

RESOLUTION R-5060

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 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 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 \$44,193 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 an Agreement on behalf of the City with King County Housing Authority in an amount not to exceed \$44,193.


Section 2. The Agreement entered into pursuant to Section 1 of the Resolution shall be funded in an amount not to exceed \$44,193. 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 April 29, 2014, a copy of which is attached hereto as Exhibit A.

Passed by majority vote of the Kirkland City Council in open meeting this 17th day of June, 2014.

Signed in authentication thereof this 17th day of June, 2014.


MAYOR

Attest:


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: Lyman Howard, Chair, and ARCH Executive Board

DATE: April 29, 2014

RE: Out of Cycle 2014 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board (EB) has completed its review of the King County Housing Authority (KCHA) application to the Trust Fund for funding renovations to two recently acquired federally assisted preservation properties. The EB recommends funding for these projects. Recommendations total \$1,334,749 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 application, the EB recommendation and rationale, and proposed contract conditions for the proposal. Also enclosed is an economic summary for the project recommended for funding, leveraging chart, project summary table, and a summary of funded projects to date.

KCHA Bellevue Manor and Patricia Harris Manor

Funding Request: \$1,400,000 unspecified
105 Units, plus two unrestricted manager's units

EB Recommendation: \$1,334,749
\$1,000,000 City general funds and Bellevue CDBG (deferred loan)
\$ 334,749 King County and Redmond consortium CDBG Funds
See attached Funding Chart for distribution of City Funds

Project Summary:

KCHA is proposing renovations of two recently acquired three story projects totaling 105 affordable senior units located in downtown Bellevue and downtown Redmond. Both properties are within walking distance of shopping, public transportation, employment and services.

The properties were built by a private developer between 1977 and 1980 and are supported by Federal rental assistance. The previous owner's original contract for federal assistance has expired and the owner had the option to opt out of the contract and convert the property to market rate housing. Preserving privately owned, federally assisted housing has been an ongoing priority use of the ARCH Trust Fund.

The residential projects are designed to serve seniors living independently, aged 55 or over and 10 percent of the units may be available to disabled persons without age restriction. Because of the federal assistance, residents pay 30% of their monthly gross income as rent. Federal rental assistance makes up the difference between what the residents can afford and a fair market rent.

Funding will be used for rehabilitation costs such as site repairs, windows, flooring, water heaters, plumbing fixtures, cabinets, fire alarm systems, etc.

Funding Rationale:

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

- Preserves existing federally assisted affordable housing which assists households with very low incomes.
- Preservation of privately owned, federally assisted housing has been an ongoing top priority of ARCH Trust Funds. Completion of this project will mean that of 641 privately owned, federally assisted, privately owned affordable housing units in East King County, 590 will have been preserved long term for federal assistance.
- Experienced applicant
- Applicant owns the site and is well located near transit, shopping and services.
- City funds will be highly leveraged because the Agency is using a creative financing structure that results in KCHA internally financing \$10 million of the acquisition cost. This results in a relatively small amount of ARCH funding per unit. In addition the financing structure results in repayment of \$600,000 to Bellevue for two other projects funded in the past that can be reused for this project.

Proposed Conditions:

Special Conditions:

1. The funding commitment shall continue 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 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 KCHA toward design, construction management, construction and permitting/impact fees. Funds may not be used for any other purpose unless city staff has given written authorization for the alternate use.

3. Terms for making funds available will account for various factors, including terms from other fund sources and available cash flow. Final 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 on City general revenues and Bellevue CDBG will be based on a set repayment schedule, with repayment starting in year 21 with 0% interest in years 1 through 20, and 1% interest thereafter with a 20 year amortization period. There will be separate loans for each property. The King County subregional CDBG and Redmond CDBG funds shall be administered by King County and with terms comparable to other funds made available by the County for the project. The City terms will also include a provision for the Agency 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 Staff, and any deferred payment would be repaid from future cash flow or at the end of the amortization period.
4. Submit for review and approval a management plan for each property. The plan for Patricia Harris should include how the office building will be used and managed. Each plan shall address how parking will be managed on an ongoing basis including monitoring/controlling use by non-residents. Each plan 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.
5. A covenant is recorded ensuring affordability for at least 50 years, with affordability as shown in the following tables. During this time, the project shall maintain Section 8 federal funding so long as it is available and the contract rents, less normal operating costs, are sufficient to cover debt service. If Section 8 federal funding is no longer available, or no longer feasible for reasons stated above, then all of the units shall be at 60% of median income. 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>BELLEVUE MANOR</u>		<u>Number of Bedrooms</u>		<u>Number of Units</u>
<u>Percent of Median</u>				
Section 8 or 60%		1		65
Mgr Units		1		1
TOTAL				66

<u>PATRICIA HARRIS MANOR</u>		<u>Number of Bedrooms</u>		<u>Number of Units</u>
<u>Percent of Median</u>				
Section 8 or 60%		1		40
Mgr Units		1		1
TOTAL				41

Standard Conditions

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. 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.
3. The Applicant shall maintain documentation of any necessary land use approvals and permits required by the city where the homes are located.
4. 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.