

CITY COUNCIL AGENDA TOPIC

Resolution authorizing application of Housing Stability Program funding in the amount of \$13.5 Million for housing development costs and \$339,041 per year, for five years for Operations, Maintenance and Services costs, for the Aventine Apartments Project; approving conditions for funding recommended by staff; and authorizing the City Manager to enter into agreements for the Project and execute necessary documents consistent with approved conditions.

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EXECUTIVE SUMMARY**ACTION**

Consistent with Council's direction on January 22, this Resolution authorizes the application of \$13.5 Million for housing development costs and \$339,041 per year for Operations, Maintenance, and Services (OMS) costs in Housing Stability Program (HSP) funding for the Aventine Apartments Project; approves conditions for funding recommended by staff in the 2023 Housing Stability Program Funding Recommendations Memo (Exhibit A to Resolution); and authorizes the City Manager to enter into agreements for the Project and execute necessary documents consistent with approved conditions.

RECOMMENDATION

Move to adopt Resolution No. 10349

BACKGROUND/ANALYSIS

On January 22, the City Council directed staff to return with legislation approving \$13.5 million for housing development costs and \$339,041 per year, for five years for OMS in secured funds to the Low Income Housing Institute (LIHI) in support of the Aventine Apartments project.

The City Council approved Resolution No. 9826 on October 12, 2020, which allows the City to collect up to 0.1 percent sales and use tax for housing and related services under RCW 82.14.530. The legislation as adopted by the State focuses on very targeted and often underserved populations. It mandates that a majority of the revenues collected serve individuals whose income is at or below 60 percent of the area median income of the county where the tax is imposed.

On July 5, 2022, Council approved a framework for the use of Housing Stability Program funds. The framework includes:

- Up to 40 percent for housing partnership projects and land acquisition, with exploration of

bonding.

- Approximately 40 percent for capital projects and operations and maintenance costs, including on-site services.
- Approximately 15 percent for behavioral health and housing-related services.
- Approximately 5 percent for the administration and oversight of the program.

The Fall 2023 HSP request for proposals received three applications. Summaries of these projects, the review process, and staff recommendations were presented to Council on January 22. Council's direction following this presentation aligned with staff's recommendation to fund the three applications, including LIHI's request of \$13.5 million in capital funds and \$339,041 per year, for five years for OMS.

LIHI's Aventine Apartments project is a five-story, 68-unit apartment community with 69 underground parking spaces located in Downtown Bellevue. Over half of Aventine's units are currently occupied by low-income households. LIHI's purchase of the Aventine will preserve housing for households at 30 percent, 50 percent, 60 percent, and 80 percent of area median income. LIHI requested capital and OMS funding for property acquisition, rehabilitation, and service support.

LIHI plans to convert two rental units into a case manager and behavioral health staff offices to provide on-site services to residents. The remaining 66 units will be affordable and serve veterans, households with members that have physical disabilities, households exiting homelessness, and low-wage workers. The project also applied for funding through the 2023 ARCH Housing Trust Fund and 32 project-based vouchers from the King County Housing Authority.

From the Housing Stability Program, capital funding will support acquisition and rehabilitation of 32 units serving households with members with physical disabilities and households exiting homelessness. Ongoing OMS funding will support the staffing of two full-time case managers on-site and pay for mental health therapy services for residents through SeaMar Community Health.

To ensure compliance with RCW 82.14.530 and effective monitoring, funding for the Aventine Apartments project will have the following conditions as recommended by staff:

Standard Capital Award Conditions

1. The project must serve the target population and income levels required by the funding source, the sales and use tax for housing and related services authorized by RCW 82.14.530.
2. 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 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 City's commitment of funds.
3. Agency shall submit evidence of funding commitments from all proposed sources. In the event commitment of funds identified in the application cannot be secured in 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.

4. In the event federal funds are used, and to the extent applicable, federal guidelines must be met, including but not limited to the following: contractor solicitation, bidding, and selection; wage rates; and Endangered Species Act (ESA) requirements. Community Development Block Grant (CDBG) funds may be used, subject to program requirements.
5. Agency shall maintain documentation of any necessary land use approvals and permits required by the city in which the project is located.
6. Agency shall submit quarterly monitoring 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.
7. Agency shall maintain the project in good and habitable condition for the duration of the period of affordability.
8. ARCH may approve amendments or releases of the covenant if necessary to accommodate alley or right away dedications, or other routine changes so long as the project still provides the anticipated affordable housing.

