

RESOLUTION R-5181

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 AFFORDALBE 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  
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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 \$65,000 from the  
19 City's Housing Trust Funds and \$110,717 from Community Development  
20 Block Grant funds as designated below to finance the projects  
21 recommended by the ARCH Executive Board;  
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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                   Imagine Housing Totem Lake II Senior Apartments in an  
32 amount not to exceed \$65,000; and  
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34                   Imagine Housing 30Bellevue in an amount not to exceed  
35 \$110,717.  
36

37           Section 2. The agreements entered into pursuant to Section 1  
38 of this Resolution shall be funded in a total amount not to exceed  
39 \$175,717. Such agreements shall include terms and conditions to  
40 ensure that the City's funds are used for their intended purpose and that  
41 the affordability of projects is maintained over time. In determining  
42 what conditions should be included in the agreements, the duly-

43 appointed administering agency of ARCH shall be guided by the  
44 recommendations set forth in the ARCH Executive Board's memorandum  
45 as of December 22, 2015, a copy of which is attached hereto as Exhibit  
46 A.

47  
48 Passed by majority vote of the Kirkland City Council in open  
49 meeting this 2nd day of February, 2016.

50  
51 Signed in authentication thereof this 2nd day of February, 2016.

  
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 22, 2015

**RE:** Fall 2015 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board has completed its review of the three applications for the Fall 2015 Housing Trust Fund round. The Executive Board recommends funding for two projects. Recommendations total \$667,571 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 is an evaluation matrix for each proposal, an economic summary for the two projects recommended for funding, leveraging charts, project summary table, and a summary of funded projects to date.

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

<b>Funding Request:</b>	\$225,000 in addition to the previously awarded \$875,000 (Deferred, Contingent Loan) plus the previously awarded 8 Section 8 Vouchers (from the 2012 round) 91 Units
<b>Exec Bd Recommendation:</b>	\$225,000 Additional (Deferred, Contingent Loan) See attached Funding Chart for distribution of City Funds

**Project Summary:**

Imagine Housing (IH) – an East King County based non-profit corporation is coming back for additional funding for a project originally funded through ARCH in 2012, but was stalled for available funding from other sources including Tax Credits. The agency is proposing a 91 unit new construction project adjacent to Francis Village in the Totem Lake region of Kirkland. The building is five levels of wood construction over one level of structured parking, lobby entrance, lounge, services office, and management spaces. It is designed to serve seniors living independently, aged 62 or over, at 30%, 40% and 50% of Area Median Income (AMI). Twenty percent of the units will be restricted for seniors who have faced homelessness. The unit mix consists of 26 studios, 60 one bedroom and five two bedroom units.

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 physical deterioration and the units may be adapted (such as changing kitchen cabinets to accommodate) 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.

The additional funding request is due to holding costs on the land and increased construction costs resulting from not getting full funding earlier.

**Funding Rationale:**

The Executive Board supported the intent of this application for the following reasons:

- Development targets range of lower income senior households
- Homeless unit set-asides
- The project expands residential development within the Totem Lake area
- Site has access to transit, shopping and is near a major hospital/medical complex
- Total development cost comparable to other similar projects
- Project leverages a substantial amount of Tax Credit equity
- Applicant has continued to make meaningful progress on advancing the project
- Relatively low per unit ask to ARCH
- Carrying costs and cost increases are justifiable
- Applicant has site control and entitlement process well underway
- Experienced applicant

**Funding Conditions:**

**Special Conditions:** The following conditions supersede, while incorporating and updating, the conditions associated with the funding recommendation from the 2012 round.

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 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 a twelve month 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 Imagine Housing toward construction and construction contingency, design, and bridge loan interest. 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 potentially reductions in public fund loan balances.
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, available cash flow, and 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.
4. 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 \$1,065,000 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.
5. 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. After full repayment of deferred developer fee Imagine Housing shall be entitled to an asset management fee. The amount of the asset management fee will account for various factors including project operating budget and debt repayment. Final asset management fee will be determined at time of funding agreement and must be approved by City staff.
6. 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.

