



ATTACHMENT A

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MEMORANDUM DRAFT

TO: City of Bellevue Council Members
City of Bothell Council Members
City of Clyde Hill Council Members
Town of Hunts Point Council Members
City of Issaquah Council Members
City of Kenmore Council Members
City of Kirkland Council Members
City of Medina Council Members
City of Mercer Island Council Members
City of Newcastle Council Members
City of Redmond Council Members
City of Sammamish Council Members
City of Woodinville Council Members
Town of Yarrow Point Council Members

FROM: Emily Moon, Chair, and ARCH Executive Board

DATE: January 11, 2018

RE: Fall 2017 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board and Citizen Advisory Board (CAB) have completed their review of the five applications for the Fall 2017 Housing Trust Fund round. The Executive Board and CAB recommends funding for five projects. Recommendations total \$4,608,000 with an additional contingency award of up to \$850,000 with forward commitment of 2018 round funds as summarized in the attached table, Proposed Funding Sources. The actual amount will depend on final action by the City Councils.

Following is a summary of the applications, the recommendation and rationale, and proposed contract conditions for the five proposals recommended for funding at this time. Also enclosed is an evaluation matrix for each proposal, an economic summary for the five projects recommended for funding, funding leveraging chart, project summary table, and a summary of funded projects to date.

1. Catholic Community Services with Sophia Way, Kirkland Shelter

Funding Request: \$1,124,000 (Secured Grant)
98 Beds (50 Family; 48 Unaccompanied Women)
Note: Project proposal also includes approximately \$1.3 million of other Kirkland Resources (e.g. REET, In-Lieu fees, fee waivers)

Exec Board Recommendation: \$1,224,000 (Secured Grant) as follows:
 \$719,594 CDGB Funds
 \$504,406 City General Funds:
 (includes contingency award of up to \$100,000)
 See attached Funding Chart for distribution of City Funds

Project Summary:

Catholic Community Services of Western Washington (CCS) with the Sophia Way is proposing development of a permanent winter shelter for unaccompanied women and families. This facility will replace the temporarily located winter shelters and day centers that have served women and families and operated by Sophia Way and CCS.

The shelter is proposed as a low barrier shelter which means few requirements on the shelter guests other than they don't pose a danger to other guests. East King County shelter has evolved from severe weather, to winter shelter at temporary locations identified yearly. This application takes the project a next step to a permanent location better located for shelter guests (transit access, near services) and providing features unavailable in temporary locations (e.g. laundry, storage, etc.). As presented in the application the operating budget assumes 24/7/365 operations with full services, however, the operators are also providing budgets that incrementally increase operations from current levels of service to full time service for both day services and shelter. This could allow for increased level of operation from current level depending upon the level of funding support from public and private sources.

The proposal is a new 19,075 square foot building housing two separate shelters and day centers located on separate floors. The women's shelter is sized to house 48 women; the family shelter will house families comprising a total of up to 50 persons. The day center spaces will accommodate private case management, food preparation and service, computer lab and storage of belongings and pets,

The property is located on a portion of the Salt House Church, located in the Rose Hill area of Kirkland several blocks south of 85th Street, a central transportation and retail corridor. Surrounding uses include residential uses on two sides, Lake Washington High School, and a cemetery. The City proposes to acquire the site and to make it available for the project per a long-term lease.

Funding Rationale:

The CAB and Executive Board supported the intent of this application for the following reasons:

- Provides shelter in a permanent location, and could move to full time operation with additional operating and services funding
- Helps implement a vision regarding a more comprehensive approach to shelter and related services to assist homeless that has been part of ARCH member cities work program for several years and endorsed by All-Home.
- Operators are respected, and have been successful for eight years of operation in serving this population in a winter shelter
- Site is available for use. Outreach has already occurred for the existing day center operating at the site. Shelter has also been touched on in this outreach effort
- City Council has been supportive and already committed significant funds to the project

- Operators are committed to raising \$1.2 million through capital campaign and a coalition of local faith organizations (New Bethlehem project) have committed to assisting the project and already successfully assisted the existing day center on-site
- City land ownership structure provides more long-term stability to the long-term use of the facility for proposed or similar use.

