

RESOLUTION R-5463

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
2 created by interlocal agreement to help coordinate the efforts of
3 Eastside cities to provide affordable housing; and
4

5 WHEREAS, the ARCH Executive Board has recommended
6 that the City of Kirkland participate in the funding of a certain
7 affordable housing project hereinafter described; and
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9 WHEREAS, the ARCH Executive Board has developed a
10 number of recommended conditions to ensure that the City's
11 affordable housing funds are used for their intended purpose and
12 that projects maintain 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
17

18 WHEREAS, the City Council desires to use \$3,216,300 from
19 the City's Housing Trust Funds as designated below to finance the
20 projects recommended by the ARCH Executive Board.
21

22 NOW, THEREFORE, be it resolved by the City Council of the
23 City 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
27 Restated Interlocal Agreement for ARCH, to execute all
28 documents and take all necessary actions to enter into
29 Agreements on behalf of the City with:
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31 Plymouth Housing Group/Horizon Housing Eastgate
32 Supportive Housing in an amount not to exceed
33 \$321,600;
34

35 Imagine Housing Samma Senior Apartments in an
36 amount not to exceed \$321,600; and
37

38 Inland Group/Horizon Housing Totem Lake Apartments
39 in an amount not to exceed \$2,573,100.;
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41 Section 2. The agreements entered into pursuant to
42 Section 1 of this Resolution shall be funded in a total amount not

43 to exceed \$3,216,300. Such agreements shall include terms and
44 conditions to ensure that the City's funds are used for their
45 intended purpose and that the affordability of projects is
46 maintained over time. In determining what conditions should be
47 included in the agreements, the duly-appointed administering
48 agency of ARCH shall be guided by the recommendations set forth
49 in the ARCH Executive Board's memorandum as of December 17,
50 2020, a copy of which is attached hereto as Exhibit A.

51
52 Passed by majority vote of the Kirkland City Council in open
53 meeting this 16 day of February, 2021.

54 Signed in authentication thereof this 16 day of February,
55 2021.
56



Penny Sweet, Mayor

Attest:



Kathi Anderson, City Clerk



A REGIONAL COALITION FOR HOUSING

EXHIBIT A

TOGETHER CENTER CAMPUS
16225 N.E. 87TH STREET, SUITE A-3
REDMOND, WA 98052
425-861-3677

MEMORANDUM

<p>TO: City of Bellevue Council Members City of Clyde Hill Council Members City of Issaquah Council Members City of Kirkland Council Members City of Mercer Island Council Members City of Redmond Council Members City of Woodinville Council Members</p>	<p>City of Bothell Council Members Town of Hunts Point Council Members City of Kenmore Council Members City of Medina Council Members City of Newcastle Council Members City of Sammamish Council Members Town of Yarrow Point Council Members</p>
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FROM: Kurt Triplett, Chair, ARCH Executive Board

DATE: December 17, 2020

RE: Fall 2020 Housing Trust Fund (HTF) Recommendation

The 2020 ARCH Housing Trust Fund round again demonstrated high demand for funding to support affordable housing development in East King County, with four applications representing requests for over six million dollars in local funds to develop close to 500 units of affordable housing. After careful deliberation, the ARCH Executive Board concurred with the recommendations of the ARCH Citizen Advisory Board (CAB), and is recommending funding of \$5,000,000 for three projects, including one project that received a partial award last year.

These recommendations advance projects that meet urgent local priorities, including mixed income workforce housing, affordable housing for seniors, and the first permanent supportive housing project for homeless individuals on the Eastside, which will be developed as part of a master planned community that also includes the previously funded permanent year-round emergency shelter for men.

In the last three decades, the ARCH Trust Fund has supported nearly 4,500 units of affordable housing and shelter beds, more than any other program in East King County, notably creating housing for those with the greatest needs and the fewest opportunities to live in our community. At a time when public resources are scarce but the needs in the community have only grown, your investments will be amplified by the other public and private funding leveraged by these projects, with every \$1 of local funding matched by an estimated \$27 of other funding.

Following is a description of the applications received, the Executive Board recommendation and rationale, and proposed contract conditions for the proposals recommended for funding at this time. Also enclosed is an economic summary of the projects recommended for funding, and a summary of past projects funded through the Trust Fund to date.

