

February 17, 2015

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Discussion of Housing Fund allocation recommended by the ARCH (A Regional Coalition for Housing) Executive Board for the Congregations for the Homeless/King County Housing Authority Men's Winter Shelter, for the Regional Equitable Development Initiative (REDI) fund, and for Parkview XI a home for low income persons with developmental disabilities.

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FISCAL IMPACT

The ARCH Executive Board is requesting Bellevue funding of \$689,400 for three recommended projects: \$383,500 for the Congregations for the Homeless/King County Housing Authority Men's Winter Shelter, \$250,000 for the Regional Equitable Development Initiative (REDI) fund, and \$55,900 for the Parkview XI home. If approved by Council, the funds would be allocated to these projects from the City's Housing Fund. The City established the Housing Fund in 1991 to fund the creation and preservation of affordable housing for low- and moderate-income households. There is sufficient budget authority for this expenditure.

POLICY ISSUES

Comprehensive Plan:

Bellevue funding for these three projects is consistent with Comprehensive Plan policies HO-11, 22, 28, 38 and 41 that:

- Encourage housing opportunities in mixed residential/commercial settings,
- Promote regional cooperation to address affordable housing needs,
- Partner with not-for-profit agencies to provide permanent low-and moderate-income housing,
- Encourage organizations that provide facilities and support for people with special needs, particularly those facing homelessness, and
- Help provide housing that is affordable and accommodates people with special needs.

DIRECTION NEEDED FROM COUNCIL

<u> </u>	Action
<u> X </u>	Discussion
<u> X </u>	Information

No action is requested tonight. This item is tentatively scheduled for Council action at the next Regular Session.

BACKGROUND/ANALYSIS

Council approval is requested for ARCH's funding request for Bellevue housing funds.

ARCH is the entity that receives and reviews applications for the City's available housing dollars. Because ARCH represents many Eastside cities, funds are pooled and made available to the applicants for qualifying projects.

The ARCH Citizen Advisory Board (CAB) reviews the applications and forwards its funding recommendations to the ARCH Executive Board. The CAB and Executive Board's review and recommendations reflect the policies and lending criteria adopted by the ARCH Executive Board and member city councils. Through the spring 2014 application round, over \$44 million has been allocated through the ARCH Housing Trust Fund, helping to create over 3,000 units of affordable housing. In addition, projects funded through the ARCH Trust Fund have secured hundreds of millions of dollars in other public and private sector housing investments.

Fall 2014 Funding Round

The ARCH CAB and Executive Board reviewed three applications for funding, as described in the ARCH Executive Board December 12, 2014 Housing Trust Fund Recommendation (Attachment 1). Both the CAB and Executive Board recommended all three projects for funding at this time, including a Parkview proposal that was not funded in the last funding round although it was considered a sound proposal and was encouraged to resubmit.

Included in this memo are brief descriptions and funding rational for the three projects recommended for funding. More detailed information on these projects is attached, including proposed funding conditions (Attachment 1), allocation of recommended funding amount among ARCH members (Attachment 3) and other sources of funding (Attachment 4). Funding conditions address a range of issues such as duration of affordability (typically 50 years), timing of release of city funds relative to commitment of other funding sources, if the city funds are made in the form of a grant or loan, and other project-specific issues such as providing management plans.

Congregations for the Homeless/KCHA East King County Men's Winter Shelter Project Summary

Congregations for the Homeless (CFH) with the support of King County Housing Authority (KCHA) is applying to ARCH for the acquisition of a property to be developed as a permanent winter shelter for men. There is no site yet identified for this facility.

Congregations for the Homeless is expected to start the process for identifying an Eastside site in the coming months. While it is not typical to recommend ARCH funding for a housing development prior to a specific site being identified, there are special circumstances associated with this proposal. First, the temporary location for the shelter is only available for the next two winters and a new location needed by winter 2016. Second, acquiring suitable properties can be competitive and require relatively quick action to secure an option. In the recommended conditions (see page 2 of Attachment 1, the ARCH Executive Board Transmittal), several special conditions are identified that are intended to address these circumstances.

For the past six years East King County cities have funded two winter shelters: one for unaccompanied men and one for women and families. CFH has operated the men's emergency winter shelter during that time at non-permanent locations, usually churches or civic buildings, which have sometimes been in single family neighborhoods. The emergency shelter is a low barrier shelter which imposes few requirements on the shelter guests, other than they do not pose a danger to other guests. Initially, the emergency shelter was open only on severe winter nights, but it is now open all nights from November through March. This application takes the project a next step to a permanent location better located for shelter guests, and one that is also be able to house daytime services and a drop-in center. ARCH-member planning staff have already identified a number of locations generally in or near transit-served centers and near services which would be appropriate for siting the shelter. Initially the shelter and daytime services could operate on a similar schedule as the current facilities – night time shelter during winter months and daytime services weekdays throughout the year. To the extent there is additional private and/or public funding support, hours of operation could be expanded.

The proposed shelter is sized to house at least 50 men. It would include kitchen and dining facilities, gathering space, computer lab, staff and counseling offices, a hygiene center including washrooms, showers and laundry, staff laundry, bedding storage area and sleeping areas. Ultimately the goal is to create a second similar facility for women/families. The acquisition could include a building shell which could be renovated for the purpose of the shelter/day center, or it could mean new construction. The ARCH funding, in conjunction with an interim loan from King County, would be used to acquire the property. After acquisition, a final budget will be prepared and other permanent funding will be sought including permanent funding from King County and the State Housing Trust Fund and a capital campaign by CFH.

