, and if applicable, management plan, are consistent with city requirements.
10. Submit for review and approval a management and services provision plan that includes how management and services for this property will relate to the management of the adjacent Francis Village Family Housing and types of services and programs that will be available for the residents. The plan shall also address how parking will be managed (including the leasing of any surplus spaces) on an ongoing basis, and shall also include management procedures to address tenant needs; services provided for or required of tenants; management and operation of the premises; community and neighbor relations procedures; a summary of ARCH's affordability requirements as well as annual monitoring procedure requirements.

2. Foundation For the Challenged Homes VII

Funding Request: \$168,737 (Secured Grant)

CAB Recommendation: \$168,737 (Secured Grant)  
See attached Funding Chart for distribution of CDBG Funds

Project Summary:

The Foundation For the Challenged (FFC), an Ohio-based non-profit organization which to date has done 88 properties across the United States, of which 12 homes are in King County is proposing to develop a Supportive Living Services Home in Bellevue (or other Eastside City) as part of a larger proposal to develop five homes in total over three counties, with two of the homes in King County (one of which would be in the ARCH sphere of influence). They plan to acquire and remodel a four-bedroom house that will serve four low-income power wheelchair-bound individuals with developmental disabilities. A specific home will be identified once all funding is committed.

The residents identified for this project currently reside together in a group setting in a privately owned market-rate home. The owner is reportedly unwilling to make modifications to the home to accommodate their special needs such as the installation of body hoists. In the proposed project, they will live in a shared living arrangement, and each of the tenants will have their own bedroom. Staff will use a small work area within the home, but not reside on-site. All the tenants will receive 24/7 support services to ensure their health and safety. The support services are funded by and contracted through Washington State Department of Developmental Disabilities (DDD). FFC will only be acting in the capacity of owner, and will contract out property management to Navarre and Pollowitz, a non-related for-profit company.



There currently is no site control. The house to be bought will be remodeled to include accessibility features necessary for the initial tenants and for future tenants. FFC will be looking to acquire suitably laid out houses that can easily be modified.

Funding Rationale:

The CAB supported the intent of this application for the following reasons:

- Serves neediest developmentally disabled residents by relying on referrals from the State Department of Developmental Disabilities (DDD) for new residents
- Provides housing for a population (Special Needs housing) that currently is below long term ARCH Trust Fund goals
- Property will have 24/7 non-resident care provider coverage
- Acquisitions to be done near transit and community amenities
- Developer has several year track record with properties in King County and good reputation with funders and DDD

Potential Conditions:

Standard Conditions: Refer to list of standard conditions found at end of this memo

Special / Revised Conditions:

1. The funding commitment shall continue for six (6) months from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to City or Administering Agency no later than sixty (60) days prior to the expiration date. At that time, the applicant will provide a status report on progress to date, and expected schedule for start of construction and project completion. City or Administering Agency will consider an extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant will demonstrate that all capital funding has been secured or is likely to be secured within a reasonable period of time.
2. Funds shall be used by the Applicant toward acquisition and closing costs and developer fee. Funds may not be used for any other purpose unless City or Administering Agency has given written authorization for the alternate use.
3. FFC shall not proceed with searching for a home until all funding commitments have been received. The Applicant shall only purchase unoccupied homes or owner occupied homes in order to not trigger local and federal relocation regulations.
4. Prior to acquisition, the Applicant shall submit an appraisal by a qualified appraiser. The appraisal shall be equal to or greater than the purchase price.
5. With CDBG as a funding source, an Environmental Assessment is required. Applicant is directed to King County as to the requirements for Option language and timing of the acquisition
6. Funds will be in the form of a secured grant with no repayment, so long as affordability and target population is maintained, and the service/care providers have a contract with DDD for funds necessary to provide services to this population.