Proposed Conditions:

Standard Conditions: Refer to list of standard conditions found at end of this memo

Special Conditions:

1. The funding commitment shall continue for twelve (12) 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 applicant will provide a status report on progress to date, and expected schedule for start of construction and project completion. ARCH staff will consider a twelve-month extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant will demonstrate that all capital funding net of the capital campaign has been secured or is likely to be secured within a reasonable period of time, and that there is a means to cover the gap in capital campaign contributions not yet collected.
2. Funds shall be used by City and applicant toward land acquisition (lease), off-site utilities, construction and construction contingency, permits and fees, professional costs and other soft costs. Funds may not be used for any other purpose unless City or Administering Agency has given written authorization for the alternate use. Prior to spending of City resources set aside for construction contingency Agency must obtain approval in advance by City staff or ARCH staff. If after the completion of the project there are budget line items with unexpended balances, the public funders shall approve adjustments to the project capital sources, including, potentially, reductions in public fund grant amounts. Any portion of funding that is CDBG funding will be limited to acquisition and professional costs.
3. As part of the funding award, \$100,000 is a contingency award subject to final approval of the ARCH Executive Board. Prior to consideration by the Executive Board of a contingency award, the applicant will provide updated project design, including updated site related costs, updated development and operating budgets, project schedule for review by the ARCH CAB and final approval by the ARCH Executive Board for the final amount and uses of contingency award. If awarded, all or some portion of the contingency award will be used for construction contingency.
4. The Applicant shall provide revised development and operating budgets based upon actual funding commitments, which must be approved by City staff or ARCH staff. If the Applicant is unable to adhere to the budgets, City or ARCH must be immediately notified and (a) new budget(s) shall be submitted by the Applicant for City staff or ARCH staff's approval. Unless approved by the Executive Board, the development budget will include a minimum of \$1.2 million from private sources raised by the applicants. The City 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 Applicant. Failure to adhere to the budgets, either original or as amended may result in withdrawal of the City's commitment of funds.

5. The Applicant shall submit evidence of funding commitments from all proposed public sources. The agencies will demonstrate fundraising commitments or committed organization resources sufficient for the private fundraising component of the budget. In the event commitment of funds identified in the application cannot be secured in the time frame identified in the application, the Applicant shall immediately notify City staff or ARCH staff, and describe the actions it will undertake to secure alternative funding and the timing of those actions subject to City staff or ARCH staff review and approval. Upon approval of the ARCH Executive Board, prior to evidence of other funding commitments, up to \$700,000 of CDBG funding commitments may be spent on eligible land acquisition or predevelopment expenses.
6. Funds will be in the form of a secured grant.
7. A covenant is recorded ensuring affordability for at least 50 years, with 50% AMI affordability. So long as the property operates as a low-barrier shelter, no income testing will be required and the property will be assumed to meet the affordability requirements. In the event that the property is ever used for long term residential, residents will need to be screened for income eligibility.
8. Unless approved by the ARCH Executive Board, the award is made contingent on a reduction of \$700,000 in public sources (from the project application budget). This may be achieved through a combination of value engineering and redesign, additional private capital support or other means.
9. The project will be designed to be operational full time, however it will be allowed to operate part time, so long as a minimum level of service is comparable to existing shelter/day center programs (November through March for shelter services, and year-round day services for a minimum of 32 hours per week). Prior to release of funds, agencies shall submit a plan for City staff or ARCH staff review and approval, outlining a financing plan for initial level of services and plans to expand services to full time, including efforts to seek support from the broader community, and how services will be incrementally increased as operating funding assistance is increased.
10. Prior to release of funds, Agency shall provide a plan to City Human Services Staff and ARCH staff for review and approval for retaining operations at Sophia's Place.
11. Submit for review and approval by ARCH and City Human Services' staff a management and services provision plan that includes how management and services for this property and types of services and programs that will be available for the shelter guests. Recognizing that there is limited parking on the site and it is shared with the church, the plan shall also address how parking will be managed on an ongoing basis, and alternative transportation options for shelter guests. The plan shall also include management procedures to address management and operation of the premises; community and neighbor relations procedures as well as annual monitoring procedure requirements.
12. In the event that any operating support funding levels will be reduced, the Agency shall inform City Human Services and ARCH Staff about the impacts the proposed reduction will have on the budget and plan for services to the homeless clients, and what steps shall be taken to address the impacts. A new budget or services plan must be approved by City staff or ARCH staff.

