

CITY COUNCIL AGENDA TOPIC

Housing Stability Program and Affordable Housing Fund, 2025 Funding Award Recommendations

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A Regional Coalition for Housing (ARCH)

EXECUTIVE SUMMARY**DIRECTION**

In June 2025, the City of Bellevue released its Fall 2025 Housing Stability Program (HSP) funding request for proposals for capital projects and operations, maintenance, and services (OMS). The 2025 funding round also included a one-time opportunity to apply for funding via the Affordable Housing Fund (AHF) to support capital projects. The 2025 funding round was planned and conducted in coordination with ARCH and timed to align with other capital funding rounds led by King County and the State of Washington. Four applications are recommended by staff for HSP and AHF funding.

RECOMMENDATION

Direct staff to return with legislation at a future meeting to approve allocations of (a) up to a total of \$25,734,038 from the Housing Stability Program, including \$22,544,778 in capital and \$637,852 in annual OMS funds with an annual inflation factor for a five-year term; and (b) up to a total of \$11,303,621 from the Affordable Housing Fund (part of the City's Long-Range Planning Reserves). The recommended funding supports the creation of 271 affordable units in four different projects.

BACKGROUND/ANALYSIS

Staff will present the recommended funding awards from the Housing Stability Program (HSP) and the Affordable Housing Fund (AHF) at this meeting. These recommendations are the result of the City of Bellevue's 2025 Funding Round, which advertised funds from two sources this year – \$20 million from the annually-advertised HSP and \$10 million from the one-time, limited source, AHF, held as part of the City's Long-Range Planning Reserves. Detailed information on recommended awards, including project award conditions, can be found in Attachment A.

Housing Stability Program Background

Council approved Resolution No. 9826 on October 12, 2020, allowing the city to collect up to 0.1% sales and use tax for housing and related services under Revised Code of Washington 82.14.530. The enabling legislation adopted by the State focuses on housing and related services for specific, often marginalized populations. It mandates that a majority of the revenues collected serve target populations earning at or below 60% of the area median income (AMI) of the county where the tax is imposed,

including persons with behavioral health disabilities; veterans; residents who are seniors; persons who are experiencing homelessness or are at risk of experiencing homelessness, including families with children; unaccompanied youth or young adults experiencing homelessness; persons with disabilities; or domestic violence survivors.

On July 5, 2022, Council approved a framework for the use of HSP funds (Attachment B). The framework includes:

- Up to 40% for housing partnership projects and land acquisition (capital), with exploration of bonding;
- Approximately 40% for capital projects and operations and maintenance costs (OMS), including on-site services. Eligible projects may request up to \$13,996 per unit per year in operations, maintenance, and on-site service funding, plus inflation;
- Approximately 15% for behavioral health and housing-related services; and
- Approximately 5% for the administration and oversight of the program.

Based on this established Council direction, the Fall 2025 HSP funding round considered the following priorities:

- Provide housing for households earning below 30% of area median income;
- Address and prevent homelessness and housing instability; and
- Focus on marginalized residents in Bellevue.

Affordable Housing Fund Background

The City of Bellevue holds a balance of funds generated from fee-in-lieu payments from development projects and previous city affordable housing appropriations in the Long-Range Planning Reserves, established by the Comprehensive Financial Policies. These funds are intended for investment in affordable housing. Recognizing the need for flexible financing tools to accelerate the development of affordable housing, the Office of Housing advertised \$10 million of these funds in the 2025 funding round as the Affordable Housing Fund (AHF). The AHF, unlike the Housing Stability Program, consists primarily of non-renewable sources that have accumulated over time and now represents an opportunity for the city to provide flexible gap financing to support a greater range of housing projects.

Should Council approve the 2025 funding awards, any remaining AHF funds will be considered for future targeted investments in affordable housing. The timing of this funding opportunity furthers the goal of the Office of Housing to accelerate affordable housing production, leverages investment from other local funders including Amazon's Housing Equity Fund, and advances several shovel-ready projects in Bellevue that would otherwise not be funded at this time.

Based on leadership direction, the Office of Housing developed criteria and eligible use requirements for the AHF and advertised the same in the 2025 Housing Stability Program and Affordable Housing Fund RFP in June 2025. AHF criteria can be found in Attachment C. Projects across the city serving a range of income levels and program types including shelter, rental, and homeownership were eligible for AHF funding, including any project providing affordable rental units below 80% AMI or homeownership units below 100% AMI.

2025 Round Review Process

The Office of Housing works with ARCH to facilitate the annual Request for Proposals (RFP) process. Eight organizations submitted applications to the City of Bellevue, through ARCH, for the AHF and for HSP capital and OMS through the 2025 application round, with requests totaling \$55.3 million in HSP capital funds and \$25.5 million in AHF capital.

