

RESOLUTION R-5243

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.

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  
13

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 \$442,731 from the  
19 City's Housing Trust Funds as designated below to finance the projects  
20 recommended by the ARCH Executive Board;  
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22           NOW, THEREFORE, be it resolved by the City Council of the City  
23 of Kirkland as follows:  
24

25           Section 1. The City Council authorizes the duly-appointed  
26 administering agency of ARCH, pursuant to the Amended and Restated  
27 Interlocal Agreement for ARCH, to execute all documents and take all  
28 necessary actions to enter into Agreements on behalf of the City with:  
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30           Imagine Housing Esterra Park in an amount not to exceed  
31 \$166,137; and  
32


33           Imagine Housing 30Bellevue in an amount not to exceed  
34 \$276,594.  
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36           Section 2. The agreements entered into pursuant to Section 1  
37 of this Resolution shall be funded in a total amount not to exceed  
38 \$442,731. Such agreements shall include terms and conditions to  
39 ensure that the City's funds are used for their intended purpose and that  
40 the affordability of projects is maintained over time. In determining  
41 what conditions should be included in the agreements, the duly-  
42 appointed administering agency of ARCH shall be guided by the

43 recommendations set forth in the ARCH Executive Board's memorandum  
44 as of January 6, 2017, a copy of which is attached hereto as Exhibit A.

45  
46 Passed by majority vote of the Kirkland City Council in open  
47 meeting this 7th day of March, 2017.

48  
49 Signed in authentication thereof this 7th day of March, 2017.

  
MAYOR

Attest:

  
City Clerk



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

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**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:** Peter Troedsson, Chair, and ARCH Executive Board

**DATE:** January 6, 2017

**RE:** Fall 2016 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board has completed its review of the two applications for the Fall 2016 Housing Trust Fund round. The Executive Board recommends funding for two projects. Recommendations total \$932,429, with a contingency award of up to an additional \$400,000 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 Executive Board recommendation and rationale, and proposed contract conditions for the two proposals recommended for funding at this time. Also enclosed are:

- Exhibit 1: Summary of Trust Fund Applications
- Exhibit 2: Summary of Funding Leveraging
- Exhibit 3: Economic summary for 30Bellevue
- Exhibit 4: ARCH Funding by City
- Exhibit 5: Summary of funded projects to date

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**1. Imagine Housing 30Bellevue**

Funding Request: \$432,429 in addition to the previously awarded \$442,571 for a total funding award of \$875,000 (Deferred, Contingent Loan). plus 8 Section 8 Vouchers (from the 2015 round) 62 Units

Exec Board Recommendation: \$432,429 additional (Deferred, Contingent Loan). Up to an additional \$400,000 contingency per funding condition number 2 See attached Funding Chart for distribution of City Funds

**Project Summary:**

Imagine Housing (IH) –which owns 13 properties with 485 units of low-income housing in East King County – has refined its 30Bellevue new construction project collocated with St. Luke’s Lutheran Church, which also houses the Sophia’s Place homeless shelter for women and the rotating men’s shelter operated by Congregations For the Homeless. This project received \$432K predevelopment funding in the 2015 Trust Fund round along with a reservation of 8 Section 8 vouchers. The revised proposal is for a 62 unit family rental project with up to 50% of the units (31 units) set aside for homeless individuals and households (increase from 20%), but still also keeping up to a 20% set aside for disabled units (13 units). Ten of the disabled set-aside units would overlap with those for the homeless, three would be occupied by developmentally disabled residents who receive services from Alpha Supported Living. The revised proposal includes additional three bedroom units which Imagine Housing is requesting an additional 20 vouchers for the project to help cover operational and debt service costs.

The site is in North Bellevue near the interchange between I-405 and SR 520. It is within the walkshed of the South Kirkland Park and Ride. The proposed building is two and four levels of wood construction over one level of structured parking, management office, service provider space and elevator lobby. A roof garden will be provided on the 3 story portion. This section of the building is stepped down to fit within the zoning height restriction. The building is designed to serve households at 30%, 40% and 60% of Area Median Income (AMI).

