

March 27, 2017

## CITY COUNCIL STUDY SESSION ITEM

### **SUBJECT**

Discussion of Housing Fund allocation recommended by the ARCH (A Regional Coalition for Housing) Executive Board for two Imagine Housing low-income apartment projects: 30Bellevue and Esterra Park.

### **STAFF CONTACTS**

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### **POLICY ISSUES**

#### **Comprehensive Plan:**

Bellevue funding for these two projects is consistent with Comprehensive Plan policies HO-21, 22, 25, 26 and 35 that:

- Address the entire spectrum of housing needs, including the need for housing affordable to very low, low, and moderate income households;
- Promote regional cooperation to create affordable housing;
- Provide funding to support housing need, especially for low and very low income households;
- Partner with not-for-profit agencies to provide permanent low-and moderate-income housing; and
- Provide a range of housing options to support efforts to move homeless persons to long-term financial independence.

### **DIRECTION NEEDED FROM COUNCIL**

**ACTION**



**DIRECTION**



**INFORMATION ONLY**



**No action is requested tonight.** With Council concurrence, staff will prepare legislation for funding approval of these projects will be placed on the Agenda for the next Regular meeting.

### **BACKGROUND/ANALYSIS**

The ARCH Executive Board is requesting Bellevue funding of \$569,967 for two recommended projects by Imagine Housing: \$356,084 for 30Bellevue apartments at St. Luke's Lutheran Church in Bellevue; and \$213,883 for Esterra Park apartments in Redmond's Overlake area (former Group Health site). If approved by Council, the funds would be allocated to these projects from the City's Housing Fund to the ARCH 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 authority in the 2017-2018 Housing Fund budget for this expenditure.

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 2015 application round, over \$46 million has been allocated through the ARCH Housing Trust Fund, helping to create over 3,200 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.

#### 2016 Funding Round

The ARCH CAB and Executive Board reviewed and recommended funding for two applications, as described in the ARCH Executive Board January 6, 2017 Housing Trust Fund Recommendation (Attachment A). ARCH funding of \$832,429 is recommended for the 30Bellevue project inclusive of \$400,000 contingency to cover potential shortfall in Tax Credit Pricing (As mentioned above, Bellevue's portion of this project is \$356,084). This amount is in addition to ARCH funding of \$442,571 approved in 2016 (including \$50,000 from City of Bellevue Res. 9070, 2/16/2016). ARCH funding of \$500,000 (\$213,883 from the City) is recommended for Esterra Park. This amount is less than the \$3,115,661 requested by Imagine Housing. The Executive Board recognized that the application for funding is early in the development process, therefore a partial award was recommended with a requirement to apply for the remaining funds in a future round.

Included in this memo are brief descriptions and funding rational for the two projects recommended for funding. More detailed information on these projects is attached including proposed funding conditions (Attachment A), other sources of funding (Attachment C), and allocation of recommended funding amount among ARCH members (Attachment E). 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.

#### **Imagine Housing 30Bellevue low income apartments**

##### Project Summary

The revised proposal is for a 62 unit family rental project to serve households at 30%, 40% and 60% of Area Median Income (AMI). Up to 50% of the units (31 units) are set aside for homeless individuals and households and up to 20% of the units set aside for disabled residents (13 units). Ten of the disabled unit set-aside will overlap with units set aside for the homeless. The revised proposal also includes ten 3-bedroom units. Imagine Housing is requesting an additional 20 Housing Choice vouchers to help cover operational and debt service costs. Eight Housing Choice vouchers were awarded in the 2015 round.

The site is on Bellevue Way in Northwest Bellevue near the interchange between I-405 and SR 520. It is within the walkshed of the South Kirkland Park and Ride. The proposed building is two and four levels of wood construction over one level of structured parking, management office, service provider space and elevator lobby. A roof garden will be provided on the 3 story portion.

#### Funding Rationale:

The Exec Board supported the intent of this application for the following reasons:

- Development targets range of lower income households
- Homeless unit set-asides
- Is responsive to the issues raised during review of the initial application such as incorporating more 3 bedroom units and including units for developmentally disabled individuals.
- The project expands residential development within the Northwest Bellevue area
- Church and applicant have worked with city and neighborhood for comprehensive plan and zoning updates for the site
- Site has access to transit and shopping
- Project leverages a substantial amount of Tax Credit equity
- Applicant has continued to make meaningful progress on advancing the project
- Relatively low per unit ask to ARCH
- Applicant has site control and entitlement process is underway
- Experienced applicant

#### **Imagine Housing Esterra Park low income apartments**

##### Project Summary

Imagine Housing has submitted a project concept on a parcel within the larger master planned development located in the Overlake area of Redmond (former Group Health site) and adjacent to the proposed Overlake light rail station. The project concept is a mixed income rental development of 220 units or more. It is proposed to be funded as two components linked by amenity space: a 180+ unit 4% Tax Credit project with a mix of units serving 60% AMI households and 20 or more unrestricted units intended to rent at somewhat below market rent levels; and a 40+ unit 9% Tax Credit project serving 30% and 50% AMI households. The 9% Tax Credit portion will make half of its units available to homeless households in response to King County's funding priorities. The proposal also includes a request for 8 Housing Choice vouchers for each component. The proposal responds to the TOD funding (Bonding of the Hotel/Stadium Tax) available from King County.

The proposed building is five levels of wood construction over one or two levels of structured parking. The ground level will include space for a YMCA-operated childcare facility. The development will contain shared courtyard, lobby, management office, laundry and possible retail space. A roof garden will be provided on both portions.

#### Funding Rationale:

Although the application is early and a number of details are still being considered; the Executive Board supported the application and recommends partial funding for the following reasons:

- Development targets range of income levels for families and individuals, including set asides for homeless
- Well situated site which has easy access to transit, employment, shopping and services
- Increases the affordability in the master planned development and potential to significantly leverage resources through city housing provisions
- Contributes to distributing affordable housing throughout the community
- Site could accommodate childcare facility
- Project eligible for County TOD funds

- Project leverages a substantial amount of Tax Credit equity and debt
- Imagine pursuing private social investments for a portion of the capital costs.
- Experienced applicant

### **OPTIONS**

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

### **RECOMMENDATION**

Option 1

### **ATTACHMENTS**

- A. ARCH Executive Board January 6, 2017 Housing Trust Fund Recommendation
- B. ARCH 2016 Housing Trust Fund Applications
- C. ARCH Housing Trust Fund 2016 Leveraging Funds
- D. Economic Summary: Imagine Housing / 30Bellevue
- E. 2016 Housing Trust Fund: Proposed Funding Sources
- F. ARCH: East King County Trust Fund Summary 1993 – 2015

### **AVAILABLE IN COUNCIL DOCUMENT LIBRARY**

N/A