

February 12, 2018

## **CITY COUNCIL STUDY SESSION ITEM**

### **SUBJECT**

Discussion of Housing Fund allocation recommended by the ARCH (A Regional Coalition for Housing) Executive Board for four Fall Round 2017 projects.

### **STAFF CONTACTS**

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### **POLICY ISSUES**

#### **Comprehensive Plan:**

Bellevue funding for these four 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 the four projects at a future meeting

### **BACKGROUND/ANALYSIS**

The Fall Trust Fund round has several unique aspects which are reflected in the recommendations from the ARCH Executive Board. First is the overall amount of affordable housing being proposed. Up to 400 units and beds could be funded this round, compared to annual averages of between 100 and 150 units/beds in recent years. Second, and related to the first item, a number of cities are making other resources available in addition to funds allocated through the ARCH Trust Fund Process. This totals over \$10 million from a variety of sources including fee waivers, in-lieu fees from private developments, REET and land sale proceeds (See Attachment C). Third, King County is making a large amount of one-time resources available for transit-oriented development (TOD) projects, with two

proposed projects trying to leverage those resources. Fourth, because the State Capital Budget was not adopted, the State Trust Fund application process has been delayed.

The ARCH Executive Board is requesting Bellevue funding of \$1,570,058 for four recommended projects: \$203,669 for Kirkland women and family shelter from Catholic Community Services of Western Washington (CCS) with the Sophia Way; \$60,567 for men's homes from Congregations for the Homeless; \$807,558 for the Trailhead apartment from King County Housing Authority (KCHA); and \$498,264 for Esterra Park apartments in Redmond's Overlake area (former Group Health site) from Imagine Housing. In addition, in order to have a fully-funded project going in for Tax Credit allocation, and to address that there currently is no Commerce Funding due to not yet having a State Budget, the Executive Board is requesting a \$248,485 contingency award from the 2018 City Commitment to the Trust Fund for this project.

Bellevue's funding is equal to 33 percent of the total funds recommended through the Fall 2017 Trust Fund process (does not include other resources described above that cities are making available). Bellevue funding recommended for Esterra Park is in addition to Bellevue funding of \$213,883 approved in 2017. 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. The Housing Fund includes a combination of general fund contributions, loan payments by previously funded projects, and interest earnings. The Housing Fund currently has a balance significantly in excess of the recommended funding level. The current balance does not include the in-lieu fees received from projects in the Spring District, or the \$500,000 annual CIP housing set-aside. 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. ARCH includes many Eastside cities who utilize the ARCH Trust Fund process to develop recommendations for the allocation of their housing resources. This approach has allowed funds from multiple cities to be pooled and made available to projects across East King County with the goals of maximizing the creation of affordable housing overall, and in each city.

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 2016 application round, \$47.9 million has been allocated through the ARCH Housing Trust Fund, helping to create over 3,360 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.

### **2017 Funding Round**

The ARCH CAB and Executive Board reviewed and recommended funding for four applications, as described in the ARCH Executive Board January 11, 2018 Housing Trust Fund Recommendation (Attachment A).

Included in this memo are brief descriptions and funding rationale for the four 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 amounts 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.

### **Catholic Community Services with Sophia Way, Kirkland Shelter**

#### **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 operated by Sophia Way and CCS that have served women and families. The proposal includes 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 and 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 85<sup>th</sup> Street, a central transportation and retail corridor. 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 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 a part of ARCH member cities work programs 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 have already successfully assisted the existing day center on-site; and
- City land ownership structure provides more long-term stability to the long-term use of the facility for proposed or similar use.

### **Congregations for the Homeless, Men's Homes**

#### **Project Summary:**

Congregations for the Homeless (CFH) plans to acquire and remodel a single family home to include five - six bedrooms for five to six homeless men referred through Coordinated Entry and/or graduating out of CFH's other programs. CFH already operates ten leased group living homes on the Eastside.

Being able to buy a home would ensure housing would be available to help those exiting homelessness for decades to come. The agency reports a 90 percent success rate of men graduating through the rotating shelter and then through such group living situations into independent living.

No properties have yet been identified, but with funding made available the agency will look for a suitable home in East King County to acquire and remodel as necessary.

**Funding Rationale:**

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

- Agency with proven track record of graduating men out of homelessness through a stepped approach;
- Agency already has an 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; and
- Homes could return to residential market if no longer able to operate/no longer needed.

**Imagine Housing Esterra Park Block 6B**

**Project Summary:**

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. Imagine Housing is proposing a 130-unit family affordable rental project and YWCA operated childcare facility. Imagine is co-developing the property with Pryde + Johnson, a private developer, who will be building a nine-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.

The Imagine Housing project includes approximately 50 units 9 percent Tax Credit portion serving 30 percent, 40 percent and 60 percent AMI households and 80 units 4 percent Tax Credit portion serving 50 percent and 60 percent AMI households. The proposal also includes a request to King County to allocate eight and potentially up to 16 Section 8 vouchers. The proposal responds to the availability of King County TOD funding. There will be set asides for homeless and disabled including 2 units to serve developmentally disabled.

This project received a \$500,000 preliminary funding commitment from ARCH member cities, including Bellevue funding of \$213,883, in the 2016 funding round.

**Funding Rationale:**

The CAB and Executive Board supported this application 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; and
- Imagine was successful in finding a for-profit development partner to utilize half the lot.

### **King County Housing Authority Trailhead Apartments**

#### **Project Summary:**

King County Housing Authority (KCHA) is proposing to build The Trailhead, 155 units of affordable TOD housing in Central Issaquah adjacent to the Issaquah Transit Center. The Trailhead is a part of the larger Central Issaquah TOD Project, which KCHA is undertaking in partnership with Spectrum Development Solutions. Spectrum will develop 200 units of market rate and affordable units, 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 percent of the area median income. Twenty-four of the units will be supported by Section 8.

#### **Funding Rationale:**

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

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

### **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 11, 2018 Housing Trust Fund Recommendation

- B. ARCH 2017 Housing Trust Fund Applications
- C. ARCH Housing Trust Fund 2017 Leveraging Funds
- D. Economic Summary: Women and Family Shelter; CFH Men's Homes; Esterra Apartments; Trailhead Apartments
- E. 2017 Housing Trust Fund: Proposed Funding Sources
- F. ARCH: East King County Trust Fund Summary 1993 – 2015

**AVAILABLE IN COUNCIL DOCUMENT LIBRARY**

N/A