

RESOLUTION R-5104

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.

1           WHEREAS, A Regional Coalition for Housing (ARCH) was created  
2 by interlocal agreement to help coordinate the efforts of Eastside cities  
3 to provide affordable housing; and  
4

5           WHEREAS, the ARCH Executive Board has recommended that  
6 the City of Kirkland participate in the funding of a certain affordable  
7 housing project hereinafter described; and  
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9           WHEREAS, the ARCH Executive Board has developed a number  
10 of recommended conditions to ensure that the City's affordable housing  
11 funds are used for their intended purpose and that projects maintain  
12 their affordability over time; and  
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14           WHEREAS, the City Council approved Resolution R-4804 on  
15 March 2, 2010, approving the Amended and Restated Interlocal  
16 Agreement for ARCH; and  
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18           WHEREAS, the City Council desires to use \$280,000 from the  
19 City's Housing Trust Funds and \$80,152 from Community Development  
20 Block Grant funds as designated below to finance the projects  
21 recommended by the ARCH Executive Board;  
22

23           NOW, THEREFORE, be it resolved by the City Council of the City  
24 of Kirkland as follows:  
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26           Section 1. The City Council authorizes the duly-appointed  
27 administering agency of ARCH, pursuant to the Amended and Restated  
28 Interlocal Agreement for ARCH, to execute all documents and take all  
29 necessary actions to enter into Agreements on behalf of the City with:  
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31           East King County Men's Winter Shelter in an amount not to  
32 exceed \$160,000; and  
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34           Regional Equitable Development Initiative (REDI) Fund in  
35 an amount not to exceed \$120,000; and  
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37           Parkview Homes Supportive Living Services Home in an  
38 amount not to exceed \$80,152.  
39

40           Section 2. The agreements entered into pursuant to Section 1  
41 of this Resolution shall be funded in a total amount not to exceed  
42 \$360,152. Such agreements shall include terms and conditions to

43 ensure that the City's funds are used for their intended purpose and that  
44 the affordability of projects is maintained over time. In determining  
45 what conditions should be included in the agreements, the duly-  
46 appointed administering agency of ARCH shall be guided by the  
47 recommendations set forth in the ARCH Executive Board's memorandum  
48 as of December 12, 2014, a copy of which is attached hereto as Exhibit  
49 A.

50  
51 Passed by majority vote of the Kirkland City Council in open  
52 meeting this 3rd day of February, 2015.

53  
54 Signed in authentication thereof this 3rd day of February, 2015.

  
MAYOR

Attest:

  
City Clerk

**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:** December 12, 2014

**RE:** Fall 2014 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board has completed its review of the four applications for the Fall 2014 Housing Trust Fund round. The CAB recommends funding for three projects. Recommendations total \$1,400,800 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 CAB recommendation and rationale, and proposed contract conditions for the three proposals recommended for funding at this time. Also enclosed is a project summary table, a chart summarizing overall funding sources, an economic summary for each projects, and a summary of funded projects to date.

**1. Congregations for the Homeless/King County Housing Authority EKC Men's Winter Shelter**

**Funding Request:** \$700,000 (Secured Grant)  
50 beds

**CAB Recommendation:** \$700,000 (Secured Grant)  
See attached Funding Chart for distribution of City Funds

Project Summary:

Congregations for the Homeless (CFH) with the support of King County Housing Authority (KCHA) is applying to ARCH for the acquisition of a property to be developed as a permanent winter shelter for men. For the past six years East King County cities have funded two winter shelters: one for unaccompanied men and one for women and families. CFH has operated the men's emergency winter shelter during that time, at non-permanent locations usually churches or civic buildings, which have sometimes been in single family neighborhoods. The emergency shelter is a low barrier shelter which means few requirements on the shelter guests other than they don't pose a danger to other guests. The emergency shelter started out being open only on severe winter nights, but moved to being open all nights from November through March. This application takes the project a next step to a permanent location better located for shelter guests, and also be able to house daytime services and drop in center. ARCH-member planning staff have already identified a number of locations generally in or near transit-served centers and near services which would be appropriate for siting the shelter. Initially the shelter and daytime services could operate on a similar schedule as the current facilities – night time shelter during winter months and daytime services weekdays throughout the year. To the extent there is additional private and/or public funding support, it could expand the period shelter and day services are available.

