RESOLUTION R-5747

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE AGREEMENTS AND ASSOCIATED DOCUMENTS NECESSARY TO PROVIDE A CITY-FUNDED LOAN TO ARETE APARTMENTS TO PURCHASE AND PRESERVE 224 RESIDENTIAL UNITS AT ARETE APARTMENTS AS LONG-TERM AFFORDABLE HOUSING UNITS.

WHEREAS, the Kirkland City Council made providing more affordable housing a major Comprehensive Plan goal and a City Council priority, and Kirkland's 2019-2044 housing need is for 13,200 additional housing units, including 1,022 units for households making between 51 percent and 80 percent Area Median Income (AMI); and

WHEREAS, Sustainable Kirkland LLC currently owns Arete Apartments, a mixed commercial and residential development including 290 residential units located at 450 Central Way in downtown Kirkland, in close proximity to services and transportation options; and

WHEREAS, Arete Apartments has provided housing at rates affordable to households with low incomes but is not subject to any long-term restrictions limiting future increases in rent; and

WHEREAS, Sustainable Kirkland LLC intends to convey Arete Apartments to a nonprofit organization and establish restrictions to preserve affordability for 224 of the existing 290 units; and

WHEREAS, the nonprofit organization intends to seek a property tax exemption under RCW 84.36.560 for nonprofit organizations that provide rental housing to qualifying households, and in order to qualify for such exemption, the nonprofit organization that will own Arete Apartments must obtain funding designated for affordable housing from a public entity; and

WHEREAS, receiving funding designated for affordable housing from the City or other public entity would qualify the Arete property for a property tax exemption under RCW 84.36.560; and

WHEREAS, in exchange for the City of Kirkland providing Sustainable Kirkland LLC and a subsequent nonprofit organization with a $500,000 interest-free loan, a significant number of units will be set aside as affordable housing at specific affordability levels; and

WHEREAS, these set-aside affordable units will help meet the City's critical need for affordable housing between 51 and 80 percent AMI; and

WHEREAS, the City Council finds that this proposal will support the City's efforts to provide more affordable housing in an area that is close to transit access, near employment and retail centers, and is within the Greater Downtown Urban Center.

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

Section 1. In order to facilitate the preservation of 224 affordable market-rate units as affordable rent-restricted units for a period of at least 20 years, extendable up to a total of 60 years, the City Manager or designee is hereby authorized to negotiate and execute a funding agreement and related documents to provide a nonprofit organization with a $500,000 no-

interest loan to contribute to the preservation of affordable units at Arete Apartments, with the agreement and related documents to be in forms approved by the City Attorney and consistent with the requirements of this resolution.

Section 2. The City Manager or designee is further authorized and directed to ensure that the City's funds are used for the intended purpose and that the project maintains its affordability over time by negotiating and executing a regulatory agreement, a loan agreement, and promissory note, and any other necessary documents, which must reflect the following key provisions:

A. *Affordability.* 219 EcoFlats will be designated for households making no more than 60 percent area median income (AMI) and five units (including one studio, two one-bedroom, and two two-bedroom units) will be designated for households making no more than 80 percent AMI.
    1) Affordability limits are based on incomes in the Seattle-Bellevue metropolitan area and affordability limits established for "studio" rental units and one- and two-bedroom units.

B. *Tenant Turnover.* Current tenants who exceed the income requirements will not be required to be displaced and may remain living within Arete but may be asked to move to a non-income-restricted unit. Current tenants will be allowed to continue leasing at their current rents, with increases subject to a rent cap as outlined below.

C. *Income Growth.* If a tenant moves into one of the affordable units because they are income-qualified (i.e., their household income is at or below 60 percent AMI for those designated units, or 80 percent AMI for those designated units), and then that existing tenant's income increases up to 80 percent AMI for the 60 percent AMI units or up to 100 percent for the 80 percent AMI units, the unit will still be considered an affordable unit.

D. *Rent Cap.* Rent increases would be subject to restrictions established under RCW 59.18.700, which currently limits annual increases to a maximum of 7 percent plus the Consumer Price Index as defined in 59.18.700 (1)(c) or 10 percent, whichever is less.

E. *Loan.* The City would loan $500,000 with no interest to the nonprofit owner of the project for an initial period of 20 years. Disbursement of funds would be conditioned on documentation of eligible expenses. Either the City or owner of the project could extend the term of the loan for two additional terms of 20 years each, for a maximum of 60 years. The affordability restrictions on the 224 residential units would run for the full period of the loan.

F. *Ownership Entity and Operations and Monitoring.* The City would approve the identified nonprofit entity and other related entities who are responsible for ownership and operation of the project. A Management Plan must be submitted to the City by the project owner describing aspects of the management and operation of the project, including enforcement procedures and maintenance and repair of the facilities.

Passed by majority vote of the Kirkland City Council in open meeting this 6th day of October, 2026.

Signed in authentication thereof this 6th day of October, 2026.

Kelli Curtis, Mayor

Attest:

Anastasiya Warhol, City Clerk