

**CITY COUNCIL REGULAR SESSION**

Resolution authorizing the City Manager to execute an agreement for the Plymouth Housing Group / Eastgate Permanent Supportive Housing project in the amount of \$400,000, to be drawn from the City's Housing Fund, G-109 Affordable Housing Contingency, sales tax revenues specific to affordable housing, or a combination thereof as determined by staff, as guided by the recommendations of the ARCH (A Regional Coalition for Housing) Executive Board.

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*Community Development Department*

**EXECUTIVE SUMMARY**

This Resolution authorizes the City Manager to enter into an agreement for the Plymouth Housing Group/Eastgate Permanent Supportive Housing project in the amount of \$400,000. This amount is in addition to the amount previously authorized under Resolution No. 9920 (dated April 12, 2021).

**RECOMMENDATION**

Move to adopt Resolution No. 9972.

**BACKGROUND/ANALYSIS**

At its July 12 Study Session, Council reviewed the funding request for the Eastgate Permanent Supportive Housing project and directed staff by a 7-0 vote to return with legislation to award \$400,000 in supplemental funding to Plymouth Housing Group Eastgate Permanent Supportive Housing. At the July 12 Study Session, Council requested information relating to the Funding Agreement for the Eastgate Permanent Supportive Housing. Staff has provided Council the A Regional Coalition for Housing (ARCH) Executive Board funding conditions that were part of the April 12 approval by Council of \$62,200 of Bellevue funds for the Eastgate Permanent Supportive Housing project. These are consistent with the tenant selection, unit mix and affordability, and other conditions in the Funding Agreement currently being finalized.

**Available Resources**

Since the adoption of the Affordable Housing Strategy in 2017, the City's available resources targeted at implementation have been steadily growing, putting the City in a position to deploy funds to meet immediate housing needs. The City has accumulated adequate resources to fund this award in addition to the Eastside Men's Shelter and Illahee Apartments preservation, which Council also provided direction to receive funding on July 12.

**Eastgate Permanent Supportive Housing**

The Eastgate Master Development is comprised of three projects; the Eastside men's shelter, permanent supportive housing, and workforce housing. In 2019, after undergoing an extensive site search and selection process, Congregations for the Homeless (CFH) secured site control on a 10+ acre property owned by King County located in the Eastgate neighborhood. Since the property

exceeded the needs for development of a shelter, it presented a significant opportunity to leverage a larger master development that could create a range of affordable housing, including workforce housing and permanent supportive housing. CFH proceeded to select Inland Group as its master development partner.

In 2020, CFH and Inland Group added Plymouth Housing to the development team to undertake development of the final building site at Eastgate. Inland Group and Plymouth Housing prepared new funding applications to complete the financing package for the workforce housing component, and a permanent supportive housing project that would serve homeless individuals referred from the CFH and Sophia Way shelters. These applications were successful in securing the Low-Income Housing Tax Credit and tax-exempt bond resources that make up the majority of project financing, as well as significant awards from King County and the State Housing Trust Fund. In 2021, the City adopted Resolution No. 9920, approving \$62,200, as part of a \$500,000 award by ARCH members, for development of the permanent supportive housing.

**Committed Funds to Date: Eastgate Permanent Supportive Housing**

\$500,000 total award from ARCH cities

\$5.7 million award from King County

\$2.0 million from the State Housing Trust Fund

\$20.3 million from Low Income Housing Tax Credits

**Total Funds Committed: \$28.5 million to date, prior to project cost increases**

**Allocation of Bellevue Funds to Address Funding Gap**

Over the last 18 months, the Eastgate Master Development partners have made significant progress and invested at-risk capital toward moving this large-scale master development through the pre-development phase towards construction. During this time period, however, several factors have impacted the original cost estimates that provided the basis for each project's funding awards. As presented to Council on July 12, the Eastgate Permanent Supportive Housing has a current funding gap of \$3.1 million, above and beyond the \$28.5 million committed to date. King County and the State have conditionally committed to providing an additional \$2.7 million to go along with \$400,000 from the City of Bellevue.

**Recent Cost Increases: +\$3.1 million**

\$2.7 million from State/King County

\$400,000 requested from City of Bellevue

The drivers for the recent cost increases include:

- Escalation in material pricing, including lumber, wood products, steel, and copper.
- Increases in labor costs and prevailing wage rates, including for plumbing, drywall, and other trades.
- Significant upgrades for heating/cooling and electrical work to meet the 2018 Washington State Energy Code, which went into effect in January.
- Additional security features for site lines (internal and external) and camera system upgrades.
- Stormwater detention system revisions.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

This funding award will advance City policy objectives to create a 95-unit permanent supportive housing project with preference to serve homeless individuals referred from Eastside shelters, while leveraging state, county and local funding partners.

### **Fiscal Impact**

The City has adequate accumulated resources targeted at implementation of Bellevue's Affordable Housing Strategy and Council's housing priorities to fund this award. Based on Council approval of this funding award, staff will seek to use the most-restrictive available City funds first, and funds with the most flexibility last. This will provide the highest level of flexibility for future investment of funds. The funds will be drawn from the City's Housing Fund Budget, Capital Investment Program (CIP) G-109 Affordable Housing Contingency, sales taxes targeted at affordable housing, or combination thereof, as determined by staff. These funds include:

- The Council's allocation of funds to the CIP through the Affordable Housing Contingency, amounts to a balance of \$7.0 million as of 2021;
- Nearly \$3.4 million in affordable housing in-lieu fees from development in the BelRed Subarea;
- Affordable housing sales tax revenues authorized under RCW 82.14.540, which have generated roughly \$800,000 since 2020; and
- Approximately \$1.2 million accrued in the Housing Fund, primarily through loan repayments from past projects funded through ARCH.

## **OPTIONS**

1. Adopt the Resolution authorizing the City Manager to execute an agreement for the Plymouth Housing Group / Eastgate Permanent Supportive Housing project in the amount of \$400,000, to be drawn from the City's Housing Fund, G-109 Affordable Housing Contingency, sales tax revenues specific to affordable housing, or a combination thereof as determined by staff, as guided by the recommendations of the ARCH (A Regional Coalition for Housing) Executive Board.
2. Do not adopt the Resolution and provide alternative direction to staff.

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

Proposed Resolution No. 9972

## **AVAILABLE IN COUNCIL LIBRARY**

N/A