2. Congregations For the Homeless, Men's Homes

Funding Request: \$450,000 (Secured Grant)
18 Beds in 3 homes

Exec Board Recommendation: \$150,000 (Secured Grant)
1 home (5 or 6 beds)
See attached Funding Chart for distribution of City Funds

Project Summary:

Congregations for the Homeless (CFH) plans to acquire and remodel three homes each to contain six bedrooms when completed. Each home would serve as group living for six homeless men referred through Coordinated Entry and/or graduating out of CFH's other programs. Since 2006 CFH has operated ten such homes on the Eastside in leased homes. Being able to buy the homes would reduce the risk of losing houses and would ensure housing would be available to help those exiting homelessness for decades to come.

Similar to applications for group homes or adult family homes serving the developmentally disabled, no properties have yet been identified, but with funding made available, the agency will look for suitable homes to acquire and remodel as necessary to accommodate the persons to be housed. The homes acquired will probably be dated, requiring some modernization in kitchens and baths and with electrical and mechanical systems. They may also not have 6 bedrooms to begin with, but would have the space to create them.

This project helps "widen the opening of the back door", freeing up space within the shelters for homeless coming off the streets, while further preparing the men for success in their long-term ability to live independently. The agency reports a 90% success rate of men graduating through the rotating shelter and then through such group living situations into independent living.

Funding Rationale:

The CAB and Executive Board supported this application for one home for the following reasons:

- Agency with proven track record of graduating men out of homelessness through a stepped approach
- Agency already has 11-year history of operating these types of homes
- Uses loan, in kind and capital campaign to leverage public funds both on the capital and operating side.
- Ownership offers more certainty of tenure
- Homes could return to residential market if no longer able to operate/no longer needed

Proposed Conditions:

Standard Conditions: Refer to list of standard conditions found at end of this memo

Special Conditions:

1. For the first home, the funding commitment shall continue for twelve (12) 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 applicant will provide a status report on progress to date, and expected schedule for start of construction and project completion. ARCH staff will consider a six-month extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion.
2. Prior to searching for a home, the Applicant shall submit evidence of funding commitments from all proposed public and private sources for each home. The Agency will demonstrate fundraising commitments or committed organization resources sufficient for the private fundraising component of the budget.
3. Funds shall be used by the Agency toward acquisition costs. Funds may not be used for any other purpose unless city staff has given written authorization for the alternate use. If circumstances make 6 bedrooms infeasible, the homes' bedrooms may be reduced to no less than five bedrooms, with a proportionate reduction in funding through the ARCH Trust Fund.
4. Prior to searching for a home, CFH shall provide an updated budget that accounts for updated Voucher income, and shall submit to City staff or ARCH staff for approval siting criteria for homes (e.g. specific requirements for transit access, amount of off-street parking, etc.) Unless otherwise approved by City staff or ARCH staff the Agency shall only purchase unoccupied homes or owner-occupied homes in order to not trigger local and federal relocation regulations. Homes shall conform to jurisdictional requirements regarding number of unrelated individuals living together.
5. Prior to closing, the Agency shall submit an appraisal by a qualified appraiser. The appraisal shall be equal to or greater than the purchase price.
6. Funds will be in the form of a secured grant with no repayment, so long as affordability and target population is maintained.
7. A covenant is recorded ensuring affordability for at least 50 years, with five or six beds for homeless individuals 30% of area median income or in the event a Voucher is available for the home, those who qualify for Section 8 assistance at move in.
8. Unless otherwise approved by City staff or ARCH staff the development budget shall include:
 - The maximum price for acquisition and construction cost combined shall not exceed \$940,000. In the event that total acquisition and rehab costs, including contingency, exceeds this amount, additional costs shall be covered by private sources from the applicant.
 - Developer fee shall not exceed \$37,000.
9. Reserves will be funded out of operations at \$2,500 for the first year with an annual increase of 3.5% per year for replacement reserves.
10. All cash flow after payment of operating expenses shall be placed into a project reserve account that can be used by the applicant for project related operating, maintenance or services expenses. Any other use of these reserves funds must be approved by City staff or ARCH staff.