**Funding Rationale:**

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

- Development targets range of lower income households
- Homeless unit set-asides
- Is responsive to the issues raised during review of the initial application such as incorporating more 3 bedroom units and including units for developmentally disabled individuals.
- The project expands residential development within the North Bellevue area
- Church and applicant have worked with city and neighborhood for comprehensive plan and zoning updates for the site
- Site has access to transit and shopping
- 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
- Applicant has site control and entitlement process is underway

- Experienced applicant

**Special Conditions:**

**Note: These conditions replace the funding conditions associated with the predevelopment funding award made during the 2015 Trust Fund application round.**

1. The 2016 funding award is \$432,429 for a total award of \$875,000. \$442,571 in Bellevue and King County-administered CDBG was awarded through the 2015 funding round. 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 **soft costs, design, permits and construction**. Funds may not be used for any other purpose unless City or Administering Agency staff have given written authorization for the alternate use. Spending of construction contingency must be approved in advance by City or Administering Agency staff. 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. In addition to the \$875,000, ARCH is making a contingency award subject to ARCH Executive Board approval of up to \$400,000 to make up any shortfall in tax credit pricing below \$1.05 per dollar. The ARCH contingency contribution will be 40% of any additional public funds required. These additional funds would be specifically tied to Construction Contingency. ARCH staff shall review and approve all charges against Construction Contingency. In order to minimize the need for the additional contingency funding, Imagine Housing shall make every effort to underwrite debt, minimize operating and debt reserves, negotiate the highest price for the tax credits and explore all avenues for cost savings including, but not limited to reducing the floor area of units, better construction pricing, better terms on conventional construction and permanent debt, reducing the time of construction and/or better pricing on the land, or change in unit mix in order to minimize the funding gap created by the lower pricing of tax credits. Any request to the ARCH Executive Board for a contingency funding award will include information regarding other actions taken by Imagine Housing to minimize need for contingency funding. .
4. Funds will be in the form of a deferred, contingent loan. Loan terms will account for various factors, including loan terms from other fund sources, available cash flow and receipt of an asset management fee or deferred developer 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 the deferred developer fee (approximately year 4), with 1% interest**. The terms will also include a provision for the Applicant to a deferment of a payment if certain

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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 staff, and any deferred payment would be repaid from future cash flow or at the end of the amortization period.

5. The net developer fee shall be established at the time of finalizing the Contract Budget. With the current 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 \$1,037,000 based on the current size and description of the project. Net developer fee is defined as that portion of the developer fee paid out of capital funding sources and does not include the deferred portion which is paid out of cash flow from operations after being placed in service.
6. Until such time as any deferred developer fee is fully repaid, all cash flow after payment of operating expenses and debt service, shall be used to repay the deferred developer fee unless otherwise approved by City or Administering Agency staff. 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.
7. A covenant is recorded ensuring affordability for at least 50 years, with size and affordability distribution per the following table. Minor adjustments to the mix may be considered upon ARCH Executive Board approval in order to address reduced tax credit pricing. 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 staff.

Affordability**	Studio	1 BR	2BR	3BR	Total
30% *	7	5	12	7	31
40% *	-----	14	1	1	16
60%	-----	11	2	2	15
Total **	7	30	15	10	62

\* 8 Section 8 vouchers awarded in the 2015 round can be utilized in very low income units can utilize Section 8 vouchers. They can be used in a combination of studio, one, two and three bedroom units. The final mix of units benefiting from vouchers will be approved by City or Administering Agency staff. 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 in East King County, and Section 8 program requirements.

\*\* 1 or 2 of the units will not be rent- or income-restricted. The final contract will update the affordability chart to account for the non-restricted units which will be approved by City or Administering Agency staff.

8. Initially, up to 50% of the units will be set aside for occupancy by households transitioning out of homelessness. These units will initially be filled through coordinated entry, but flexibility will be maintained to change how units may be filled based on adequacy of available funding and actual experiences at the site and within the community. Imagine Housing shall work with Coordinated Entry for All around matching tenants to the level of services provided (Imagine proposes 1.5 FTE day

time, week day staffing) and prioritizing family units for households with Eastside connections such as with children in Bellevue and Kirkland schools as well as Sophia Way shelter guests. City or Administering Agency staff shall approve any change to the number of units serving the homeless and the level of services provided.

9. Based on the availability of adequate support services, up to 20% of the units will be set aside for households with disabilities, unless otherwise approved by City or Administering Agency staff. Applicant will make units available to at least 3 developmentally disabled persons on Core Waivers. At initial occupancy one bedroom and a three bedroom unit will be made available for this population. Any changes to the minimum number or configuration of developmentally disabled units shall be subject to approval by City and Administering Agency staff.
10. Imagine Housing shall provide evidence of meeting the conditions of entitlement including but not limited to the number of parking spaces required and shared between the various uses on the site.
11. Imagine Housing shall 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 church, women's shelter and other uses of the site. The plan shall also address how parking will be managed on an ongoing basis including how to address tenants and prospective tenants that would cause the total number of cars to exceed the number of available spaces. The plan 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; a summary of ARCH's affordability requirements as well as annual monitoring procedure requirements.