Median Income Level	Studio	1 Bedrm	2 Bedrm	Total
Very Low Income 30% AMI *	26	18	2	46
Low Income 31-40% AMI		22	1	23

Moderate Income 41-60% AMI		20	2	22
Total	26	60	5	91

\* 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 benefiting from vouchers 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.

7. Based on the availability of adequate support services, up to 20% of the units will be set-aside for homeless, unless otherwise approved by City or Administering Agency.
8. 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. Recognizing that there is a very limited amount of parking on the site, the plan shall also address how parking will be managed on an ongoing basis, and alternative transportation options for residents. The 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.

**Standard Conditions:**

9. 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.
10. 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.
11. 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.
12. The Applicant shall maintain documentation of any necessary land use approvals and permits required by the city where the projects are located.

13. 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.

## **2. Imagine Housing 30Bellevue**

Funding Request:                               \$899,950 (Contingent Loan)  
Plus 8 Section 8 Certificates  
65 affordable rental units

Exec Bd Recommendation:

- \$442,571, CDBG funds, subject to final adjustment for HUD CDBG awards (Contingent Loan) as follows:
- Up to \$137,000 for predevelopment activities in 2016
- Balance as a conditional award subject to reapplication in 2016 for balance of local funds

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 60+ unit building collocated with St. Luke’s Lutheran Church which also houses the Sophia’s Place homeless shelter for women. The proposed building is two and four levels of wood construction over one level of structured parking. The project features lobby, leasing office, computer room/library, community gathering room, children’s play area and counseling offices.

The project targets households earning below 30%, 40% and 60% of median area income, 20% of the units are proposed to be set aside for homeless and another 20% of the units are proposed to be set aside for households with disabilities. Imagine Housing is also exploring the feasibility of three bedroom units.

### **Funding Rationale:**

The CAB recognizes the application for funding is early, and that a number of details are still being considered and fleshed out, therefore an award for predevelopment work is recommended with a requirement to apply for full funding award in a future round.

The Executive Board supported this application and recommends partially funding for predevelopment and acquisition costs with conditions listed below for the following reasons:

- Development targets range of lower income family households including set asides for homeless and disabled
- Church and applicant have worked with city and neighborhood in process of applying for and receiving comprehensive plan and zoning updates for the site.
- Site has access to transit, shopping and is near a highway interchange
- Contributes to distributing affordable housing throughout the community.
- Site could accommodate children’s play areas
- Project leverages a substantial amount of Tax Credit equity
- Applicant has site control with a patient seller

- Proposed uses of funding are eligible uses of CDBG funding for affordable housing
- Experienced applicant

With the release of predevelopment funds, this would provide an opportunity for Imagine Housing to address issues listed below as well as complete work needed to apply for other capital funds. Imagine Housing will be expected to provide an updated funding application to ARCH in the upcoming round that addresses the items listed under Condition 6.

**Funding Conditions:**

1. The award would release \$50,000 to fund CDBG-qualified predevelopment activities to be completed by July 31, 2016. Predevelopment funds shall be used by Imagine Housing toward acquisition, design, appraisal, market study, environmental assessment, geotechnical study, surveys, legal and other consultants and that are eligible uses of CDBG funds. Funds may not be used for any other purpose unless city staff has given written authorization for the alternate use. Funds released for predevelopment activities may be forgivable only if the project cannot move forward for reasons outside of Imagine Housing's control. During this period, Imagine Housing shall at a minimum address the items listed under Condition 6 related to incorporating three bedroom units, parking, site feasibility and disabled unit set-asides.
2. Submit monitoring reports quarterly providing updates on progress on predevelopment activities.
3. With the approval of the ARCH Executive Board up to an additional \$87,000 may be released for CDBG-qualified predevelopment activities (as defined in Condition 1) carried out in 2016. To be considered for this release, Imagine Housing shall provide:
  - An update on the status of the project which will include: update on design, unit configuration and mix, conformance to Land Use Code, and status of predevelopment progress.
  - Site design including parking, setbacks, critical areas etc. demonstrating that the proposal meet city regulatory requirements.
  - Document land area to be transferred and detail how land will be legally transferred/secured.
  - Demonstrate meaningful progress.
  - Provide updated capital and operating budgets (including reflecting federal funding requirements)
  - Demonstrate progress toward being able to meet the remaining funding conditions within the 18 month period.
4. In the event the first funding condition is met and an updated application for full funding is received during the 2016 funding round, the funding commitment for the balance of funds not allocated through the first and second conditions shall be extended to 18 months from the date of Council approval. 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. In the event an updated application is not received in 2016 or if an evaluation by the Executive Board prior to the fall funding round indicates that funding conditions cannot be met within the 18 month funding condition period, then the ARCH Executive Board will be authorized to have the funding award expire.