11. In the event that any operating support funding levels will be reduced, the Agency shall inform City and ARCH Staff about the impacts the proposed reduction will have on the budget and plan for services to the homeless clients, and what steps shall be taken to address the impacts. A new budget or services plan must be approved by City staff or ARCH staff
12. The Agency will notify City staff or ARCH staff when they enter into an option or purchase and sale agreement for any home, providing information on the location of the home and terms for acquiring the home. The Agency will document that the home complies with City occupancy requirements, and is consistent with the Agency siting criteria. No home considered for acquisition will be within two blocks of another home owned by Agency unless otherwise approved by City staff or ARCH staff.
13. Prior to closing on a home, an individualized outreach plan will be submitted to City staff or ARCH staff for review and approval. The outreach plan will include provisions such as:
 - Provide written notification to neighbors upon mutual acceptance of the Purchase and Sales Agreement to include CFH's intention to purchase the house, description of the project, and contact number;
 - Provide an opportunity for neighbors to individually and/or as a group to meet with CFH and the service provider regarding the project; such as having an Open House after the tenants move-in and include invitations to the neighbors.
14. Once a home is selected the Agency shall include City staff or ARCH staff in the inspection of the property and development of the final scope of work for the rehab. The final scope of work for the basic construction budget shall include, at a minimum, all work necessary for any correction of substandard health and safety conditions. Any remodel work proposed will be assessed for impact on long term value of the home in the event the home is resold on the private market. Prior to start of construction, the Agency shall submit the final scope of work for City staff or ARCH Staff approval, along with evidence that construction costs have been confirmed by a qualified contractor and are within the basic construction budget. All uses of construction contingency funds must be approved by City staff or ARCH staff prior to authorization to proceed with such work.
15. Prior to release of funds, the Agency shall submit to City or ARCH staff for review and approval drafts of all documents related to the provision of services to residents and management of the property, including form of lease agreement with residents. These documents shall at a minimum address: tenant selection procedures through coordinated entry; management procedures to address tenant needs; services provided for or required of tenants, including helping residents to increase their income and be able to move to other housing ; rules for maintaining residency, management and operation of the premises; how parking will be managed; community and neighbor relations procedures; a summary of City's affordability requirements as well as annual monitoring procedure requirements.

3. Imagine Housing Esterra Park Block 6B

Funding Request: \$984,000 (Deferred, Contingent Loan)
Note: In addition to the \$500,000 awarded in 2016 round
124 affordable rental units/6 unrestricted rental units
Note: Project proposal also includes \$4 million of other
Redmond resources (e.g. In-lieu funds)

Exec Board Recommendation: \$1,234,000 (Deferred, Contingent Loan): 2017 Funds
(In addition to the \$500,000 awarded in 2016 round)
\$850,000 Contingency award from 2018 General Funds
Minimum 126 affordable rental units/up to 4 unrestricted rental units
See attached Funding Chart for distribution of City Funds

Project Summary:

Imagine Housing (IH), is proposing a 130-unit family rental project funded as two components linked by amenity space to a for-profit developed component on the same parcel. The Imagine Housing project is comprised of an approximately 50 unit (48 affordable units) 9% Tax Credit portion serving 30%, 40% and 60% AMI households and an 80 unit (78 affordable units) 4% Tax Credit portion serving 50% and 60% AMI households. The proposal includes a request to King County to allocate 8 and potentially up to 16 Section 8 vouchers. The proposal responds to availability of King County TOD funding. There will be set asides for homeless and disabled including 2 units to serve developmentally disabled.

The site is in the Redmond area of Bel-Red adjacent to the Overlake Transit Center and less than a half mile away from the Overlake light rail station.

The proposed affordable building is five levels of wood construction over two levels of concrete construction, amenity space, a roof garden, and an 11,500 square foot YMCA operated childcare facility for up to 125 children. Imagine is co-developing the property with Pryde + Johnson, a private developer, who will be building a 9 story, 126-unit residential structure on the same concrete podium. The market rate development will share structured parking and share residential amenity space with the affordable development.

