

RESOLUTION R-5039

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 AGREEMENTS FOR THE FUNDING OF AFFORDABLE HOUSING PROJECTS, AS RECOMMENDED BY THE ARCH EXECUTIVE BOARD, 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 certain affordable housing projects described below; 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 the intended purpose and that the affordability of projects is maintained 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 \$257,486 from the City's Housing Trust Funds as designated below to finance the projects 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:

Friends of Youth Extended Foster Care in an amount not to exceed \$23,809; and

Habitat for Humanity Sammamish Cottage Demonstration in an amount not to exceed \$95,235; and

Providence/SRI Redmond Senior Apartments in an amount not to exceed \$138,443.

Section 2. The agreements entered into pursuant to Section 1 of this Resolution shall be funded in a total amount not to exceed \$257,486. Such agreements shall include terms and conditions to ensure that the City's funds are used for the intended purpose and

that the affordability of projects is maintained over time. In determining what conditions should be included in the agreements the duly-appointed administering agency of ARCH shall be guided by the recommendations set forth in the ARCH Executive Board's memorandum of January 10, 2014, a copy of which is attached as Exhibit A.

Passed by majority vote of the Kirkland City Council in open meeting this 4th day of March, 2014.

Signed in authentication thereof this 4th day of March, 2014.

MAYOR

A handwritten signature in black ink, appearing to read "Amy Wake", written over a horizontal line.

Attest:

A handwritten signature in blue ink, appearing to read "Gretchen Anderson", written over a horizontal line.
City Clerk



Together Center Campus
16225 NE 87th 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 Sammamish Council Members
City of Woodinville Council Members
Town of Yarrow Point Council Members

FROM: Kurt Triplett, Chair, and ARCH Executive Board

DATE: January 10, 2014

RE: Fall 2013 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board (EB) has completed its review of the five applications and two amendments for the Fall 2013 Housing Trust Fund round. In light of two likely preservation projects totaling 105 units, two projects on city-donated land, and a funding landscape at the County and State level that is most challenging, the EB recommends funding three projects currently. Recommendations total \$1,300,000 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 EB recommendation and rationale, and proposed contract conditions for the three proposals recommended for funding at this time. Also enclosed is an economic summary for the three projects recommended for funding, leveraging charts, project summary table, and a summary of funded projects to date. It is noted that for two of the proposals, the EB is recommending funding levels greater than originally requested. There are several for these recommendations. First, overall State funding was decreased in the current biennium budget, and the State is using a prescribed list of projects with few priority projects located in East King County. Second, given the number of projects applying to the County, the County is unable to offset reductions in potential State funding. Therefore, for local projects to proceed they may need more local funding than has been typical in the past. Third, changes in federal guidelines have impacted how the County can make some of its funds available.

1. Friends of Youth Extended Foster Care

Funding Request: \$100,000 (Secured Grant) Plus 2 Section 8 Vouchers
10 beds

EB Recommendation: \$100,000 (Secured Grant) Plus 2 Section 8 Vouchers
See attached Funding Chart for distribution of City Funds

Project Summary:

Friends of Youth is a local agency providing counseling and shelter to homeless youth and young adults. The application is for funding construction of two new single-family homes to serve youth in extended foster care on their campus in the Kingsgate neighborhood of Kirkland. This is in addition to the two homes funded in the prior round. The project will expand the safety net for youth aging out of traditional foster care, allowing young people up to age 21 referred through the foster care system and in need of enhanced services offered by Friends of Youth. Each home will house 5 young people and provide residential staff, specialized case managers, on-site mental health services, life skills classes, and employment and education support.

To participate in the Extended Foster Care program, youth must agree to actively work toward their GED, high school diploma, college degree, or vocational certificate or be enrolled in a program promoting employment or removing barriers to employment. Friends of Youth will provide the stability they need to reach these milestones and additional tutoring and mentoring support as needed.

Friends of Youth is purposely designing these new homes to create a shared living experience and home-like environment. The homes best meet the developmental needs of youth in Extended Foster Care by creating opportunities to build permanent connections with caring adults and peers and improving their emotional wellbeing through a positive and structured living environment.

Funding Rationale:

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

- This project increases the number of extended foster care beds by 10 for young adults, which will be supported through State operating assistance.
- Developer is experienced and successful in serving this population. Provides special needs housing which is an area we are short of our long term goals.
- Developer has raised 67% of private funding towards the four component projects on the site along with the Teen Drop-In Center in Redmond. One foundation's pledge commitment for a substantial portion of funding for these homes has timing constraints.
- Location of project has access to public transportation, hospital, schools, library and employment opportunities nearby.
- Should operating support go away, these houses as designed could become income-restricted rental properties.

- Project is first Alternate on the State LEAP list, and thus able to access State funding.