5. With Executive Board approval, the remaining funding award may be expended on costs for securing a site upon meaningful progress on entitlement and the making of applications to other funders.
6. Imagine Housing shall reapply to ARCH in the 2016 round for the balance of local funds needed to combine with other sources to fully fund the project. In that application, Imagine Housing shall address the following:
  - Confirm the unit count and unit mix and distribution over set-asides
  - Explore the feasibility of including more three bedroom units
  - Amount of parking required by the city for the overall site including the proposed housing, and as needed a proposal for managing parking.
  - Meet with Sophia Way and document proposed arrangements to complement operations with the 20 bed women's shelter co-located on the St Luke's property.
  - Explore utilizing disabled set-aside units by more formally partnering with one or two specific agencies to house and provide services to residents on-site. This evaluation should include agencies serving persons with developmental disabilities, but also potentially other agencies serving residents with other special needs.
  - Explore opportunities for affordable childcare for residents.
  - An appraisal that reflects the ongoing existing uses on the property and city land use requirements.
  - Management procedures to address tenant needs; services provided for or required of tenants; management and operation of the premises, including parking.
  - How the Agency will do local targeted marketing outreach to local businesses and community organizations.
  - Documentation of site control with a transfer cost consistent with the appraisal.
7. 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.
8. A covenant is recorded ensuring affordability for at least 50 years, with affordability for all units at 60% or less and a mix of unit sizes. 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.
9. Based on the availability of adequate support services, up to 20% of the units may be set aside for occupancy by households with a disabled person and up to 20% additional units may be set aside for households transitioning out of homelessness so long as there is funding available to support those households.

### **3. Parkview Homes XII**

Funding Request: \$190,000 (Secured Grant)  
3 Beds

Exec Bd Recommendation: Do not fund at this time

#### **Project Summary:**

Parkview Services, a Shoreline-based non-profit organization 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 the Bellevue or Redmond area. The other home will be in South King County. 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 referred by the Developmental Disabilities Administration. 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 1,600 square foot rambler-style houses that can easily be modified for accessibility.

#### **Funding Rationale:**

The Executive Board potentially supports the concept of the Parkview proposal which serves the neediest of developmentally disabled persons, it does not recommend making a funding recommendation at this time. Parkview was awarded funding in 2014 for a similar project, the acquisition and rehabilitation of which has not yet started but which could help inform the current proposal. The current proposal's acquisition and development budget appears too low to be feasible given the targeted area being Bellevue and immediate areas, and experience with the 2014 could better inform if this were the case. This model appears dependent on Operating and Rental Subsidy made available through the Department of Commerce. Such funding, although anticipated when this project was invited to apply, is not being made available in the current round. This jeopardizes the sustainability of a project supported through capital funding in this funding round. The current proposal relies heavily on public capital funding at a higher per bed cost than other housing and doesn't take advantage of sources such as low income housing tax credits and or private fundraising. Given the high public capital funding amounts per bed associated with this model, when the ARCH Citizen Advisory Board (CAB) made the recommendation for funding the 2014 Parkview supportive living home, they requested that prior to funding another project providing housing for persons with developmental disabilities, a stakeholder group be convened to explore strategies and models for efficiently serving this population. Stakeholders met earlier in 2015 and a report with recommendations was issued. Several ideas that were discussed including better utilizing multifamily housing approaches, which can leverage other resources such as tax credits, and increasing occupancy of existing group homes. The Executive Board acknowledges the need for a variety of approaches to serving this population but prior to considering another single family home, the CAB wanted time for the currently funded home to be completed and a more concerted effort to incorporate housing serving this need into a multifamily setting, and in particular upcoming proposals which already plan on a set-aside of units for disabled households.