This project received a \$500,000 predevelopment funding commitment from ARCH member cities in the 2016 funding round. The project has subsequently been revised substantially to reduce the amount requested from King County, and to create a partnership with a for-profit developer to develop half the site separately. In addition to the predevelopment commitment, Redmond enacted Multi-Family Tax Exemptions (MFTE) for Affordable Housing and created a mechanism for alternative compliance under MFTE which is helping provide additional funding resources to support the project and reduce the funding request to King County.

Funding Rationale:

The CAB and Executive Board supported this application and recommends funding with conditions listed below for the following reasons:

- Over the past year, project achieved conditions associated with the Cities' predevelopment funding commitment (e.g. Approaches to significantly reduce the request to public funders, including a childcare center, updated budgets, progress on incorporating social investment strategy).

- Experienced applicant
- Development targets range of lower income family households including set asides for homeless and disabled.
- Would increase range of affordability and number of affordable units within the master planned development
- Site has access to transit, shopping and is within a major employment area
- Incorporates a child development center and shared outdoor courtyard
- Project leverages a substantial amount of Tax Credit equity
- City provided additional resources from in-lieu payments from another private project as tools to help realize the project while reducing the need for other public funding support
- Utilizes County TOD funds
- Imagine was successful in finding a for-profit development partner to utilize half the lot

Proposed Conditions:

Note: These conditions replace the funding conditions associated with the predevelopment funding award made during the 2016 Trust Fund application round.

Standard Conditions: Refer to list of standard conditions found at end of this memo

Special Conditions:

1. The funding commitment shall continue for eighteen (18) 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 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 on the basis of documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant will demonstrate that all capital funding has been secured or is likely to be secured within a reasonable period of time.
2. Funds shall be used by the Agency for acquisition, bridge and permanent loan fees, professional services costs, construction and construction contingency. Funds may not be used for any other purpose unless city staff has given written authorization for the alternate use. Prior to spending of City resources designated aside for construction contingency Agency must obtain approval in advance by City staff or ARCH staff. If after the completion of the project there are budget line items with unexpended balances, the public funders shall approve adjustments to the project capital sources, including potentially reductions in public fund loan amounts. Upon Executive Board approval, up to \$250,000 of the funding award may be used for land option payments prior to meeting all the funding conditions required for the balance of funds.
3. As part of the \$1,234,000 funding award, \$250,000 is a contingency award, subject to final approval of the ARCH Executive Board. Prior to consideration by the Executive Board of a contingency award, the applicant will provide updated project design, including updated site related costs, updated development and operating budgets, project schedule for review by the ARCH CAB and final approval

by the ARCH Executive Board for the final amount and uses of contingency award. If awarded, all or some portion of the contingency award will be used for construction contingency.

4. In addition to the \$1,234,000 funding award, up to an additional \$850,000 as a contingency award subject to final approval of the ARCH Executive Board. Prior to consideration by the Executive Board of a contingency award, the applicant will provide updated project design, including updated site related costs, updated development and operating budgets, project schedule for review by the ARCH CAB and final approval by the ARCH Executive Board for the final amount and uses of contingency award. If awarded, all or some portion of the contingency award will be used for construction contingency.
5. 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 City staff or ARCH Staff. Based on the preliminary development budget, it is anticipated that loan payments will be based on a set repayment schedule, and begin after repayment of deferred developer fee and impact investment loan (approximately year 10), with 1% interest. The terms will also include a provision for the Agency to a deferment of 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 City staff or ARCH Staff, and any deferred payment would be repaid from future cash flow or at the end of the amortization period.
6. The net developer fee shall be established at the time of finalizing the Contract Budget based on the ARCH Net Developer Fee formula for each Tax Credit component. 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.
7. Until such time as any deferred developer fee structured into the sources is fully repaid, all cash flow after payment of operating expenses and debt service, shall be used to repay the deferred developer fee or project reserves as approved by City staff or ARCH Staff.
8. A covenant is recorded ensuring affordability for at least 50 years, with affordability as shown in the following table. Affordability levels will be defined using the requirements for tax credits, and utility costs will be based on King County Housing Authority allowances, unless otherwise approved by City staff or ARCH staff. (The matrix is subject to change dependent on final design and funding, but shall generally reflect the following)

Median Income Level	Studio	1 Bedrm	2 Bedrm	3 Bedrm	Total
Extremely Low Income 30% AMI	7	8	6 (5)**	3 (3)**	24
Very Low Income 31-40% AMI	3	4	4	1	12
Low Income 41 – 50%	3	17	1	0	21
Moderate Income 50-60% AMI	5	51	14	1	71

Total	18	82	25	5	128 *
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* 2 of the 2 or 3 bedroom units will serve households including developmentally disabled individuals.