ARCH MEMBERS

BEAUX ARTS VILLAGE ♦ BELLEVUE ♦ BOTHELL ♦ CLYDE HILL ♦ HUNTS
POINT ♦ ISSAQUAH ♦ KENMORE ♦ KIRKLAND ♦ MEDINA ♦ MERCER
ISLAND ♦ NEWCASTLE ♦ REDMOND ♦ SAMMAMISH ♦ WOODINVILLE ♦ YARROW
POINT ♦ KING COUNTY

1. Plymouth Housing Group/Horizon Housing Eastgate Permanent Supportive Housing

Funding Request: \$500,000 (Deferred, Contingent Loan)
92 Affordable Units; 3 Manager Units

Executive Board Recommendation: \$500,000 (Deferred, Contingent Loan)

Project Summary:

Horizon Housing Alliances is proposing to develop and turn over to Plymouth Housing– a non-profit corporation with a 40-year history of serving the homeless in Seattle King County – a 95-unit permanent supportive housing project located adjacent to the Eastside Men’s Shelter by Congregations for the Homeless. Plymouth is an established owner and operator of permanent supportive housing, a model that provides critical wrap-around supportive services such as mental and behavioral health services in a permanent housing setting.

The building will be sited on the upper shelf of the 10-acre King County Solid Waste site in the Eastgate area of Bellevue. The site comprises a larger master development with three components, including the Eastside Men’s Shelter, which will share a surface parking lot. Another 300 units for workforce housing on the lower portion of the site completes the development. ARCH has previously awarded funding for the shelter and workforce housing components of the project.

Funding Rationale:

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

- The project is the last component necessary to realize the shelter at this location, which remains a high priority for ARCH and its member jurisdictions, particularly the City of Bellevue and King County.
- The project creates permanent supportive housing with a very experienced provider, and benefits from the thoughtful community outreach process coordinated by Congregations for the Homeless
- The project benefits from being built simultaneously with other components by a vertically integrated developer.
- The project scores well for very competitive 9% tax credits.
- The project provides significant financial leverage of other resources.
- Site has convenient access to transit, shopping, and services.

Proposed Conditions:

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

Special Conditions:

1. The funding commitment 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 Agency 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 Agency 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 Agency toward soft costs, design, permits and construction. Funds may not be used for any other purpose unless ARCH staff 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 or deferred developer fee to the Agency and project reserves. Final loan terms shall be determined prior to release of funds and must be approved by ARCH Staff. Based on the preliminary development budget, it is anticipated that loan payments will be deferred throughout the life of the loan.
4. The net developer fee shall be established at the time of finalizing the Contract Budget and will follow ARCH Net Developer Fee Schedule. 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. A covenant is recorded ensuring affordability for at least 50 years, with size and affordability distribution per the following table. Limited changes to the matrix may be considered based on reasonable justification as approved by ARCH staff.

Affordability	Studio	Total
30%	46	46
50%	46	46
Non-restricted	3	3
Total	95	95

6. Based on the availability of adequate support services, at least 75% of the units may be set aside for occupancy for households transitioning out of homelessness, unless otherwise approved by ARCH. Plymouth will work with the Coordinated Entry for All system to seek preference for homeless individuals from Sophia Way and Congregations For the Homeless shelters, while maintaining flexibility to change how units may be filled based on actual experiences at the site and within the community.

2. Imagine Housing Samma Senior Apartments

Funding Request: \$500,000 additional to \$750,000 awarded in 2019 (Deferred, Contingent Loan)
76 affordable rental units

Executive Board Recommendation: \$500,000 (Deferred, Contingent Loan)

Project Summary:

Imagine Housing is proposing a 76-unit affordable 55 and older senior rental project utilizing 4% tax credits and tax-exempt bond financing. The project includes set asides of apartments for disabled persons. The project will be built on land to be acquired from the City of Bothell at a reduced price. The site is located on the Bus Rapid Transit corridor which is being expanded with ST3 funding. The City has indicated its strong support for the project including zoning changes for increased height and reduced parking.

The proposed affordable building is five levels of wood construction. Imagine is pursuing an Ultra High Energy Efficiency (UHEE) rating for this building. The design envisions around 40 surface parking spaces. Imagine has also submitted applications for funding from King County and the State Housing Trust Fund. ARCH believes the application will be competitive for King County Transit-Oriented Development housing funds, as well as State funds designated for UHEE projects. Imagine has made substantial progress working through site, design and environmental issues, and is poised to move quickly on the project, if successful in securing a tax credit allocation.

Funding Rationale:

The Executive Board recommends funding with conditions listed below for the following reasons:

- Aligns with local housing strategy.
- The City of Bothell is excited to support this affordable project through discounting land and having worked collaboratively to address land use issues.
- The project would increase affordability within the revitalized Bothell Landing.
- The project is sited at an excellent location for senior housing, with proximity to a major senior center, planned bus rapid transit, parks and trails, and shopping.
- The project will strive to achieve Ultra High Energy Efficiency.
- The project leverages significant funding from other public and private sources.
- The scale of project fits developer's past track record and capabilities.

