

CITY COUNCIL REGULAR SESSION

Resolution authorizing execution of a Recoverable Grant Agreement to provide the King County Housing Authority \$4 million in 2021 from the City's Housing Fund, G-109 Affordable Housing Contingency, BelRed affordable housing in-lieu fees, sales tax revenues specific to affordable housing, or a combination thereof as determined by staff, to contribute to the acquisition of the Illahee Apartments.

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Community Development Department

EXECUTIVE SUMMARY

This Resolution authorizes the City Manager to execute a recoverable grant agreement to provide the King County Housing Authority \$4.0 million to go towards the Illahee Apartments preservation project in the BelRed Subarea.

RECOMMENDATION

Move to adopt Resolution No. 9974.

BACKGROUND/ANALYSIS

At its July 12 Study Session, Council reviewed the funding request for the Illahee Apartments preservation and directed staff by a 6-0 vote (with Mayor Robinson recused) to return with legislation to award \$4.0 million to the King County Housing Authority 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 Eastside Men's Shelter and Eastgate Permanent Support Housing which Council also provided direction to receive funding on July 12.

Illahee Apartments

In late October 2020, the King County Housing Authority became aware that the Illahee Apartments were going to be listed for sale on the open market. The Illahee Apartments are a 36-unit development built in 1968 located in the BelRed Subarea near Highland Park and Community Center. The owners at the time had held the property for over 30 years and kept rents affordable while housing costs increased significantly in the broader rental market. The current tenant population includes a significant proportion of immigrant households. While the property was on the market, it was advertised as an opportunity for new ownership to make significant rent increases or demolish the apartments to build higher end townhomes. There are a number of other townhome developments that are being built in this portion of the BelRed Subarea where older office buildings previously existed, so redevelopment was a likely outcome without preservation.

To prevent the likely displacement of all of the residents and a loss to the City of an important affordable housing resource, KCHA secured site control and closed on the acquisition of the property for \$10.8 million. At the same time, KCHA approached the City and Amazon to request support in the form of long-term financing. KCHA has an existing partnership with Amazon to preserve 1,000 units of workforce housing in Bellevue and was able to secure an additional commitment of grant funds for the Illahee Apartments to match a potential commitment from the City in the amount of \$4.0 million. KCHA has pledged to come up with the remaining \$2.8 million in financing, either from its own equity or from another funding source such as the State Housing Trust Fund, as well as any additional funding needed to rehabilitate the property.

Summary of Illahee Preservation Proposal

Sources of Funds:

\$4.0 million grant from Amazon

\$4.0 million request from City of Bellevue

\$2.8 million from KCHA equity/other

Acquisition Cost by KCHA: \$10.8 million

KCHA is committed to maintaining low rents for the current tenant population and will not be relocating tenants for rehabilitation activities. KCHA's long-term vision is to bring federal public housing subsidy to the property so that it will provide deeply affordable rents for households with very low incomes who meet the criteria for public housing.

Before such subsidies are turned on, KCHA is also making efforts to meet a critical City priority by partnering with the Bellevue School District (BSD) and Youth Eastside Services (YES) to place homeless families into currently vacant units. Since taking possession of the property, KCHA has had nine vacant units, with three additional units undergoing renovation due to a fire at the property last year. Two have already been occupied by referrals from the BSD/YES and there are four more referrals whose applications are in process as of late June. In exchange for the City's financial support, KCHA will execute agreements with the City (substantially in the same form as shown in Attachments A and B) that commit the property to serving eligible households for the long-term and solidify its immediate commitment to house homeless families before public housing subsidies are turned on.

POLICY & FISCAL IMPACTS

Policy Impact

This funding award will advance City policy objectives, including: preservation of affordable housing; preventing displacement of existing residents; providing immediate housing opportunities for homeless families in the community; leveraging private philanthropic support; and creating permanently affordable housing that will serve very low income residents well into the future.

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, BelRed affordable housing in-lieu fees,

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 execution of a Recoverable Grant Agreement to provide the King County Housing Authority \$4 million in 2021 from the City's Housing Fund, G-109 Affordable Housing Contingency, BelRed affordable housing in-lieu fees, sales tax revenues specific to affordable housing, or a combination thereof as determined by staff, to contribute to the acquisition of the Illahee Apartments.
2. Do not adopt the Resolution and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. Recoverable Grant Agreement between the City of Bellevue and the King County Housing Authority
- B. Low Income Housing Covenant Agreement
Proposed Resolution No. 9974

AVAILABLE IN COUNCIL LIBRARY

N/A