* There will be a total of up to 130 units and up to 4 of units can have unrestricted rents. The final contract will update the affordability chart to account for the non-restricted units which will be approved by City staff or ARCH staff.

** 8 units will be supported with project-based Section 8 vouchers to serve homeless households.

9. Based on the availability of adequate support services, up to 50% of the units in the 9% Tax Credit portion of the project (approximately up to 50 units) may be set aside for occupancy by households for households transitioning out of homelessness unless otherwise approved by City or Administering Agency. Should rental subsidy or services funding no longer be available for homeless, and project operations are jeopardized, developer shall notify funders and may be relieved from the requirement to set aside units until such time as funding again is available.
10. Submit documentation of the City’s approval of the parking provisions.
11. Submit for review the agreements between owners and leased childcare space including information on capital funding, lease terms and management.
12. Submit for City staff or ARCH staff approval a management and services plan which includes sharing of physical space and services among the various components including the 4 percent and 9 percent tax credit portions of the affordable housing, the market-rate development and the childcare space, parking management which will address issues such as: coordination of parking between different components of the project, including any shared parking and managing overall amount of cars relative to available parking. It shall also include how the Agency will do local targeted marketing outreach such as local, media business and community organizations.

4. King County Housing Authority Trailhead

Funding Request: \$2,000,000 (Deferred, Contingent Loan)
 155 affordable rental units
 Note: Project proposal also includes approximately \$2.7 million of other Issaquah resources (fee waivers)

Exec Board Recommendation: \$2,000,000 (Deferred, Contingent Loan)
 See attached Funding Chart for distribution of City Funds

Project Summary:

King County Housing Authority (KCHA) was selected through City of Issaquah RFP process for developing a city identified site in Central Issaquah. KCHA is proposing to build The Trailhead, 155 units of affordable TOD (transit Oriented Development) housing in Central Issaquah. The Trailhead is a part of

the larger Central Issaquah TOD Project, which KCHA is undertaking in partnership with Spectrum Development Solutions. It is located on a site adjacent to the Issaquah Transit Center located in Central Issaquah. In addition to The Trailhead, the Central Issaquah TOD Project will also include 200 units of market rate and affordable units to be developed by Spectrum, a new child care center, an adult family home for persons with special needs, community space and commercial space for supportive services.

The Trailhead will offer studio, 1-bedroom, 2-bedroom and 3-bedroom apartments affordable to families earning less than 60% of the area median income immediately adjacent to a hub for frequent, all-day transit service. Twenty-four of the units will be supported by Section 8.

The completed development will serve as a mixed-use, mixed-income catalyst project for the whole neighborhood, an area targeted by the City for redevelopment. The property is within walking distance of shopping, public transportation, employment and services.

The Trailhead will be located in the north tower of the Central Issaquah TOD Development. The tower will be five stories of wood-frame construction over ground floor commercial and underground parking. Residential amenities, including an exercise space, a community room, business center, bike facilities and a children's playground, will be shared between The Trailhead and the Spectrum residential development. The site will feature a mid-block pedestrian connector to the Issaquah Transit Center, a new public plaza in the southwest corner of the site, a new street with pedestrian and bike lanes along the east side of the site, and an enhanced wetland along the west side.

Funding Rationale:

The CAB and Executive Board supported this application and recommends funding with conditions listed below for the following reasons:

- Creates 155 units affordable to households at or below 50% and 60% of area median income, with 24 at 40% of median income that will be supported with vouchers
- Meets City of Issaquah goals for area
- Experienced applicant
- Site has convenient access to transit, shopping, services and is located downtown
- Takes advantage of King County TOD funds being made available in the current round

Proposed Conditions:

Standard Conditions: Refer to list of standard conditions found at end of this memo

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 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 on the basis of documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant will demonstrate that all capital funding has been secured or is likely to be secured within a reasonable period of time.