Proposed Conditions:

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

Special Conditions:

1. Funds shall be used by the Agency for construction.
2. ARCH's 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 Agency will provide a status report on progress to date. ARCH staff will consider up to a 12-month extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the Agency will demonstrate all capital funding is likely to be secured within a reasonable period of time.

3. Funds will be in the form of a deferred, contingent loan. It is anticipated that loan payments will be based on a set repayment schedule and begin after repayment of deferred developer fee with 1% interest. The terms will also include a provision for the Agency to a defer 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 ARCH Staff, and any deferred payment would be repaid from future cash flow or at the end of the amortization period. 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 ARCH Staff. The terms are expected to include a provision for the Agency to defer payment if certain conditions are met (e.g., low cash flow due to unexpected costs).
4. A covenant is recorded ensuring affordability for at least 50 years, with affordability generally as shown in the following table. Limited changes to the matrix may be considered based on reasonable justification as approved by ARCH staff.

Affordability	Studio	Total
50% AMI	76	76
TOTAL	76	76

5. Agency shall work with City to minimize parking requirements and dependence on private vehicles, but support residents with alternative modes of transportation, including exploring bus vouchers, shared electric bikes and a van.
6. The net developer fee shall be established at the time of finalizing the Contract Budget and will follow the schedule established by ARCH. 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.
7. To demonstrate Agency's capacity to provide appropriate asset management and property management over its properties, Agency shall:
 - A. Establish and maintain an internal system of complaint tracking including documentation of resolution;
 - B. Provide ARCH with information related to active complaints regarding property conditions and management at existing properties and prepare an implementation plan to address verified habitability complaints, to be submitted to ARCH by February 15, 2021; and
 - C. Provide regular reporting on implementation to ARCH. No funds will be contracted or disbursed until the ARCH has determined the Agency has sufficient property and asset

management capacities and has adequately addressed resident complaints regarding life safety and livability issues.

8. Agency shall maintain the project in good and habitable condition for the duration of period of affordability.

3. Inland Group/Horizon Housing Totem Lake Development

Initial Funding Request: \$4,000,000 (Deferred, Contingent Loan)
80 affordable rental units in 9% deal and 219 affordable units in 4% deal

Executive Board Recommendation: Up to \$4,000,000 based on documented gap (Deferred, Contingent Loan)

Project Summary:

Based on their successful proposal for the Together Center redevelopment, Inland/Horizon seek to create a similarly configured affordable development comprising approximately 300 income-restricted units supplemented by an additional 168 workforce rental units in the redeveloping Totem Lake neighborhood of Kirkland.

The proposed project is located at the site of a former new car dealership will consist of three residential towers with level 1 of sub-grade parking and 2 levels of above grade parking. The first floor will consist of common areas/commercial space and the majority of the residential units will be on the third floor and above. The project proposes to utilize 9% tax credits in 80 units affordable at 30% and 50% AMI, of which 60 would be set aside for those exiting homelessness. Another 219 units is proposed at 60% AMI, which will be funded through 4% tax credits and tax-exempt bond financing. The developer is in conversations with Hopelink to provide services to the formerly homeless.

Microsoft has indicated interest in financing the workforce component of the project, as well as supplying bridge financing through ARCH for the tax credit portion of the development, similar to the loan provided to the Together Center development.

Funding Rationale:

The Executive Board recommends funding with conditions listed below for the following reasons:

- The project has the opportunity to deliver mixed income housing on a significant scale in a location with access to transit and other amenities.
- The project leverages a significant amount of tax credit and other private financing.
- If successful in obtaining a 9% allocation, the project would provide housing for homeless families as well as other low-income families and individuals.
- If unsuccessful in obtaining a 9% allocation, the project would still deliver a significant amount of housing affordable to a range of incomes.
- The project will deliver a large amount of family-sized, 3-bedroom units.

- The developer is vertically integrated bring economies to the development. The project will be co-located with workforce housing creating a project of around 470 units built simultaneously, bringing an economy of scale.
- The project envisions bringing social services and behavioral health services to the Totem Lake neighborhood.
- The project would allow timely investment of in lieu fees collected from downtown development to invest in another redeveloping neighborhood.
- The project maximizes utilization of the site per zoning.