Standard OMS Award Conditions (Apply to all projects receiving OMS awards):

1. The project must serve the target population and income levels required by the funding source, the sales and use tax for housing and related services authorized by RCW 82.14.530.
2. Funds shall be contracted for an initial five-year term and may be renewed in the future for additional five-year increments, or other mutually agreeable term, subject to approval by the City Manager or his/her designee.
3. An annual inflation factor shall be allowed based on annual guidance provided by the City's Finance and Asset Management Department.
4. Agency shall inform ARCH and Human Services staff if there are changes to funding commitments that jeopardize operations and services that were reflected in the funding application.
5. Contract conditions shall generally be consistent with City of Bellevue Human Services standard contracts.

Special Conditions

1. The capital funding commitment shall continue for 12 months from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested from ARCH staff no later than 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 up to a 12-month extension only based on documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant must demonstrate that all capital funding has been secured or is likely to be secured within a reasonable timeframe.

2. Capital funds shall be used by the Agency towards acquisition, construction, soft costs, financing, capitalized reserves and other development costs. Funds may not be used for any other purpose unless ARCH staff has given written authorization for the alternate use. If the Agency uses City Bridge Loan for the acquisition of the property, the City reserves the right to delay payment of the developer fee until the Bridge Loan is repaid in full or subject to City approval. Spending for furnishings, fixtures, and equipment, rehab, remediation and construction contingency must be approved in advance by ARCH staff. If after the completion of the project there are budget line items with unexpended balances, ARCH and other public funders shall approve adjustments to the project capital sources, including potential reductions in public fund loan balances. Funds not expended at the end of the construction period will be de-obligated.
3. The permanent capital 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 1.0 percent interest. The terms will also include a provision for the Agency to defer payments 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.
4. 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.
5. A covenant is recorded ensuring affordability for at least 55 years, with a total of 32 units reserved for households exiting homelessness, veterans exiting homelessness, persons with disabilities affordable, and households earning up to 50 percent area median income. Limited changes may be considered, however any reduction in units for eligible populations may result in a reduced funding award.
6. Agency must also contract for the funds as recommended through the ARCH Fall 2023 Housing Trust Fund round including executing the loan agreement and covenant.
7. Agency must submit for ARCH staff approval a management, affirmative marketing, and services plans.
8. If the City contracts for the Bridge Loan to acquire the property, the Agency shall submit applications to other potential sources of funding, at a minimum the State Housing Trust Fund and King County Housing Finance Program for any available funding that the project is eligible for as the Agency's first priority project.
9. The OMS award is an up-to amount. The Agency and City staff shall work to update the program model, staffing plan, and confirm other secured sources of rental subsidy and committed supportive services. Final OMS terms shall be determined prior to release of funds

and must be approved by ARCH and City Staff.

10. On a monthly basis, Agency shall provide ARCH with updates on the following:

- a. Status of management and services plan including service partnerships and development on formal MOUs and operating agreements.
- b. Status update on other financing and financing partnerships negotiations.

POLICY & FISCAL IMPACTS

Policy Impact

As part of the HB 1590 Interest Statement adopted by the City Council on February 1, 2021, staff presented a supporting document that brings together the adopted policies, identified needs, and strategies that guide the projects, programs, and services that may be implemented by funding under RCW 82.14.530. This consolidated policy document may be found in the Council Library. The text includes a brief statement of the policy issues. In addition, the City identified specific priorities within the request for proposals, including:

- Provide housing for households earning below 30 percent of median income;
- Address and prevent homelessness and housing instability; and
- Focus on underserved, vulnerable residents in Bellevue (e.g., homeless families with children and other eligible populations).

The proposed funding allocation focuses on the above stated priorities and moves forward the City's stated affordable housing goals.

Fiscal Impact

The proposed Fall 2023 HSP affordable and supportive housing funding legislation will authorize the allocation of funding. The HSP has a sufficient balance to cover the 2024 recommended expenditures. The uncommitted HSP balance at the end of 2023 is expected to be \$17,748,014.

OPTIONS

1. Adopt the Resolution authorizing application of Housing Stability Program funding in the amount of \$13.5 Million for housing development costs and \$339,041 per year, for five years for Operations, Maintenance and Services costs, for the Aventine Apartments Project; approving conditions for funding recommended by staff; and authorizing the City Manager to enter into agreements for the Project and execute necessary documents consistent with approved conditions.
2. Do not adopt the Resolution and provide alternative direction to staff.

ATTACHMENTS

A. 2023 Housing Stability Program Funding Recommendations Memo.
Proposed Resolution No. 10349

AVAILABLE IN COUNCIL LIBRARY

HB 1590 Interest Statement