2. Funds shall be used by the Agency for construction costs, including construction contingency. Funds may not be used for any other purpose unless City staff or ARCH staff has given written authorization for the alternate use. \$500,000 of the award is a contingency award subject to final approval of the ARCH Executive Board. By October 2018, KCHA will provide updated project design, including updated site and parking related costs, updated development and operating budgets including terms for the city's loan and the Agency's subordinate loan, project schedule; and status of other uses on the property for review by the ARCH CAB and final approval by the ARCH Executive Board for the final amount and uses of contingency award.
3. In the event any of the funding award is reserved for construction contingency, that portion must be approved in advance by City staff or ARCH staff. If after the completion of the project there are unexpended contingency balances, the public funders shall approve adjustments to the project capital sources, including potentially reductions in public fund loan balances.
4. 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, including the sponsor subordinate loan and available cash flow. It is anticipated the loan terms will include 1% interest, and ability to defer initial payment until certain conditions are met such as repayment of deferred developer fee. Final loan terms shall be determined when the updated budget is provided and reviewed by the Executive Board and prior to release of funds and must be approved by City staff or ARCH staff. The terms may also include a provision for the Agency to a deferment of 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 City staff or ARCH staff, and any deferred payment would be repaid from future cash flow or at the end of the amortization period.
5. KCHA will provide a sponsor subordinate loan in the approximate amount of \$3,840,000. The final amount and terms of repayment will be finalized at the time of review and approval of the contingency portion of the funding commitment. Terms are anticipated to account for available cash flow and repayment of the ARCH loan.
6. Until such time as the any deferred developer fee structured into the sources is fully repaid, all cash flow after payment of operating expenses and debt service, shall be used to repay the deferred developer fee or project reserves as approved by City Staff.
- 7 A covenant is recorded ensuring affordability for at least 50 years, with affordability as shown in the following table. Affordability levels will be defined using the requirements for tax credits, and utility costs will be based on King County Housing Authority allowances, unless otherwise approved by City staff or ARCH Staff. (The matrix is subject to change dependent on final design, but shall generally reflect the following:)

Median Income Level	Studio	1 Bedrm	2 Bedrm	3 Bedrm	Total
Section 8 (40% AMI)	0	0	0	24	24
Moderate Income 60% AMI	5	80	40	6	131

Total	4	80	40	30	155
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8. Submit documentation of the City’s approval of the provision of parking for project.
9. Submit for City staff or ARCH staff approval a management and marketing plan which includes sharing of physical space and services among the various components including tax credit structure, market-rate development, special needs unit and community space and parking management which will address issues such as: coordination of parking between different components of the project, including any shared parking and managing overall amount of cars relative to available parking both through site features (e.g. bike storage) and management practices. It shall also include how the Agency will do local targeted marketing outreach such as local, media business and community organizations.

5. King County Housing Authority Houghton Apartments

Funding Request: \$2,827,250 (Secured Grant)
15 Units as Public housing

Exec Board Recommendation: \$2,827,250 (Secured Grant) – Using City of Kirkland sources such as In-lieu, REET

Project Summary:

Houghton Apartments is a two-building multi-family property comprising 15 units located in Kirkland which the City of Kirkland acquired in 2015 with short-term financing which must be repaid in 2018. The buildings were constructed in 1967 and 1978, and in need of a fair amount of rehabilitation.

King County Housing Authority is in discussions with the City of Kirkland to purchase the site from the City in order to help the City preserve the fifteen apartment units at this site. KCHA is willing to acquire the site at the City’s Loan balance of \$4.7 million, which is based on the property’s appraised value. The purchase would in part be funded by a swap out of a KCHA-owned commercial property that the City wishes to acquire for a Public Works facility. With the KCHA acquisition, the property will be positioned as public housing, which translates into rents that are 30% of the household’s actual income; the rest is subsidized by the federal government.

The property is currently managed by the City of Kirkland and most units are occupied. Rents are reported to be below market-rate. It is expected that some portion of existing tenants will income qualify and be eligible to receive public assistance through the Housing Authority. Any resident not income eligible for public assistance, will be allowed to remain at the property and continue to pay current rents. Upon turnover, those units will be made available for residents eligible for KCHA’s public assistance.