Proposed Conditions:

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

Special Conditions:

1. The funding commitment shall continue for eighteen (18) months from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. ARCH staff will grant up to a 12-month extension.
2. Funds shall be used by the Agency towards acquisition. Funds may not be used for any other purpose unless ARCH staff has given written authorization for the alternate use.
3. Funds will be in the form of a deferred, contingent loan. Loan terms will account for various factors, including loan terms from other fund sources and available cash flow. Final loan terms shall be determined prior to release of funds and must be approved by ARCH Staff. It is anticipated that loan payments will be based on a set repayment schedule and begin after repayment of deferred developer fee with 1% interest. The terms will also include a provision for the Agency to a defer 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 ARCH 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 and will follow the ARCH Net Developer Fee Schedule. 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. A covenant is recorded ensuring affordability for at least 50 years, with affordability generally as shown in the following table. Limited changes to the unit mix may be considered based on reasonable justification as approved by ARCH staff. If the project is unsuccessful in securing 9% tax credits in the current round, the project may shift the allocation of units set aside at 30% AMI to either 50% or 60% AMI. The total number of units affordable up to 60% AMI may not be decreased by more than 10% without ARCH Board approval. The total number of units affordable up to 50% AMI may also not be decreased by more than 10% without ARCH Board approval. Decreases of 50% and 60% AMI units greater than 10% may be approved by the ARCH Board, but shall not exceed 20%.

Affordability	Studio	1 BR	2BR	3BR	Total
30%		8	20	12	40
50%		8	20	12	40
60%	22	42	108	47	219
Total	22	58	148	71	299

7. The final loan amount shall be up to \$4 million, subject to approval by ARCH staff based on a documented funding gap. ARCH reserves the right to reduce its total loan amount based on changes to the project sources and uses, and unit mix.
8. The Agency shall submit evidence of private funding commitments for all components of the project, including the workforce housing. In the event commitment of funds cannot be secured consistent with the timeframe identified in the application, the Agency shall immediately notify ARCH, and describe the actions it will undertake to secure alternative funding and the timing of those actions subject to ARCH review and approval.
9. Agency must submit for ARCH staff approval a management and services plan which includes coordination of services with outside providers and parking management.
10. Agency shall submit a marketing plan for approval by ARCH staff. The plan should include how the Agency will do local targeted marketing outreach to local, media business and community organizations.
11. The Agency shall work with the city to minimize required parking and to provide alternative transportation options for the residents that reduce reliance on private automobiles, such as provision of public transit passes, bike storage, car sharing programs and other incentives. The Agency may charge for parking, subject to approval by ARCH staff, provided that the Agency has minimized the overall cost burden on residents with the lowest incomes.
12. In the interest of discouraging segregation of residents by income within the project, the Agency shall look for ways to integrate the population across the project with shared amenities, unifying esthetics and other programmatic features to build community within the project.

4. Friends of Youth New Ground Kirkland Redevelopment

Funding Request: \$1,069,979 additional to previously invested \$250,000 awarded in 2005 (Secured Grant)
 24 total affordable beds replacing existing 8 beds

Executive Board Recommendation: \$0

Project Summary:

Friends of Youth proposes to redevelop a site currently occupied by their 8-unit transitional living program in the Houghton neighborhood of Kirkland. The existing building would be razed and replaced

by a similarly sized building configured to have 8 suites of congregate housing, each with 3 private bedrooms, for a total of 24 residences. The target population would be clients who are ready for more independent living, likely pursuing education or entry level employment, including young adults who are not current clients of the agency. This would represent a re-balancing of the agency's housing portfolio.

Funding Rationale:

The CAB potentially supports the concept of the Friends of Youth proposal but does not recommend funding at this time. The CAB would welcome an application in the next round. This would provide an opportunity for Friends of Youth to address the issues identified below. In the event Friends of Youth does provide an application to ARCH in the upcoming round, the application should address the following issues:

- Building design, siting and parking and conformance with zoning requirements
- Interior arrangement for congregate/independent living
- On site management necessary for successful congregate living
- Neighborhood outreach
- Capital campaign plan that includes this project and the permanent relocation of the youth shelter, which the agency has indicated is its other top priority

Standard Conditions (Apply to all projects):

1. The Agency shall provide revised development and operating budgets based upon actual funding commitments, which must be approved by ARCH staff. If the Agency is unable to adhere to the budgets, ARCH must be immediately notified and (a) new budget(s) shall be submitted by the Agency for ARCH's approval. ARCH 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 Agency. Failure to adhere to the budgets, either original or as amended may result in withdrawal of ARCH's commitment of funds.
2. The Agency 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 Agency shall immediately notify ARCH, and describe the actions it will undertake to secure alternative funding and the timing of those actions subject to ARCH 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 Agency shall maintain documentation of any necessary land use approvals and permits required by the city in which the project is located.
5. The Agency shall submit monitoring quarterly reports through completion of the project, and annually thereafter, and shall submit a final budget upon project completion. If applicable, Agency shall submit initial tenant information as required by ARCH.