

May 21, 2018

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Resolution authorizing execution of an amendment, or one in substantially the same form, of the City of Bellevue's Regulatory Agreement with King County Housing Authority (KCHA) for Somerset Gardens Apartments.

FISCAL IMPACT

Amending the Regulatory Agreement itself has no direct fiscal impact on the City. The amendment of the Regulatory Agreement is an action that results from a number of decision made by King County Housing Authority in support of substantially redeveloping and remodeling both Somerset Gardens Apartments and Highland Village Apartments in Bellevue. In a related move, KCHA has repaid the outstanding loan balance for Somerset Gardens in the amount of \$568,231 plus accumulated interest of \$3,985. These funds will be deposited into the Housing Fund, thus making them available for new affordable housing projects.

STAFF CONTACTS

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Department of Planning and Community Development

POLICY CONSIDERATION

Comprehensive Plan:

Support for this proposal is consistent with Comprehensive Plan policies HO-21, 22, 25, and 26 that:

- Address the entire spectrum of housing needs, including the need for affordable housing for very low, low, and moderate-income households;
- Promote regional cooperation to create affordable housing;
- Provide funding to support housing needs, especially for low and very low-income households; and
- Partner with not-for-profit agencies to provide permanent low-and moderate-income housing.

BACKGROUND

In 1999 Bellevue provided KCHA \$700,000 in the form of a contingent loan for acquisition and substantial rehabilitation of Somerset Gardens Apartments (previously Kona Village Apartments). In order to stabilize operations, provide additional affordable housing and leverage needed funding for Somerset Gardens/ Highland Village renovations and expansion, KCHA has restructured their debt on both Somerset Gardens and Highland Village, and have received funding from other public funders to make changes to both properties. As part of that broader series of transactions, KCHA paid off the remaining loan balance for Somerset Gardens. While repayment of the loan does not relieve the property of the on-going affordability covenant, KCHA is requesting the following changes for Somerset Gardens in terms of unit count, bedroom count and affordability targeting, in order to be consistent with requirements from other public funders, and to maximize their ability to leverage their properties to pursue the overall property improvements at Somerset and Highland Village:

- a. Increase the number of bedrooms at the property by 12 by converting 24 one-bedroom units into 12 three-bedroom units, creating more family sized units.
- b. Decrease the overall number of affordable units by 14 units from 198 units to 184 units as follows:
 - Reduce the number of 30 percent Area Median Income (“AMI”) units from 24 to 8;
 - For the 96 units that were affordable at 80 percent AMI, create 50 units affordable at 60 percent of AMI and 48 units at 80 percent of AMI, an increase of two affordable units. The unit mix at these affordability levels will have less one-bedroom units and more three-bedroom units.
 - Reserve two units for property managers with no explicit affordability requirements;
 - Overall, shift the unit mix of affordable units to include 12 more affordable three-bedroom units, 2 more affordable two-bedroom units, and 28 less one-bedroom units;
- c. Allow tenants with Section 8 assistance to count towards the remaining 30 percent AMI units.
- d. Clarify and make technical corrections to the current agreement (e.g. 2 one-bedroom units that were converted into 2 two-bedroom units in the original rehabilitation project are not reflected in the agreement, etc.)

Revised Unit Configuration Table:

Median Income Level	1 BR	2 BR	3 BR	Total
Very Low Income (<30% AMI)	10 2	2 0	12 6	24 8
Low Income (31-50% AMI)	64	8	6	78
Low-Moderate Income (51-60% AMI)	35	6	9	50
Moderate Income (61-80% AMI)	88 35	8 4	0 9	96 48
Common Area/Manager Units		2		2
Total	162 136	18 20	18 30	198 186

The key change to the 1999 Somerset Gardens regulatory agreement requested by KCHA is to reduce the mandated number of very low income (>30 percent of AMI) units from 24 to 8. However, KCHA is supportive of accepting residents with Section 8 Housing Choice Vouchers (Federal housing assistance for very low income households) at Somerset Gardens. Currently, about 830 Bellevue families receive rent subsidy through the Section 8 Housing Choice voucher program. KCHA is exploring ways to further increase support for households with Section 8 housing vouchers in areas of high opportunity such as Bellevue. Given their experience in other KCHA properties in Bellevue and nearby communities, it can be expected that a number of households at Somerset Gardens will utilize Housing Choice Vouchers. Attachment A is an updated version of the regulatory agreement. In addition to updates related to the affordability and unit mix described above, it contains several additional amendments shown in redline that are in response to payoff of the outstanding loan and the updated financing for the project, but do not substantively change the City’s rights.

Staff seeks direction from Council to amend the Regulatory Agreement with KCHA.

EFFECTIVE DATE

If approved, this Resolution becomes effective immediately upon Council adoption.

OPTIONS

1. Adopt the Resolution authorizing execution of an amendment, or one in substantially the same form, of the City of Bellevue's Regulatory Agreement with King County Housing Authority (KCHA) for Somerset Gardens Apartments.
2. Do not adopt the Resolution and provide alternative direction to staff.

RECOMMENDATION

Option 1

MOTION

Move to adopt Resolution No. 9411 authorizing execution of an amendment, or one in substantially the same form, of the City of Bellevue's Regulatory Agreement with King County Housing Authority (KCHA) for Somerset Gardens Apartments.

ATTACHMENTS

A. Proposed modified Regulatory Agreement for KCHA Somerset Gardens
Proposed Resolution No. 9411

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A