

CITY COUNCIL AGENDA TOPIC

Resolution authorizing an Affordable Housing Fund capital award in the amount of \$1,715,400 for the Orchard Gardens 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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A Regional Coalition for Housing (ARCH)

EXECUTIVE SUMMARY**ACTION**

As directed by City Council on February 24th, this Resolution adopts the Fall 2025 Affordable Housing Fund (AHF) funding recommendations and authorizes disbursement amounting to \$1,715,400 for the Orchard Gardens project. ARCH will serve as the city's designee with respect to any agreement for the Orchard Gardens project.

RECOMMENDATION

Move to adopt Resolution No. 10606

BACKGROUND/ANALYSIS

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 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.

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 a joint request for proposals (RFP) for the 2025 Housing Stability Program (HSP) and Affordable Housing Fund in June 2025. 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% area median income (AMI) or homeownership units below 100% AMI.

The Fall 2025 RFP received eight applications. Summaries of these projects, the review process, and staff recommendations were presented to the council on February 24. Council's direction following this presentation aligned with staff's recommendation to fund four of the eight applications, including Habitat for Humanity's request of \$1,715,400 in capital funds.

This Orchard Gardens development will create 25 new permanently affordable ownership homes for households earning up to 80% of AMI. 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.

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.

To ensure compliance and effective monitoring, funding for the Orchard Gardens project will be subject to both standard conditions, detailed below, and special conditions, detailed in Attachment A, as recommended by staff:

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

I. Prior to Contracting

- a. 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 City/City's designee, and describe the actions it will undertake to secure alternative funding and the timing of those actions subject to City/City's designee review and approval.
- b. In the event federal funds are used, and to the extent applicable, all federal laws, regulations and 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 be used, subject to program requirements.
- c. AGENCY must submit a draft management, affirmative marketing, and services plan, if applicable, for approval by staff designated by the City.

II. Through Construction Period

- a. None

III. Ongoing Requirement through Period of Affordability

- a. AGENCY shall provide revised acquisition/development and operating budgets based

upon actual funding commitments, which must be approved by staff designated by the City. If AGENCY is unable to adhere to the budgets, the City/City's designee must be immediately notified and (a) new budget(s) shall be submitted by AGENCY for City approval. The City's designee 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 City. Failure to adhere to the budgets, either original or as amended may result in withdrawal of City's commitment of funds.

- b. AGENCY shall maintain documentation of any necessary land use approvals and permits required by the city in which the project is located.
- c. City shall retain, and not release, five percent (5%) of the award amount until the project completion and satisfaction of the close out terms.
- d. Owner/AGENCY shall submit quarterly monitoring reports until the opening of the housing/building to occupancy, and annually thereafter, and shall submit a final budget after closing on the acquisition and upon project completion. Owner shall submit initial tenant information as required by the City/City's designee.
- e. Owner/AGENCY shall maintain the project in good and habitable condition for the duration of the period of affordability.
- f. Owner/AGENCY must submit for approval by the City/City's designee a final management, affirmative marketing, and services plan at least 60 days prior to occupancy.
- g. Agency may negotiate, approve, execute, and record amendments or releases of any Bellevue loan documents as may be needed for the project; provided the project still provides the anticipated affordable housing and there is sufficient collateral to secure the members' financial investment, all as determined by City/City's designee.
- h. 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.
- i. A covenant is recorded ensuring affordability for at least 55 years, with size and affordability distribution per award letter.
- j. It is further acknowledged that projects may change in any number of ways from the time of award until signing of the funding agreement. In order to continue support of projects after legislative approval, the following changes may be approved by the party identified in the table below:

Type of Change	Proposed Approver
Change to proposed population	City Manager
Change to total number of units or bedrooms of less than 20%	OH Director
Change to total number of units or bedrooms greater than 20%	City Manager
Change to affordability levels resulting in average AMI increasing 10% AMI or less change	OH Director
Change to affordability levels resulting in average AMI increasing over 10% AMI	City Manager
Increase in funding amount up to 20%**	(subject to funding availability) City Manager
Change in project sponsor	City Manager

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

The Fall 2025 Funding Recommendations utilize \$11,303,621 in funds held within the Long-Range Planning Reserves, of which \$1,715,400 will fund the Orchard Gardens project. Per section 8.2.3 of the City's Comprehensive Financial Policies, the council must authorize spending of the reserve. The full amount of \$1,715,400 is anticipated to be spent in the current biennium. Sufficient appropriation exists in the 2025-26 General Fund budget to cover these costs.

OPTIONS

1. Adopt the Resolution authorizing an Affordable Housing Fund capital award in the amount of \$1,715,400 for the Orchard Gardens 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. Fall 2025 Funding Recommendations
Proposed Resolution No. 10606

AVAILABLE IN COUNCIL LIBRARY

HB 1590 Interest Statement