Funding Rationale

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

- Provides shelter during winter months for at least 50 men and part-time daytime services year round which has been a demonstrated need over the past 5 years in East King County.
- Is consistent with Countywide Committee to End Homelessness priorities.
- Operator is respected and has been successful for six years of operation in serving this population in a winter shelter.
- Would help address challenges of siting a temporary shelter on an annual basis.
- Permanent location would allow it to be better located close to transit and services and not impact single family neighborhoods.
- Permanent facility would provide opportunity to expand the period of shelter and day services if additional operating funds become available.
- KCHA as interim owner will allow CFH to act to secure and hold potential site.

REDI (Regional Equitable Development Initiative Fund)

Project Summary:

This application is for \$500,000 in seed funding for capitalizing a \$25 million revolving loan fund for the purpose of acquiring sites within a four-county region. The goal is for the program to be operational in 2015. The proposed mission statement for the fund is: “to promote equitable transit communities throughout the central Puget Sound region through strategic property acquisition lending that supports the development and preservation of housing and community facilities that meet the needs of low-income households and are located within walking distance of high-capacity transit services and stations.” ARCH's funding combined with several other public funders (King County, Seattle, State Department of Transportation) is intended to leverage funds from foundations and lenders. The three funding tiers are:

- \$5 million in first tier seed money from public sources;
- \$7.5 million second tier from foundations and mission driven investors;
- \$12.5 million third tier from banks and community development financial institutions.

The revolving loan is expected to be in place for at least ten years and, when stopped, funds would be returned to investors, with private investors being paid first, and principal returned to public funders as remains. The basic program follows models used in other parts of the country including the Denver Transit Oriented Development Fund, and the Bay Area Transit Oriented Affordable Housing (TOAH) Fund.

The REDI Fund proposal emerges from the work of the Growing Transit Communities (GTC) Partnership, a consortium of public, private, and non-profit stakeholders led by the Puget Sound Regional Council (PSRC). A framework and draft business plan for this project was developed by Enterprise Community Partners and Impact Capital, both of which are Community Development Finance Institutions (CDFIs) that are active in the central Puget Sound region.

Funding Rationale

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

- Allows acquisition in evolving areas supported by transit ahead of escalating property values.
- Leverages significant funding from banks and mission-driven organizations. The relatively small public investment by ARCH would give East King County developers access to acquisition loans in the order of several million dollars.
- The REDI fund will fill the gap in the spectrum of financial products currently available to developers interested in equitable TOD by allowing mixed income projects, providing longer-term loans for land banking purposes, and providing larger loans for larger sites and completed properties.
- Revolving loan means potential for funds being made available to several projects in succession, and a return to city if the program is ended.
- Loans would be secured by real estate which could be sold at future value should individual projects not move forward.

Parkview Homes XI

Project Summary

Parkview Services, a Shoreline-based non-profit organization which to date has provided 158 beds in 53 properties in the region, is proposing to develop two homes in King County. The ARCH application is to help fund one of those homes, a Supportive Living Services Home in Bothell or Kirkland. The other home will be in Federal Way. For the ARCH sphere home they plan to acquire and remodel a three-bedroom house that will serve three (3) low-income individuals with developmental disabilities. A specific home will be identified once all funding is committed. Improvements will include remodeling to meet both Evergreen sustainability and ADA (Americans with Disabilities Act) accessibility standards, and a monitored fire suppression system.

There currently is no site control. The house to be bought will be remodeled to include accessibility features necessary for the initial tenants and for future tenants. Parkview will be looking to acquire suitably laid out minimum 1,500 square foot rambler-style houses that can easily be modified for accessibility.

Funding Rationale

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

- Serves neediest developmentally disabled residents by relying on referrals from the State DDD for new residents.
- Provides housing for a population (Special Needs housing) that currently is below long-term ARCH Trust Fund goals.
- Property will have 24/7 non-resident care provider coverage.
- Acquisitions to be done near transit and community amenities.
- Developer has long track record with properties in King County and good reputation with funders and Department of Developmental Disabilities.
- Is on the Department of Commerce Trust Fund LEAP (Legislative Evaluation and Accountability Program) list in the special needs set aside.

ALTERNATIVES

1. Direct staff to prepare legislation approving the ARCH funding request for Council's consideration and action at the March 2 Regular Session. Direct staff to prepare legislation approving some but not all projects within the ARCH funding request.
2. Provide alternative direction to staff.

RECOMMENDATION

Option 1.

MOTION

Move to direct staff to prepare legislation approving the ARCH funding request for Council's consideration and action at the March 2 Regular Session.

ATTACHMENTS

- Attachment 1. ARCH Executive Board December 12, 2014 Housing Trust Fund Recommendation
- Attachment 2. ARCH 2014 Housing Trust Fund Applications
- Attachment 3. ARCH 2014 Proposed Funding Sources
- Attachment 4. ARCH 2014 Leveraging Funds
- Attachment 5. Economic Summaries:
 - East King County Men's Permanent Winter Shelter
 - Parkview XI
- Attachment 6. ARCH: East King County Trust Fund Summary 1993 – Spring 2014