ARCH staff prepared technical analysis of the application packages for both AHF and HSP requests. For review of HSP proposals, Office of Housing staff, supported by ARCH, facilitated an Interdepartmental Review Committee, including representatives from the City Manager's Office (Office of Housing), Parks & Community Services (Human Services), and Development Services (Code & Policy). The Interdepartmental Review Committee evaluated each HSP proposal against the aforementioned 2022 Council-approved priorities and evaluation criteria (Attachment A) before finalizing award recommendations in December 2025.

Concurrently, Office of Housing evaluated AHF award proposals and considered recommendations based on the criteria published with the 2025 Request for Proposals and included in Attachment C. Based on this evaluation and further direction from departmental leadership, four of the eight total applications were ultimately recommended for HSP and/or AHF awards.

Funding Rationale

In alignment with the city's identified funding priorities, Office of Housing staff continue to work with both Finance and Asset Management (FAM) and ARCH to carefully evaluate existing resources to determine the most effective strategies to increase the production and preservation of affordable housing. This year's proposed awards from both the HSP and AHF are a direct result of this collaborative effort. Recommended funding for the four awarded projects in the 2025 round totals \$37,037,659 to create 271 new affordable homes in Bellevue serving households with incomes ranging from 30% to 80% of the Area Median Income. The funding also helps to advance predevelopment work for another approximately 127 affordable homes on city-owned property. For HSP, the 2025 award includes \$22,544,778 in capital and \$637,852 in annual OMS funding. The awards for OMS are for five years, with the ability to apply for renewal where necessary, and include an annual inflation factor. For AHF, this year's award includes \$11,303,621 in capital.

The recommended proposals for HSP meet all three of the above-referenced 2022 Council-approved priorities for HSP funding. Recommended proposals for both the HSP and AHF advance key objectives in the city's adopted Comprehensive Plan (2024), 2017 Affordable Housing Strategy, and the draft update to the Affordable Housing Strategy (2026) by providing housing options to a growing population with unique needs. The projects recommended for funding include multifamily rental housing, affordable development of faith-owned property, and an affordable homeownership project.

Four applications were not recommended for funding in the 2025 round – one would have been the potential acquisition of an existing multifamily building, another for an untested co-homeownership model, the third for safety and security upgrades to an existing affordable housing property, and the last for an affordable housing project still in early development and located on a property once owned by a religious organization. Projects not recommended for funding in this round are eligible and encouraged to reapply in the future.

The recommended 2025 HSP funding allocation awards revenue accumulated between 2023 - 2025 to

advance projects that align with council HSP priorities, statutory requirements, and attract other private, philanthropic, and public resources to create affordable homes in Bellevue. The projects recommended for awards strategically advance the city’s affordable housing goals. This approach ensures that funding remains aligned with city priorities, while staff continue to strategically and efficiently manage resources to achieve the city’s affordable housing goals.

2025 Recommendations

Funding recommendations are presented in the table and project summaries below. Detailed project descriptions for all application requests including this funding recommendation, rationale, and proposed contract conditions are outlined in Attachment C.

2025 HSP and AHF Funding Recommendations						
Applicant	Project	Units	HSP Units	HSP Capital	HSP OMS	AHF Capital
Bellwether Housing	Bellevue TOD	127*	13*	\$2,000,000		\$0
Habitat for Humanity	Orchard Gardens	25	0	\$0	N/A	\$1,715,400
Hopelink + SRM Development	Altaire at East Main	146	37	\$14,460,888	\$517,852	\$3,483,750
Imagine Housing	Forest Edge	100	25	\$6,083,890	\$120,000	\$6,104,471
Totals		271*	62*	\$22,544,778	\$637,852	\$11,303,621
*Bellwether Housing applied for predevelopment funds Unit counts are therefore subject to change once all due diligence is completed. Accordingly, these unit counts were not included in the Unit Count Totals row.						

Bellwether Housing – Bellevue TOD: In June 2025, the City of Bellevue released a Request for Proposals for affordable housing development on two city-owned parcels. Bellwether Housing was awarded the roughly half acre parcel located at the intersection of BelRed Rd and 120th Avenue NE. Bellwether Housing’s proposal for the Bellevue TOD Site is a 127-unit, 8-story residential building and will set aside units for a broad range of low-income individuals and families earning between 30 – 60% AMI. **Bellwether’s request is for predevelopment funds to advance the design and entitlement processes for the project. Bellwether Housing will apply for additional capital funds from Bellevue and ARCH in 2026.**

Habitat for Humanity – Orchard Gardens: This Orchard Gardens proposal will create twenty-five (25) new permanently affordable ownership homes for households earning up to 80% of the area median income. Each home will have three bedrooms with on-site parking. Habitat for Humanity purchased the 3.13-acre property from the Holy Cross Lutheran Church in December 2024 and is finalizing permits with the City of Bellevue. The development includes preservation of an existing community garden, apple orchard and green spaces for the benefit of the community. The property is located in Bellevue’s Newport neighborhood near schools, transit, the Factoria shopping center, and employment centers. ARCH provided an initial award to the project in the 2022 funding round. Since then, changes in interest rates and construction costs have led to a need for additional funding.