## **2. Imagine Housing Esterra Park Block 6B**

Funding Request:                      \$2,998,046 (Contingent Loan)  
   Plus 16 total Section 8 Certificates  
   220 affordable rental units

Exec Board Recommendation:        \$500,000 preliminary commitment towards acquisition  
   See attached Funding Chart for distribution of City Funds

### **Project Summary:**

The applicant is Imagine Housing (IH) – a non-profit corporation formed in 1987, which owns 13 properties with 485 units of low-income housing in East King County. They have submitted a project concept on a parcel within the larger master planned development located on the former Group Health in the Overlake area of Redmond and adjacent to the proposed Overlake light rail station. The project concept is a mixed income rental development of 220 units or more. It is proposed to be funded as two components linked by amenity space: a 40+ unit 9% Tax Credit project serving 30% and 50% AMI households and a 180+ unit 4% Tax Credit project with a mix of units serving 60% AMI households and 20 or more unrestricted units but intended to rent at somewhat below market rent levels. The proposal also includes a request to allocate 8 Section 8 vouchers to each component. The proposal responds to the TOD funding (Bonding of the Hotel/Stadium Tax) available from King County. The 9% TC portion will make half of its units available to homeless households in response to King County's funding priorities.

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The proposed building is five levels of wood construction over one or two levels of structured parking. The ground level will include space for a YMCA-operated childcare facility. A roof garden will be provided on both portions.

Besides the childcare center, the new development will contain shared courtyard, lobby, management office, laundry and possible retail space. Common spaces (which include a clubroom) and residential units will be designed according to the principles of universal design.

**Funding Rationale:**

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

The Exec Board supported this application and recommends partially funding with conditions listed below for the following reasons:

- Development targets range of income levels for families and individuals, including set asides for homeless
- Well situated site which has easy access to transit, employment, shopping and services
- Increases the affordability in the master planned development and potential to significantly leverage resources through city housing provisions
- Contributes to distributing affordable housing throughout the community
- Site could accommodate childcare facility
- Project eligible for County TOD funds
- Project leverages a substantial amount of Tax Credit equity and debt
- Imagine pursuing private social investments for a portion of the capital costs.
- Experienced applicant

Imagine Housing will be expected to provide an updated funding application to ARCH in the upcoming round that addresses the items listed under Condition 4.

**Special Conditions:**

1. Funds will be used for site acquisition and may not be used for any other purpose unless City staff has given written authorization for the alternate use.
2. Submit monitoring reports quarterly providing updates on progress on predevelopment activities and progress in meeting the funding conditions.
3. In the event an updated application for full funding is received during the 2017 funding round, the funding commitment for the funds shall be extended to 18 months from the date of Council approval. An extension may be requested to City or Administering Agency staff no later than sixty (60) days prior to the expiration date. City or Administering Agency staff 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 2017 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.

4. Imagine Housing shall reapply to ARCH in the 2017 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:
  - Application to County for Transit Oriented Development funding
  - Approaches to significantly reduce the request to public funders through working with the City of Redmond to secure reduced land costs and/or in-lieu payments from adjacent properties
  - Confirm the unit count, unit mix and distribution over income levels and set-asides
  - Updated operating budget including, if any, HOA dues within the Master Plan
  - Demonstrated progress on incorporating a social investment component into the overall project financing
  - Project phasing plan including financing/cash flow plan to cover development expenses for each phase in the event project is developed in phases
  - Amount of parking required by the city for the overall site including the proposed housing and childcare, and as needed a proposal for managing parking
  - Including a non-profit operated childcare facility and explore opportunities for affordable childcare for residents
  - How the Agency will do local targeted marketing outreach to local businesses and community organizations
  - Construction cost estimates
5. 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 during the review of the final application and prior to release of funds and must be approved by City or Administering Agency staff. The terms may also include a provision for the Agency to a deferment of a payment subject to approval by Administering Agency or 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.
6. A covenant is recorded ensuring affordability for at least 50 years, with affordability for all income-restricted 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 Administering Agency or City staff.
7. Net developer fee shall not exceed ARCH schedule.
8. Imagine Housing shall 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 with the childcare facility. 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; a summary of ARCH's affordability requirements as well as annual monitoring procedure requirements.

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**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.