

## CITY COUNCIL REGULAR SESSION

Resolution authorizing the City Manager to enter into an agreement for the Spring District 120th Station TOD project, in an amount of \$6,000,000, as recommended in the 2022 Housing Stability Program (HSP) Funding Recommendations.

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## EXECUTIVE SUMMARY

As directed by Council on May 8, this Resolution authorizes disbursement of \$6 million from revenues collected under Revised Code of Washington (RCW) 82.14.530 (HB 1590) and reserved for capital projects. ARCH will serve as the City's designee with respect to any agreement for the Spring District 120<sup>th</sup> Station TOD project.

## RECOMMENDATION

Move to adopt Resolution No. 10269

## BACKGROUND/ANALYSIS

On May 8, the City Council directed staff to return with legislation approving up to \$6 million in secured grant funds to Bridge Housing in support of the Spring District 120<sup>th</sup> Station TOD project for housing development costs.

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 specific populations (*i.e.* persons with disabilities, veterans, senior citizens, persons who are or are at risk of being homeless, homeless youth, and domestic violence survivors) and 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 use of the 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. Eligible projects may request up to \$12,500 per unit per year in operations, maintenance, and on-site service funding, plus inflation.
- Approximately 15 percent for behavioral health and housing-related services.

- Approximately 5 percent for the administration and oversight of the program.

The capital request for proposals (RFP), issued in July 2022, received four applications. Summaries of these projects, the review process, and staff recommendations were presented to Council on May 8. Council's direction following this presentation aligned with staff's recommendation to fund three of the applications, including Bridge Housing's request of \$6 million in capital funds.

Bridge Housing's Spring District 120th Station TOD project, located at 1601 120th Avenue NE, consists of 235 permanently affordable units at 50-60 percent AMI, including 40 units serving people with intellectual and developmental disabilities, and two manager apartments. The proposed funding from the City would be dedicated specifically to 40 units serving eligible households with disabilities. BRIDGE has partnered with both the YMCA of Greater Seattle and Open Doors for Multicultural Families to provide on-site services, which may include after-school programs, family services, counseling, and/or adult education depending on the needs of the residents. BRIDGE will be working with Open Doors for Multicultural Families to provide on-site case management services to residents who have intellectual and developmental disabilities and their families.

To ensure compliance with RCW 82.14.530 and effective monitoring, staff recommend funding for the Spring District 120th Station TOD project be conditioned as follows:

#### 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'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.
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. CDBG funds may not be used to refinance acquisition costs.
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.

#### Special Conditions

1. The funding commitment shall continue for twenty-four (24) 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 up to a 12-month extension only based on documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the Agency must demonstrate that all capital funding has been secured or is likely to be secured within a reasonable timeframe.
2. Funds shall be used by the Agency towards soft costs, construction and other development related activities. 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 ARCH. 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. Any funds not expended at the end of the construction period will be deobligated.
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 percent interest. The terms will also include a provision for the Agency to defer a 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 55 years, with a total of 40 units reserved for persons with disabilities affordable up to 50 percent AMI. Limited changes may be considered, however, any reduction in units for eligible populations may result in a reduced funding award.
7. Agency must submit for ARCH staff approval a management and services plan which includes coordination of services with outside providers for special populations.
8. Agency shall submit applications to other potential sources of funding, at a minimum including to the State Housing Trust Fund for any available I/DD or other State funding that the project is eligible for.
9. 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 negotiations with development partners.
  - c. Status update on other financing and financing partnerships negotiations.

10. Agency shall complete and submit the following deliverables by the dates indicated. Agency may request an extension of individual deadlines, and such extensions shall be considered based on reasonable justification and Agency's continuing efforts to make substantial progress toward each milestone.
- a. August 31, 2023 – Selection of replacement market rate housing development partner.
  - b. September 15, 2023 – Final MOU with services provider(s)
  - c. October 1, 2023 – Revised term sheet for property acquisition and development approved by Sound Transit
  - d. January 31, 2024 – Draft Management and Services Plan
  - e. May 31, 2024 – Final operating or other agreement with services provider(s)
  - f. June 30, 2024 – Final Development Agreement including all development partners.

## **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 this 2022 HSP capital RFP, 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 legislation will authorize the allocation of funding. The HSP collected an estimated \$10.9 million in 2022 and has a sufficient balance to cover this expenditure.

## **OPTIONS**

1. Adopt the Resolution authorizing the City Manager to enter into an agreement for the Spring District 120th Station TOD project, in an amount of \$6,000,000, as recommended in the 2022 Housing Stability Program (HSP) Funding Recommendations.
2. Do not adopt the Resolution and provide alternative direction to staff.

## **ATTACHMENTS**

Proposed Resolution No. 10269

## **AVAILABLE IN COUNCIL LIBRARY**

N/A