The proposed shelter is sized to house at least 50 men. It would include kitchen and dining facilities, gathering space, computer lab, staff and counseling offices, a hygiene center including washrooms, showers and laundry, staff laundry, bedding storage area and sleeping areas. Ultimately the goal is to create a second similar facility for women/families. The acquisition could include a building shell which could be renovated for the purpose of the shelter/day center, or it could mean new construction. The ARCH funding in conjunction with an interim Loan from King County would be used to acquire the property. After acquisition, a final budget will be prepared and other permanent funding will be sought including permanent funding from King County and State Housing Trust Fund and a capital campaign by CFH.

Funding Rationale:

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

- Provides shelter during winter months for at least 50 men and part time daytime services year round which has been a demonstrated need over the past 5 years in East King County.
- Is consistent with Countywide Committee to End Homelessness priorities.
- Operator is respected, and has been successful for six years of operation in serving this population in a winter shelter.
- Would help address challenges of siting a temporary shelter on an annual basis.
- Permanent location would allow it to be better located close to transit and services and not impact single family neighborhoods.
- Permanent facility would provide opportunity to expand period shelter and day services are available with additional operating funds
- KCHA as interim owner will allow CFH to act to secure and hold potential site.

While it is not typical to recommend funding prior to a specific site is identified, it is recognized that there are special circumstances associated with this proposal. First, there is a temporary location for the shelter that is only available the next two winters and a new location needed by winter 2016. Second, acquiring properties in the areas being targeted can be competitive and require relatively quick action to

secure an option. In the recommended conditions, there are several special conditions intended to address these circumstances.

**Potential Conditions:**

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

**Special Conditions:**

1. Prior to September 1, 2015, CFH shall provide to City or Administering Agency an update on the status of the project which will include: update on status of a site search, updates on the status of the capital campaign and applications for other public funding; updated capital and operating budgets (including reflecting federal funding requirements); 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. status of site search, progress on the capital campaign, application for other funding, updated budgets), then the ARCH Executive Board will be authorized to have the funding award expire and CFH 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. CFH will provide a capital campaign strategy by March 2015 which includes key activities and campaign funding target milestones. Sustain operation over time through fundraising and other efforts.
4. With the approval of the ARCH Executive Board, up to \$50,000 of funds may be released for predevelopment expenses including Option money for securing a site, due diligence associated with securing the site and project management during the predevelopment phase. The remaining funds could be released upon all other public funding commitment.
5. Funds shall be used by CFH toward acquisition and related due diligence, construction, design and relocation costs. Final designation of use of funds, including any other project related purpose, must receive written authorization from ARCH staff.
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) beds for fifty (50) years at 30% AMI maximum income.
8. Upon identification of any specific site being considered CFH shall notify ARCH and the City where the site is located for review and approval. In addition CFH shall furnish to ARCH, for

review by the Citizen Advisory Board, terms for the site acquisition and updated development and operating budgets.

9. By March 2015, an outreach plan will be submitted to ARCH staff for review and approval. The outreach plan will include provisions such as:
  - Provide written notification to neighbors upon identification of a suitable site to include description of the project, and information regarding CFH 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 CFH in an Open House or other format regarding the project during the site feasibility stage.
  - Strategies for maintaining community communication after development of a specific site, including information about what to do in case something out of the ordinary occurs.
10. As part of the quarterly monitoring report, CFH 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.
11. Prior to release of funds, the Agency shall submit to ARCH staff for review and approval the winter shelter operating plan including how the facility will be managed and maintained, maintaining the safety and security of shelter guests as well as neighbors, and the financial operations of the shelter.
12. 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 ARCH.

