

CITY COUNCIL REGULAR SESSION

Resolution authorizing the City Manager to execute an agreement for the Congregations for the Homeless / Eastside Men's Shelter project in the amount of \$3.6 million, to be drawn from the City's Housing Fund, G-109 Affordable Housing Contingency, sales tax revenues specific to affordable housing, or a combination thereof as determined by staff, as guided by the recommendations of the ARCH (A Regional Coalition for Housing) Executive Board.

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Community Development Department

EXECUTIVE SUMMARY

This Resolution authorizes the City Manager to enter into an agreement for the Congregations for the Homeless/Eastside Men's Shelter in the amount of \$3.6 million. This amount is in addition to the amounts previously authorized under Resolution Nos. 8888 (dated March 2, 2015) and 9796 (dated July 20, 2020).

RECOMMENDATION

Move to adopt Resolution No. 9971.

BACKGROUND/ANALYSIS

At its July 12 Study Session, Council reviewed the funding request for the Eastside Men's Shelter and directed staff by a 7-0 vote to return with legislation to award \$3.6 million in supplemental funding to Congregations for the Homeless for the project.

Available Resources

Since the adoption of the Affordable Housing Strategy in 2017, the City's available resources targeted at implementation have been steadily growing, putting the City in a position to deploy funds to meet immediate housing needs. The City has accumulated adequate resources to fund this award in addition to the Eastgate Permanent Support Housing and Illahee Apartments preservation which Council also provided direction to receive funding on July 12.

Eastside Men's Shelter

Congregations for the Homeless (CFH) is working to develop a permanent shelter for homeless men as part of the Eastgate Master Development. The Master Development is comprised of three projects; the Eastside men's shelter, permanent supportive housing, and workforce housing. CFH is an experienced operator with a 29-year history of serving homeless men on the Eastside. They remain the only provider of programs on the Eastside focused on helping adult men experiencing homelessness. CFH has been working for several years to create a permanent, year-round emergency shelter for homeless men. In 2015, A Regional Coalition for Housing (ARCH) member cities provided \$700,000 (\$383,500 of Bellevue funds) to support CFH's efforts to secure a site and conduct pre-development activities. In addition, the City received a state legislative appropriation of \$1.4 million in 2016 on behalf of the

shelter project, which the City has since assigned to CFH. In 2017, the City adopted an ordinance establishing a Conditional Use Permit process to establish a homeless shelter. In 2018, the City awarded \$585,000 in funding to support the operations at the temporary shelter, while CFH worked to site and develop the permanent shelter in Eastgate.

In 2019, after undergoing an extensive site search and selection process, CFH secured site control on a 10+ acre property owned by King County located in the Eastgate neighborhood. Since the property exceeded the needs for development of a shelter, it presented a significant opportunity to leverage a larger master development that could create a range of affordable housing, including workforce housing and permanent supportive housing. CFH proceeded to select Inland Group as its master development partner, and in 2019 ARCH received funding applications for development of the shelter and workforce housing. In 2020, the City approved \$228,920, part of a \$500,000 award by ARCH members, for development of the shelter, and \$263,290, part of a \$575,000 award by ARCH members, for development of the workforce housing. The latter project was not fully funded at the time, as ARCH did not have sufficient resources to fund the full amount requested, however the shelter project successfully secured the following funds, in addition to committing \$3.5 million from a capital campaign to be undertaken by CFH.

Committed Funds to Date: Men's Shelter

\$1.2 million total award from ARCH cities

\$3.8 million award from King County

\$3.5 million from the State Housing Trust Fund

\$1.4 million legislative appropriation from the State, carried over from 2016

\$3.5 million Congregations for the Homeless capital campaign

Total Funds Committed: \$13.4 million to date, prior to project cost increases

Allocation of Bellevue Funds to Address Funding Gap

Over the last 18 months, the Eastgate Master Development partners have made significant progress and invested at-risk capital toward moving this large-scale master development through the pre-development phase towards construction. During this time period, however, several factors have impacted the original cost estimates that provided the basis for each project's funding awards. As presented to Council on July 12, the Eastside Men's Shelter has a current funding gap of \$5.7 million, above and beyond the \$13.4 million committed to date. King County and the State have conditionally committed to providing an additional \$2.1 million to go along with \$3.6 million from the City of Bellevue. CFH has also committed to increasing its capital campaign by another \$1.0 million for the shelter.

Recent Cost Increases: +\$5.7 million

\$2.1 million from State/King County

\$3.6 million requested from City of Bellevue

The drivers for the recent cost increases include:

- Escalation in material pricing, including lumber, wood products, steel, and copper.
- Increases in labor costs and prevailing wage rates, including for plumbing, drywall, and other trades.

- Significant upgrades to meet the 2018 Washington State Energy Code, which went into effect in January.
- Design alterations to the shelter based on COVID to promote a healthier living environment.
- Additional design changes to the shelter to meet community suggestions and expectations through the City's Conditional Use Permit process, including:
 - Incorporation of design recommendations from the Bellevue Police, such as a more robust security camera system, and wider driveway resulting in additional site grading;
 - Expanded site fencing on the perimeter property lines and in strategic areas to direct pedestrian access and movements;
 - High quality, durable materials and finishes that will be easier to maintain over time;
 - Incorporation of significant on-site, flexible and usable outdoors space for the hundred-plus people who will be on site every day, year round; and
 - Ensuring open site lines and incorporation of natural light within the main floor of the shelter that require a more robust structural frame designed in a wood/steel hybrid.
- Additional time to establish the Good Neighbor Agreement Advisory Committee. This has resulted in the shelter construction schedule no longer aligning with either of the other campus partners, resulting in significant added costs to re-mobilize earthwork and other contractors.

POLICY & FISCAL IMPACTS

Policy Impact

This funding award will advance City policy objectives to ensure completion of the long-planned permanent year-round 100-bed shelter for homeless men, support project enhancements identified through the Good Neighbor Agreement Advisory Committee process, and to work with state, county and local funding partners.

Fiscal Impact

The City has accumulated adequate resources targeted at implementation of Bellevue's Affordable Housing Strategy and Council's housing priorities to fund this award. Based on Council approval of this funding award, staff will seek to use the most-restrictive available City funds first, and funds with the most flexibility last. This will provide the highest level of flexibility for future investment of funds. The funds will be drawn from the City's Housing Fund Budget, Capital Investment Program (CIP) G-109 Affordable Housing Contingency, sales taxes targeted at affordable housing, or combination thereof, as determined by staff. These funds include:

- The Council's allocation of funds to the CIP through the Affordable Housing Contingency, amounts to a balance of \$7.0 million as of 2021;
- Nearly \$3.4 million in affordable housing in-lieu fees from development in the BelRed Subarea;
- Affordable housing sales tax revenues authorized under RCW 82.14.540, which have generated roughly \$800,000 since 2020; and
- Approximately \$1.2 million accrued in the Housing Fund, primarily through loan repayments from past projects funded through ARCH.

OPTIONS

1. Adopt the Resolution authorizing the City Manager to execute an agreement for the Congregations for the Homeless / Eastside Men's Shelter project in the amount of \$3.6 million, to be drawn from the City's Housing Fund, G-109 Affordable Housing Contingency, sales tax revenues specific to affordable housing, or a combination thereof as determined by staff, as guided by the recommendations of the ARCH (A Regional Coalition for Housing) Executive Board.
2. Do not adopt the Resolution and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

Proposed Resolution No. 9971

AVAILABLE IN COUNCIL LIBRARY

N/A