Each building at Houghton Court is wood frame construction and some units have wood frame balconies at upper level units. KCHA will do some limited high priority rehabilitation upon acquisition (\$150,000), and will be making other significant capital upgrades in the next few years of ownership. KCHA has committed to addressing the issues called out in the Capital Needs Assessment, including roof, window

and siding work, replacement of aluminum wiring and interior apartment repairs. In addition, KCHA will make other improvements and upgrades, including enhancement to the building exteriors and landscaping.

Funding Rationale:

The CAB and Executive Board supported this application and recommends funding with conditions listed below for the following reasons:

- Meets Houghton Community Council Objectives
- Preserves 15 existing affordable units at risk of being redeveloped
- Experienced applicant
- Site has convenient access to transit, shopping, services and is located downtown
- Rents to be limited to 30% of actual household income
- Will result in city in-lieu fees being used in the City and in an area with limited affordable housing, and will result in more affordable units than would have been provided by the projects paying the in-lieu fees.
- Allows city to secure another property for Public Works facility needed by the City of Kirkland.

Proposed Conditions:

Special Conditions (none of the standard conditions applicable):

1. The funding commitment shall continue for six (6) months from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to City staff no later than sixty (60) days prior to the expiration date. City staff will grant up to a 12-month extension.
2. Funds shall be used by the Agency towards acquisition. Funds may not be used for any other purpose unless city staff has given written authorization for the alternate use.
3. Funds will be in the form of a grant with no repayment, so long as affordability and target population is maintained. The funding shall be secured with a promissory note with the Agency.
4. Existing residents will not be required to relocate. Any residents that are not eligible to receive federal assistance will have future rent increases limited to the lesser of market value, or an annual increase that does not exceed the standard increase as customarily applied on annual basis to rents in KCHA's workforce housing portfolio.
5. Construction work called out in the Capital Needs Assessment shall be carried out within 5 years of acquisition using only federal, HUD funds.
6. A covenant, subordinate to HUD's Declaration of Trust and any other subsequent covenant or regulatory agreement related to federal operating assistance, is recorded ensuring affordability for at least 50 years, with affordability as shown in the following table. Units shall be made available as public housing. In the event the property no longer is public housing or funded through a successor HUD Program, affordability levels will be set at rents not to exceed 60% AMI adjusted for household size with utility costs based on King County Housing Authority allowances, unless otherwise approved by City Staff. Affordability levels may be increased up to 80% of AMI in the event long-term

economic viability of the project is in jeopardy, as reasonably determined by KCHA, and upon City staff approval which shall not be reasonably withheld.

7. Submit monitoring reports quarterly through completion of project as requested, and annually thereafter. So long as the property continues to receive federal operating assistance, a certification by KCHA that federal funds continue to support the operation of the property shall satisfy this annual reporting requirement.

Standard Conditions applicable to all projects (unless superseded by specific conditions for individual project):

1. The Applicant shall provide revised development and operating budgets based upon actual funding commitments, which must be approved by city staff. If the Applicant is unable to adhere to the budgets, City or Administering Agency must be immediately notified and (a) new budget(s) shall be submitted by the Applicant for the City's approval. The City 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 Applicant. Failure to adhere to the budgets, either original or as amended may result in withdrawal of the City's commitment of funds.
2. The Applicant shall submit evidence of funding commitments from all proposed public sources. In the event commitment of funds identified in the application cannot be secured in the time frame identified in the application, the Applicant shall immediately notify City or Administering Agency, and describe the actions it will undertake to secure alternative funding and the timing of those actions subject to City or Administering Agency's review and approval.
3. In the event federal funds are used, and to the extent applicable, federal guidelines must be met, including but not limited to: contractor solicitation, bidding and selection; wage rates; and Endangered Species Act (ESA) requirements. CDBG funds may not be used to repay (bridge) acquisition finance costs.
4. The Applicant shall maintain documentation of any necessary land use approvals and permits required by the city where the projects are located.
5. Submit monitoring reports quarterly through completion of the project, and annually thereafter. Submit a final budget upon project completion. If applicable, submit initial tenant information as required by City or Administering Agency.