## **2. REDI (Regional Equitable Development Initiative) Fund**

Funding Request:                      \$500,000 (Deferred Loan)  
Unknown number of affordable units

CAB Recommendation:                \$500,000 (Deferred Loan)  
See attached Funding Chart for distribution of City Funds

### **Project Summary:**

This application is for \$500,000 in seed funding for capitalizing a \$25 million revolving loan fund for the purpose of acquiring sites within a four-county region. The goal is for the program to be operational in 2015. The proposed mission statement for the fund is: "to promote equitable transit communities throughout the central Puget Sound region through strategic property acquisition lending that supports the development and preservation of housing and community facilities that meet the needs of low-income households and are located within walking distance of high-capacity transit services and stations." ARCH's funding combined with several other public funders (King County, Seattle, State Department of Transportation) is intended to then leverage funds from foundations and lenders. The three funding tiers are:

- \$5 million in first tier seed money from public sources;

- \$7.5 million second tier from foundations and mission driven investors;
- \$12.5 million third tier from banks and community development financial institutions.

The revolving loan is expected to be in place for at least ten years and when stopped, funds would be returned to investors with private investors being paid first, and principal returned to public funders as remains. The basic program follows models used in other parts of the country including the Denver Transit Oriented Development Fund, and the Bay Area Transit Oriented Affordable Housing (TOAH) Fund.

The REDI Fund proposal emerges from the work of the Growing Transit Communities (GTC) Partnership, a consortium of public, private, and non-profit stakeholders led by the Puget Sound Regional Council (PSRC). A framework and draft business plan for this project was developed by Enterprise Community Partners and Impact Capital, both of which are Community Development Finance Institutions (CDFIs) that are active in the central Puget Sound region.

#### Funding Rationale:

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

Would allow acquisition in areas evolving as supported by transit ahead of escalating property values

- Would leverage significant funding from banks and mission-driven organizations. The relatively small public investment by ARCH would give East King County developers access to acquisition loans to the order of several million dollars.
- The REDI fund will fill the gap in the spectrum of financial products currently available to developers interested in equitable TOD by allowing mixed income projects, providing longer term loans for land banking purposes, and providing larger loans for larger sites and completed properties.
- Revolving loan means potential for funds being made available to several projects in succession, and a return to city if the program is ended.
- Loans would be secured by real estate which could be sold at future value should individual projects not move forward.

While the CAB supports the intent of the REDI fund, because it is in its formative stage, it is not as evolved as many other programs. In addition, the program is unique in that it will support a wide range of types of housing with different financing and affordability levels. While these circumstances provide challenges, it is still recommended to make a conditioned funding award at this time because of the important intent of the program, and it would also allow ARCH members to be involved with the development of the program and better insure that ARCH member interests are accounted for in the program. The conditions clarify program issues that at a minimum must be addressed prior to program implementation and also provide for the ARCH Executive Board final review.

#### Potential Conditions:

##### Special / Revised 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 City staff 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 staff 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. City staff will grant up to a 12 month extension.

2. Funds shall be used by the Agency toward seed money for loan fund.

3. Completion of an Interlocal Agreement and Credit Agreement that is reviewed and approved through the ARCH Executive Board and that at a minimum address:

- Program and project criteria including:

- Geographic balance for use of the fund, with goals for sub-regions including East King County.
- Defined transit oriented neighborhood areas eligible for use of the fund with flexibility over time to account for changes in land use and transit service.
- Criteria for eligible borrowers.
- Overall affordability goals for housing created through fund. This should allow for different levels of affordability to encourage a range of types of developments and variety of financing approaches.
- Criteria for establishing loan terms (e.g. amount, interest rate, duration) for individual projects.
- Guidelines regarding eligible types of development, with the primary objective being the development of housing that includes affordable housing in stand-alone or mixed use development. Also provisions to help benefit other non-housing uses (e.g. community facilities; small businesses) as a secondary use in mixed use developments to encourage vibrant urban centers.
- Minimum developer contributions and how REDI funds could be blended with other funding sources.
- Review/underwriting criteria for evaluating individual sites, including establishing milestones to be able to evaluate appropriate progress on individual sites. Include some level of flexibility in these criteria to be responsive to different market conditions throughout the region.
- Procedures for disposition or other use of properties that are not able to proceed as proposed.
- Clear direction/policy regarding relocation.