Potential Conditions:

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

Special Conditions:

1. The funding commitment shall be for twelve (12) months from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. ARCH staff will consider an extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion
2. 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.
3. A covenant is recorded ensuring affordability for ten (10) beds for at least fifty (50) years at 30% AMI maximum income.
4. Funds shall be used by Friends of Youth toward construction, architecture, engineering, geotechnical, development and other consultant fees, insurance, permits, fees and hookups, development period utilities and accounting costs. Funds may not be used for any other purpose unless ARCH staff has given written authorization for the alternate use.
5. Friends of Youth shall submit quarterly to ARCH updates on the progress of the Capital Campaign demonstrating active solicitation and amounts pledged and secured against campaign targets.
6. Prior to starting construction on individual buildings, the Agency shall provide evidence of commitment of all public and private funds to complete the building(s). Friends of Youth shall provide documentation of funds raised through the Friends of Youth capital campaign and/or a corporate guarantee approved by City staff prior to funding.
7. Reserves will be funded out of operations at \$4,000 for the first year with an annual increase of 2.5% per year for replacement reserves and \$3,500 for the first year with an annual increase of 2.5% per year for operating reserves.
8. The Agency shall submit an updated operating budget which demonstrates sufficient commitment of all public and private operating support in the project including Section 8 subsidy from the King County Housing Authority, and reimbursement rate for extended foster care. In the event that any operating support funding levels will be reduced, the Agency shall inform ARCH Staff 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 or services plan must be approved by the ARCH. In the event of loss of funding homes could be re-purposed as foster homes.
9. Friends of Youth shall continue with its outreach plan for the campus as submitted to ARCH with the prior award. The agency shall host an open house to inform neighbors of the new Extended Foster Care program.
10. Prior to release of funds, the Agency shall submit to ARCH staff 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; community and neighbor relations procedures; a summary of ARCH's affordability requirements as well as annual monitoring procedure requirements.

2. Habitat Sammamish Cottage Demonstration Project

Funding Request: \$200,000 (Secured Grant)
10 Homeownership Units

EB Recommendation: \$400,000 (Secured Grant)
See attached Funding Chart for distribution of City Funds

Project Summary:

Habitat for Humanity of Seattle King County proposes to build up to a 10 unit cottage development on city-donated surplus land on 228th Ave SE in Sammamish. There would be a mix of 2-bedroom, 3-bedroom units and 4-bedroom units ranging in size from 1,000 to 1,400 square feet. Half of the homes would be sold to households at less than 50% of area median income and half at 60%. One of the homes would be ADA (Americans with Disabilities Act) adaptable.

Habitat uses a land trust model. Habitat owns the land and sells the units built on the land. Habitat carries the mortgage at no-interest, and at resale holds the rights to purchase the unit or assign the right to purchase to a qualified buyer. Habitat also maintains a fund for such purchases if the need arises. If Habitat chooses not to buy then King County and ARCH then have that right to purchase or assign its right to a qualified buyer. In all cases, the price and the income for the buyer is restricted.

Proposed funding would help pay for the infrastructure. Habitat would use volunteers to construct the units, and each of the families selected to own homes would be required to perform at least 500 hours of sweat equity in the development of the homes. Habitat intends to start fundraising for the construction of the homes as soon as they break ground.

The EB recommends a funding amount larger than requested for several reasons. First, changes in federal regulations limit the ability for County funds to be used for infrastructure and more appropriate for home construction. Application for home construction needs to wait until closer to start of home construction. Second, the request for County funding was relatively large in order to help offset the project not being able to apply for State funding in this biennium. King County indicated it would be unable to make up all this difference, so requested a smaller request from Habitat in any future application. Third, in order for the project to proceed in a timely manner, Habitat indicated that with the level of proposed support, they would be able to private fundraise the balance of the infrastructure costs and maintain the current schedule.

Funding Rationale:

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

- Provides ownership opportunity to low income families in a high cost area and is the first project funded through the ARCH Trust Fund located in Sammamish
- Would serve as a cottage demonstration project in the community
- City donated site to Habitat
- Convenient to shopping and schools
- Close to transit
- City donated the site

Potential Conditions:

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

Special Conditions:

1. The funding commitment shall continue for nine (9) months from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. ARCH staff will consider an extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion. Commitment shall end if City terminates its contract with Habitat.
2. Habitat shall demonstrate having all available funding for all predevelopment and infrastructure work prior to release of funds. This shall include Habitat submitting updated cost estimates for infrastructure work along with engineered drawings and specifications for City staff to review for cost reasonableness.
3. Prior to starting construction on individual buildings, the Agency shall provide evidence that it has sufficient resources to complete the building.
4. Funds shall be used by Habitat toward infrastructure construction. Funds may not be used for any other purpose unless city staff has given written authorization for the alternate use.
5. The cumulative amount of other public funds from King County and the State awarded to this project shall not exceed \$500,000. In the event more funds are awarded from these sources, the funding award from City funds will be reduced by the amount of funds awarded by the County and State in excess of \$500,000 up to a maximum amount of \$200,000. In the event city funds have already been dispersed in excess of the final loan amount, Habitat will reimburse any difference.
6. Funds will be in the form of a secured grant with no repayment, so long as affordability and target population is maintained. Repayment is required if the property is no longer used for its intended purpose.
7. A resale agreement is recorded ensuring affordability for each of the ten (10) homeownership units for families for at least 75 years. The units shall be affordable to and made available to families with incomes at or below 60% of median income, with the majority of units affordable and made available to families at or below 50% of median income. Form of resale agreements to ensure long term affordability will be submitted to City staff for their review and approval.
8. Submit a copy of proposed land trust and Homeowner Association documents. Homeowner Association documents must provide for ongoing maintenance of property and buildings and

set forth the ongoing role of Habitat in the operations and management of the property, as well as identify how the Homeowner Association's budgets decisions, including the use of Dues, will be controlled so that appropriate property management is assured throughout the duration of affordability.

9. Prior to the release of funds, prior to any marketing or screening of potential buyers, submit for review and approval a marketing and outreach plan setting forth Habitat's strategies for identifying potential homebuyers and that emphasizes identifying homebuyers with east King County association (e.g. current residency, employment, family). For example, local targeted marketing outreach to local business and community organizations.

3. Providence/SRI Redmond Senior Apartments

Funding Request: \$100,000 (Deferred, Contingent Loan) plus 8 Section 8 Vouchers

74 units plus unrestricted manager's unit

EB Recommendation: \$800,000 (Deferred, Contingent Loan) plus 8 Section 8 Vouchers

See attached Funding Chart for distribution of City Funds

Project Summary:

Providence Health and Services - Washington – a non-profit health care provider has been in the affordable housing business since 1985 and now owns 14 properties with 713 units of low-income housing in Washington. They were selected by the City of Redmond through an extensive RFP process, and are proposing a 75 unit new construction project for seniors. It is located across the street from the Redmond Library, municipal campus and Redmond Senior Center in Redmond on City-donated land (the city will hold a long-term nominal cost lease on the property). The site is also on the Rapid Ride transit line, and benefits from having medical, shopping and recreational facilities very nearby.

The proposed building is four levels of wood construction over structured below grade parking and ground floor community, amenity and commercial space. The commercial space, an 8,000 square foot PACE (Program for All-inclusive Care for the Elderly) Center, will be separate in ownership and operationally from the housing, but managed by Providence. The PACE center will serve the community at large.

The residential project is designed to serve seniors living independently, aged 62 or over, at 30%, 40% and 60% of Area Median Income (AMI). There shall be a 20% set aside for disabled elderly. Providence wants to set aside eight (8) of those units to serve frail elderly in concert with having the PACE center in the building.

The ground floor will have manager's unit, management offices, lobby/sitting area, coffee bar, community meeting rooms and dog wash area. These community spaces will be oriented towards the southern part of the site, where they connect with the existing downtown pedestrian trail system. The city adopted a reduced parking ratio for this project given its transit

oriented/urban location and senior population. The facility will be designed according to Universal Design principles, allowing residents to age in place.

The EB recommends a higher level of funding than requested based on funding availability at the State and County as described previously.

Funding Rationale:

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

- Experienced applicant.
- Financially strong development sponsor.
- Donated site by the City.
- Serves a range of lower income senior households.
- The project expands affordable residential development within the downtown.
- Site has access to transit, shopping and is near a major hospital/medical complex.
- Project leverages a substantial amount of Tax Credit equity.
- The PACE center provides services to the region's qualified seniors

Potential Conditions:

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

Special Conditions:

1. The funding commitment shall continue for 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 staff no later than sixty (60) days prior to the expiration date. City staff will consider an extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion.
2. Funds shall be used by Providence toward infrastructure costs, impact and mitigation fees. Funds may not be used for any other purpose unless city staff has given written authorization for the alternate use.
3. 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 and available cash flow. 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 the deferred developer fee (approximately year 15), with 1% interest. The terms will also include a provision for the Agency to a deferment of a payment subject to approval by City staff, if certain conditions are met (e.g. low cash flow due to unexpected costs). Any deferred payment would be repaid from future cash flow or at the end of the amortization period.
4. Until such time as the any deferred developer fee structured into the sources is fully repaid, all cash flow after payment of operating expenses and debt service, shall be used to repay the deferred developer fee or go towards project reserves as approved by City Staff.
5. Submit for review and approval a management plan that includes types of services and programs that will be available for the residents, and how it integrates with the operation of

the PACE center. The plan shall also address how parking will be managed 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; targeted outreach to community and senior centers; a summary of ARCH's affordability requirements as well as annual monitoring procedure requirements.