Ownership Model: Habitat employs a community land trust model to preserve long-term affordability, retaining ownership of the land and selling homes to eligible buyers through ground leases. When

homeowners decide to sell, Habitat has a right of first refusal wherein Habitat will purchase the home, perform any necessary rehabilitation, and find an income-qualified buyer before reselling, thus, preserving long term affordability.

Hopelink/SRM – Altaire at East Main: The Altaire at East Main project aims to provide approximately 145 affordable rental apartments and one on-site manager unit, with a mix of one-bedroom plus den, two-bedroom, and three-bedroom homes affordable to households earning 30%, 40%, 50%, and 60% of the area median income. The project will also set aside 37 units for families exiting homelessness.

The building will include resident amenity spaces and on-site services to support housing stability and foster a strong sense of community. The site is near the Wilburton Park & Ride, Mercer Slough and just over a half mile from the East Main light rail station, south of downtown Bellevue. The project will be developed through a partnership with private developer SRM Development and Hopelink. SRM will bring their multifamily development, construction, and property management experience to the partnership, while Hopelink brings the case management and supportive services experience to the ownership structure.

Imagine Housing – Forest Edge: The Forest Edge development is a partnership between Imagine Housing and Saint Andrews Lutheran Church (SALC), whose members were the original founders of Imagine Housing. The project includes the construction of approximately 100 units of new construction affordable rental units to be developed on an underutilized portion of the SALC property in Bellevue.

This project will also be one of the first to utilize Bellevue’s faith-based development incentive land use code allowing affordable housing to be expanded on faith-owned property. The project will include studios, one-bedroom, two-bedroom, and three-bedroom homes affordable at 60% AMI along with onsite parking, an onsite resident service coordinator, and units dedicated for households with disabilities. This project creates workforce housing options in southeast Bellevue with easy access to schools, Bellevue College, grocery stores, and other amenities.

POLICY & FISCAL IMPACTS

Policy Impact

Council has taken recent steps to further expand affordable housing in Bellevue. In November 2024, Council launched an update to its Affordable Housing Strategy and set an ambitious goal to produce or preserve a target of 5,700 affordable units over the next 10 years. In alignment with the City’s Strategic Target Areas and Council Priorities on affordable housing, the Council authorized the establishment of an Office of Housing, and an Affordable Housing Reserve through the adoption of the 2025-2026 Biennial Budget on November 19, 2024. The 2025 HSP and AHF funding recommendations strengthen Bellevue’s commitment to housing affordability by delivering on priorities in the 2024 Comprehensive Plan and the Affordable Housing Strategy. These actions expand housing choices for a growing and diverse population and accelerate investments in building, preserving, and sustaining affordable homes and essential services.

Fiscal Impact

While the recommended Fall 2025 Housing Stability Program (HSP) and Affordable Housing Fund (AHF) awards exceed the advertised amounts, both the HSP and AHF have adequate funds to support

this commitment. This level of award not only ensures that selected projects are able to move forward into the next phase of development but also maximizes leverage of other public funder awards.

The proposed Fall 2025 HSP funding resolution will authorize the allocation of funding. The HSP has a sufficient balance to cover the 2025 recommended expenditures. The uncommitted HSP balance at the end of fiscal year 2025 is expected to be \$22,996,512.

These recommendations utilize \$11,303,621 in funds held within the Long-Range Planning Reserves. Per section 8.2.3 of the City's Comprehensive Financial Policies, Council must authorize spending of the reserve. Of this amount, \$1,715,400 is anticipated to be spent in the current biennium. Sufficient appropriation exists in the 2025-26 General Fund budget to cover this biennium's costs. Any expenditures for future years will come to Council via the biennial budget process.

OPTIONS

1. Direct staff to prepare legislation for consideration at a future meeting approving up to a total of \$37,037,659 in project funding awards, including \$22,544,778 in capital and \$637,852 in annual OMS funds for a five-year term with an annual inflation factor from the Housing Stability Program and a total of \$11,303,621 from the Affordable Housing Fund.
2. Provide alternative direction to staff.

ATTACHMENTS

- A. Fall 2025 Housing Stability Program Funding Recommendations and Standard and Special Conditions
- B. Housing Stability Program Framework and Evaluation Criteria
- C. Affordable Housing Fund Priorities and Evaluation Criteria

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HB 1590 Interest Statement

Consolidated Policies and Needs for HB 1590 Interest Statement