- Governance issues including:

- Committee structure (Oversight and/or Loan), membership, frequency of meetings and responsibilities. Address ARCH Representation in governance structure.
- Process for identifying a fund manager and the roles and responsibilities of the fund manager.
- Procedures/process the fund will use to review individual applications and develop funding recommendation.
- The amounts and terms of funds from each investor, including minimum funding levels needed from each funding tier for program to become operational.
- How losses are allocated.
- Process for regular review and evaluation of REDI Fund activity and revisions to fund priorities and structure

4. Submit monitoring reports quarterly through completion of the project, and annually thereafter. Submit a final budget upon project completion.



5. Funds will be in the form of a deferred 0% interest loan with repayment upon closing the loan pool.

### **3. Parkview Homes XI**

Funding Request: \$200,800 (Secured Grant)  
3 Beds

CAB Recommendation: \$200,800 (Secured Grant)  
See attached Funding Chart for distribution of City Funds

#### **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 two homes in King County. The ARCH application is to help fund one of those homes, a Supportive Living Services Home in Bothell or Kirkland. The other home will be in Federal Way. For the ARCH sphere 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.

#### **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 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 long track record with properties in King County and good reputation with funders and Department of Developmental Disabilities
- Is on the Department of Commerce Trust Fund LEAP (Legislative Evaluation and Accountability Program) list in the special needs set aside

#### **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 ARCH staff 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. ARCH staff 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. ARCH staff will grant up to a 12 month extension. If necessary a second extension of up to 6 months may be requested by following the same procedures as the first extension.

2. Funds shall be used by the Agency toward acquisition and closing costs and developer fee. Funds may not be used for any other purpose unless ARCH staff has given written authorization for the alternate use.
3. Parkview shall not proceed with searching for a home until all funding commitments have been received. The Agency shall only purchase unoccupied homes or owner occupied homes in order to not trigger local and federal relocation regulations.
4. Prior to acquisition, the Agency shall submit an appraisal by a qualified appraiser. The appraisal shall be equal to or greater than the purchase price.
5. If CDBG is a funding source, site control cannot be entered into until the completion of the HUD required Environmental Assessment. The option agreement shall contain language that addresses federal funds' "choice-limiting" restrictions.
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 three beds for developmentally disabled individuals at or below 30% of area median income at move in.
8. Unless otherwise approved by ARCH staff 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.
  - \$467,500 combined for acquisition and construction cost. In the event that total acquisition and rehab costs, including contingency, exceeds this amount, additional costs shall be covered by private sources from the applicant.
  - Developer fee shall not exceed \$55,000.
9. Replacement Reserves will be funded out of operations at \$1,500 for the first year with an annual increase of 3.5% per year for replacement reserves and \$500 for the first year with an annual increase of 3.5% per year for operating reserves.
10. Residents referred from DDD will not receive Section 8 assistance.

11. 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 ARCH staff.
12. 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 the DD clients, and what steps shall be taken to address the impacts. A new budget or services plan must be approved by ARCH. Parkview must find other sources to make up shortfall.
13. The Agency will notify ARCH when they enter into an option or purchase and sale agreement for any home, providing information on the location of the home and terms for acquiring the home. No home considered for acquisition will be within two blocks of another home owned by Agency unless otherwise approved by ARCH staff. 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 ARCH staff 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 Parkview's intention to purchase the house, description of the project, and information regarding Parkview, 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 Parkview and the service provider regarding the project. Provide contact information for service provider, property manager and Parkview.
15. Once home is selected the Agency shall include ARCH Staff 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 Agency shall submit the final scope of work for ARCH Staff 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 ARCH staff prior to authorization to proceed with such work.
16. 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 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 placing new residents in available beds and limiting vacancies.

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. 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 projects 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.