6. Agency shall submit a marketing plan for approval by ARCH and City staff. The plan should include how the Agency will do local targeted marketing outreach to local business and community organizations such as senior and community centers.
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, unless otherwise approved by City Staff.

<u>Affordability</u> <u>(Pct of Median Income)</u>	<u>Studio</u>	<u>One BR</u>	<u>Two BR</u>	<u>Total *</u>
30%	6	31		37**
40%		16	4	20
60%		13	4	17
Unrestricted (Mgr)			1	1
TOTAL	6	60	9	75

* Up to 20% of the units shall be set aside for seniors living with disabilities

** Up to 8 of the units can be Section 8 units. The final mix of studio and one bedroom units will be approved by City staff. Considerations in the determination of unit mix will be 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.

The project shall maintain project-based Section 8 funding for eight (8) units of senior housing so long as it is available. If Section 8 funding is no longer available, the City shall be notified at the earliest time the Owner knows Section 8 is/will no longer be available. The City and the Agency shall work with the other funders which maintain affordability requirements together to determine if the affordability requirements need to be adjusted for some or all of the previous Section 8 units, not to exceed 60% of median income in order to generate sufficient revenue to meet the project's required housing expenses and required debt service and other lender and investor provisions.

The following projects are not recommended for funding at this time, but are encouraged to reapply in a future funding round:

1. Community Homes 8

Funding Request: \$125,000 (Secured Grant)
5 Beds

EB Recommendation: Not to fund at this time, but to have agency reapply in the next funding round

Project Summary:

Community Homes, Inc. (CHI) is proposing to acquire and remodel a home that will serve five (5) low-income aging adults with developmental disabilities. The group home setting accommodates those who can no longer live in other settings. The community within the home allows them to live as independently as possible. A specific home will be identified once funding is committed. Criteria for selecting the particular property includes a minimum size of 2,500 square feet, the physical layout and ease of renovation of the house as well as neighborhood amenities such as sidewalks, access to stores, public services, transportation and recreation.

The residents will live in a shared living arrangement, along with a live-in care provider. Each tenant will have their own bedroom. Residents will share two bathrooms and a resident community living area with kitchen. If necessary, as in the case of prior homes, the existing garage may be converted to living space.

Rationale for not funding:

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

- Serves aging developmentally disabled residents
- Provides housing for a population (Special Needs housing) that currently is below long term ARCH Trust Fund goals
- Property will have live in care provider supplemented by day staff
- Acquisitions to be done near transit and community amenities
- Developer has eighteen year track record with properties in King County and good reputation with funders and Department of Developmental Disabilities
- Private funding is a major portion of the sources. Agency will fundraise for capital funding

The EB supports the concept of the CHI proposal; but given current round funding constraints, it does not recommend making a funding recommendation at this time. The EB would welcome an application in the next round. This would also provide an opportunity for CHI to organize and begin their capital campaign. In the event CHI does provide an application to ARCH in the upcoming round, the application should provide a description of the capital campaign and progress to date.

2. Parkview Homes XI

Funding Request: \$175,300 (Secured Grant)
3 Beds

EB Recommendation: Not to fund at this time, but to have agency reapply in the next funding round

Project Summary:

Parkview Services, a Shoreline-based non-profit organization which to date has done 158 beds in 53 properties in the region, with this project is proposing to develop three homes in two counties. The ARCH application is to help fund one of those homes, a Supportive Living Services Home in Newcastle, Bellevue or Redmond. For the East King County home they plan to acquire and remodel a three-bedroom house that will serve three (3) low-income individuals with developmental disabilities. A specific home will be identified once all funding is committed. Improvements will include remodeling to meet both Evergreen sustainability and ADA (Americans with Disabilities Act) accessibility standards, and a monitored fire suppression system.

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. Parkview will be looking to acquire suitably laid out minimum 1,500 square foot rambler-style houses that can easily be modified for accessibility.

Rationale for not funding:

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

- Serves neediest developmentally disabled residents by relying on referrals from the State DDA 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 long track record with properties in King County and good reputation with funders and Developmental Disabilities Administration
- Is on the Department of Commerce Trust list in the special needs set aside as incorporated in the state capital budget.

The EB supports the concept of the Parkview proposal; but given current round funding constraints, it does not recommend making a funding recommendation at this time. The EB would welcome an application in the next round. This would also provide an opportunity for Parkview to identify and secure additional capital funds.

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.