7. A covenant is recorded ensuring affordability for at least 50 years, with four beds for individuals with a developmental disability at or below 30% of area median income at move in.
8. Unless otherwise approved by City or Administering Agency the development budget for the ARCH sphere house shall include:
  - The development budget will include a minimum of \$3,000 of private sources provided by the applicant.
  - The funding award is based on a combined acquisition and construction cost which does not exceed \$432,196. In the event that total acquisition and rehab costs, including contingency, exceeds this amount, upon the approval of public funders and to the extent available from savings in other homes developed in FFC VII, those sources may be transferred to this home to cover additional costs. Any excess costs beyond that which can be covered from public funds made available to FFC VII shall be covered by private sources from the applicant.
  - Developer fee shall not exceed \$50,500 and Project Management fee shall not exceed \$5,000.
9. Replacement Reserves will be funded out of operations for: a) a replacement reserve at \$2,000 for the first year with an annual increase of 3.5% per year; and b) an operating reserve at \$1,000 per home for the first year with an annual increase of 3.5%.
10. All cash flow after payment of operating expenses shall be placed into a project reserve account that can be used by the applicant for project related operating, maintenance or services expenses. Any other use of these reserves funds must be approved by City or Administering Agency.
11. Unless otherwise approved by City or Administering Agency, residents referred from DDD should be ones who do not have Section 8 assistance.
12. In the event that any operating support funding levels will be reduced, the Applicant shall inform City or Administering Agency about the impacts the proposed reduction will have on the budget and plan for services to the clients with a developmental disability, and what steps shall be taken to address the impacts. A new budget or services plan must be approved by City or Administering Agency. FFC must find other sources to make up shortfall.
13. The Applicant must notify City or Administering Agency when they enter into an option for any home, providing information on the location of the home and terms for acquiring the home. The Applicant shall obtain approval from City or Administering Agency for any home considered for purchase. No home considered for acquisition will be within two blocks of another home owned by Applicant unless otherwise approved by City or Administering Agency. The option and purchase and sales agreement shall contain language that addresses federal funds' "choice-limiting" restrictions.
14. Prior to closing on a home, an individualized outreach plan will be submitted to City or Administering Agency for review and approval. The outreach plan will include provisions such as:
  - At time of a mutually accepted purchase and sales agreement, provide written notification to neighbors to include FFC's intention to purchase the house, description of the project, and information regarding FFC, property manager and the service provider that will include their websites and contact names/numbers;



- At time when the home is ready to open and after tenants move in, provide invitations to neighbors for an opportunity such as an open house to individually and/or as a group to meet with FFC and the service provider regarding the project. Provide information to neighbors about the program and the residents, and how to contact the service provider, property manager and FFC should they have questions or concerns about the operation of the home and information about what to do in case something out of the ordinary occurs.
15. Once home is selected the Applicant shall include City or Administering Agency in the inspection of the property and development of the final scope of work for the rehab. The final scope of work for the basic construction budget shall include, at a minimum, all work necessary for licensing of the home and correction of substandard health and safety conditions. Prior to start of construction, the Applicant shall submit the final scope of work for City or Administering Agency approval, along with evidence that construction costs have been confirmed by a qualified contractor and are within the basic construction budget. All uses of construction contingency funds must be approved by City or Administering Agency prior to authorization to proceed with such work.
16. Prior to release of funds, the Applicant shall submit to City or Administering Agency for review and approval drafts of all documents related to the provision of services to residents and management of the property, including the Memorandum of Understanding with the service provider, form of lease agreement with residents, and services agreement between DDD and the Service Provider. These documents shall at a minimum address: tenant selection procedures through DDD; management procedures to address tenant needs; services provided for or required of tenants; management and operation of the premises; community and neighbor relations procedures; a summary of ARCH's affordability requirements as well as annual monitoring procedure requirements. The plan shall also detail policies and procedures regarding resident turnover with the express purpose of minimizing time between change in residents.

3. Friends of Youth Transitional Housing for Homeless Young Adults

Funding Request: \$240,000 (Secured Grant) Plus 2 Section 8 Vouchers

CAB Recommendation: \$240,000 (Secured Grant) Plus 2 Section 8 Vouchers  
See attached Funding Chart for distribution of CDBG Funds

Project Summary:

Friends of Youth (FOY) is a local agency providing counseling and shelter to homeless youth and young adults. The application is for funding two new single family homes to each provide housing for five unrelated young adults (ages 18 – 24) who require specialized support due to ongoing mental health issues and problems maintaining sobriety. These homes would be built on two of the four subdivided lots created at their new Kirkland campus adjacent to their administrative offices and the Youth Haven shelter funded in 2011.

Friends of Youth is purposely designing these new homes to create a shared living experience and home-like environment for high need young adults where supports are provided to intervene and help them become independent adults. Their stays are limited to 18 months by terms of the DHHS grant for services.

Funding Rationale:



The CAB supported the intent of this application for the following reasons:

- Provides housing for a population (Special Needs housing) that currently is below long term ARCH Trust goals.
- The project will be serving a population that will be a focus of the King County Committee to End Homelessness (CEH) in the coming year
- FOY owns the site
- This project would expand the FOY campus putting to use two of 4 additional parcels created
- Developer is experienced and successful in serving this population in shelter setting
- Location of proposed project has good access to public transportation, hospital, schools, library and employment opportunities
- Funding award would help leverage capital campaign
- Homes could be re-purposed should operating subsidies not be available

Potential Conditions:

Standard Conditions: Refer to list of standard conditions found at end of this memo

Special Conditions:

1. Prior to September 1, 2013, FOY shall provide to City or Administering Agency an update on the status of the project which will include: updates on the status of the capital campaign and applications for other public funding; updated capital and operating budgets (reflecting CDBG funding requirements); evaluation how the project fits into the countywide planning process related to homeless housing for young adults; and progress toward being able to meet all funding conditions within the 18 month period specified in Condition 2. If the City or Administering Agency evaluation indicates that funding conditions cannot be met within the 18 month funding condition period, (e.g. little progress on the capital campaign related to funds for this project, no award of other public funds or application submitted for other public funds, updated budgets not accounting for federal funding requirements or current market conditions), then the ARCH Executive Board will be authorized to have the funding award expire and FOY will have to reapply to ARCH for funding.
2. In the event the first funding condition is met, the funding commitment shall be extended to eighteen (18) months from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to City or Administering Agency no later than sixty (60) days prior to the expiration date. City or Administering Agency will consider an extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion.
3. Federal Health and Human Services (HHS) or other services funding needs to be applied for but does not need to be approved prior to funding. Property may be used for foster care housing until HHS grant funding is in place.
4. Funds shall be used by FOY toward construction costs. Funds may not be used for any other purpose unless City or Administering Agency has given written authorization for the alternate use.
5. The Funding Agreement will include provisions related to funding of a replacement and operating reserve to be funded out of operations. City or Administering Agency shall determine appropriate level of funding based on final funding awards and operating budget, and a capital needs assessment. It is



anticipated that the replacement reserves will be approximately \$7,000 annually and the operating reserve will be approximately \$3,500 annually.

6. Funds will be in the form of a secured grant with no repayment, so long as affordability and target population is maintained, and the service funds necessary to provide services to this population are available.
7. A covenant is recorded ensuring affordability for at least fifty (50) years for ten (10) beds for homeless young adults, unless otherwise approved by City or Administering Agency, and who are at or below 30% Annual Median Income at move-in.
8. As part of the quarterly monitoring report, FOY shall explicitly include any activities related to the neighborhood outreach plan; and progress of the Capital Campaign including active solicitations, amounts pledged and secured against campaign targets and how funds are allocated to the different projects covered by the campaign.
9. In the event that any operating support funding levels will be reduced, the Applicant shall inform City or Administering Agency about the impacts the proposed reduction will have on the budget and plan for services to clients, and what steps shall be taken to address the impacts. A new budget including sources of funding shall be provided to City or Administering Agency for review. A new budget or services plan must be approved by City or Administering Agency. In the event of loss of funding homes could be re-purposed as foster homes.
10. Prior to March 1, 2013, an outreach plan will be submitted to City or Administering Agency for review and approval. The outreach plan will include provisions such as:
  - Provide written notification to neighbors by April 1, 2013 to include description of the project, and information regarding FOY that will include the website and contact number;
  - Send out invitations and provide an opportunity for neighbors to individually and/or as a group to meet with FOY in an Open House or other format regarding the project.
  - Provide contact information for Friends of Youth and information about what to do in case something out of the ordinary occurs.
11. Prior to release of funds, the Applicant shall submit to City or Administering Agency for review and approval drafts of all documents related to the provision of services to residents and management of the property, including any licensing-related management and service provider plans. These documents shall at a minimum address: management procedures to address tenant needs; services provided for or required of tenants; management and operation of the premises including coordination with the different uses of the campus; community and neighbor relations procedures; a summary of ARCH's affordability requirements as well as annual monitoring procedure requirements.
12. In the event a coordinated system of referrals for youth and young adults is created and becomes operational in the County, FOY will work with the County for appropriate referrals to the facility when beds become available and will fill beds via this coordinated system following implemented protocol.



Standard Conditions applicable to all projects

1. The Applicant shall provide revised development and operating budgets based upon actual funding commitments, which must be approved by city staff. If the Applicant is unable to adhere to the budgets, City or Administering Agency must be immediately notified and (a) new budget(s) shall be submitted by the Applicant for the City's approval. The City shall not unreasonably withhold its approval to (a) revised budget(s), so long as such new budget(s) does not materially adversely change the Project. This shall be a continuing obligation of the Applicant. Failure to adhere to the budgets, either original or as amended may result in withdrawal of the City's commitment of funds.
2. The Applicant shall submit evidence of funding commitments from all proposed public sources. In the event commitment of funds identified in the application cannot be secured in the time frame identified in the application, the Applicant shall immediately notify City or Administering Agency, and describe the actions it will undertake to secure alternative funding and the timing of those actions subject to City or Administering Agency's review and approval.
3. In the event federal funds are used, and to the extent applicable, federal guidelines must be met, including but not limited to: contractor solicitation, bidding and selection; wage rates; and Endangered Species Act (ESA) requirements. CDBG funds may not be used to repay (bridge) acquisition finance costs.
4. The Applicant shall maintain documentation of any necessary land use approvals and permits required by the city where the homes are located.
5. Submit monitoring reports quarterly through completion of the project, and annually thereafter. Submit a final budget upon project completion. If applicable, submit initial tenant information as required by City or Administering Agency.