



## CITY OF KIRKLAND

Planning and Building Department  
123 Fifth Avenue, Kirkland, WA 98033 425-587-3235  
[www.kirklandwa.gov](http://www.kirklandwa.gov)

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### MEMORANDUM

**To:** Kurt Triplett, City Manager  
**From:** Dawn Nelson, Planning Supervisor  
**Date:** January 19, 2016  
**Subject:** ARCH 2015 HOUSING TRUST FUND RECOMMENDATION, FILE PLN16-00001

#### RECOMMENDATION

Staff recommends that the City Council adopt the enclosed resolution and approve the recommendations and conditions of approval of the ARCH Executive Board to allocate Kirkland funds as part of the Fall 2014 ARCH Housing Trust Fund:

- \$65,000 to the Imagine Housing Totem Lake II Senior Apartments project; and
- \$110,717 to the Imagine Housing 30Bellevue project.

#### BACKGROUND DISCUSSION

As in previous funding rounds, general funds set aside by the Council for low and moderate income housing development projects are administered through the ARCH Housing Trust Fund. In addition, now that Kirkland is a Joint Agreement City in the King County Community Development Block Grant (CDBG) Consortium, CDBG funds allocated by the City Council for capital projects are also administered through the ARCH Housing Trust Fund.

ARCH has one application process each year in the fall. This year, there were three applications for funding from ARCH. The ARCH Executive Board has recommended that awards be made to two of the projects, both of which would use Kirkland funds. The total amount of Kirkland general funds being committed is \$65,000, less than our budgeted set aside of \$315,000. The remaining funds will be available for preservation projects that might request funding from ARCH outside the normal trust fund cycle or for next fall's trust fund round. The \$85,610 of 2016 CDBG funds allocated for capital projects by [R-5153](#) in October 2015 are also being committed in this process. An additional \$25,107 in 2015 CDBG capital funds were allocated to the City in the final distribution process with King County and these are also being awarded through this process.

#### ***Imagine Housing Totem Lake II Senior Apartments***

The Imagine Housing Totem Lake II Senior Apartments project includes construction of 91 units of affordable rental housing for seniors aged 62 and older who are living independently. The project is adjacent to the Francis Village development on the south side of NE 124<sup>th</sup> Street. It includes a mix of studio, one and two bedroom units that will be affordable to those earning between 30% and 50% of King County median income. Eighteen of the units will be set aside for seniors who have faced homelessness. The award would be made in the form of a deferred, contingent loan.

The current request is in addition to funding awarded through ARCH in 2012 and is intended to cover holding costs on the land and increased construction costs resulting from the project's previous inability to acquire full funding from other sources. Funding from King County and Washington State was awarded in 2015. Tax Credit and private funding to complete the project are anticipated in 2016.

***Imagine Housing 30Bellevue***

Imagine Housing's 30Bellevue project includes construction of 65 units of family rental housing affordable to those who earn between 30% and 60% of King County median income. Twenty percent of the units would be set aside for homeless families and an additional 20% would be set aside for households with disabilities.

The project is proposed to be collocated with St. Luke's Lutheran Church, which also houses Sophia's Place homeless shelter for women. The project has requested funding from ARCH early in its development cycle and the funding recommendation is for about half the requested funds. The award would be in the form of a deferred, contingent loan from CDBG capital funds. It would allow predevelopment activities and possibly site acquisition. A condition of funding is that Imagine Housing reapply to ARCH in 2016 for the balance of local funds needed to successfully complete the project.

A summary of the Executive Board recommendation for these projects is included in Exhibit A to the attached Resolution. Additional information about all the projects and their financing is included as Attachment 1 to this memo. ARCH staff will be available to answer questions at the February 2<sup>nd</sup> City Council meeting.

Cc: Arthur Sullivan, ARCH, 16225 NE 87<sup>th</sup> Street, Suite A-3, Redmond, Washington 98052

**ARCH HOUSING TRUST FUND (HTF) APPLICATIONS  
2015**

ATTACHMENT 1  
ARCH 2015 HOUSING TRUST  
FUND RECOMMENDATION

<b>Applicant</b>	<b>Funds Requested (Grant/Loan) / Recommendation</b>	<b>Housing Type/  # of units/ bdrms</b>	<b>Income Served</b>	<b>Project Location</b>	<b>Duration of benefit</b>	<b>Total cost per unit</b>	<b>HTF cost per affordable unit</b>	<b>Project completion</b>
Imagine Housing Totem Lake 2 Senior	\$225,000 additional to already committed \$875,000 Loan	Senior rental housing  91 20% Homeless	46 @ 30% 23 @ 40% 22 @ 60%	Adjacent to 12601 NE 124 <sup>th</sup> St Kirkland	50 Years	284,300/unit	\$12,090/unit	Fall 2017
Imagine Housing 30Bellevue	\$899,950 Loan 8 Section 8 vouchers	Family rental housing  65 20% Disabled 20% Homeless	33 @ 30% 16 @ 40% 16 @ 60%	3030 Bellevue Way NE Bellevue	50 Years	\$323,500/unit	\$13,845/unit	Summer 2018
Parkview Services XII DD Home	\$190,000 Secured Grant	Acq/Rehab of Home for Developmentally Disabled  3	3 @ 30%	Bellevue Site to be determined, plus other 3 bed home in Federal Way	40 Years	\$199,667	\$63,333	Fall 2016

**2015 HOUSING TRUST FUND: PROPOSED FUNDING SOURCES**  
**Councils 12/10/15**

SOURCE	PROJECT		
	Imagine Totem Lake II Supp	Imagine 30 Bellevue	TOTAL
<b>Request</b>	\$ 225,000	\$ 899,950	\$ 1,314,950
<b>CAB Recommendation</b>	\$ 225,000	\$ 442,571	\$ 667,571
<b>Current Funding</b>			
Sub-Regional CDBG		\$ 177,571	\$ 177,571
Bellevue			
CDBG		\$ 50,000	\$ 50,000
General Fund	\$ 70,000		\$ 70,000
Clyde Hill			
General Fund	\$ 7,500		\$ 7,500
Hunts Point			
General Fund	\$ 1,500		\$ 1,500
Issaquah			
General Fund	\$ 25,000		\$ 25,000
Kenmore			
General Fund	\$ 15,000		\$ 15,000
Kirkland			
General Fund	\$ 65,000		\$ 65,000
CDBG		\$ 110,717	\$ 110,717
Medina			
General Fund	\$ 6,000		\$ 6,000
Mercer Is.			
General Fund	\$ 10,000		\$ 10,000
Newcastle			
General Fund	\$ 12,000		\$ 12,000
Redmond			
General Fund	\$ -		\$ -
CDBG		\$ 104,283	\$ 104,283
Sammamish			
General Fund	\$ 5,000		\$ 5,000
Woodinville			
General Fund	\$ 6,000		\$ 6,000
Yarrow Point			
General Fund	\$ 2,000		\$ 2,000
<b>TOTAL</b>	\$ 225,000	\$ 442,571	\$ 667,571

# ARCH HOUSING TRUST FUND, 2015

## Leveraging Funds - -

	Imagine Housing Totem Lake 2 Senior	Imagine Housing 30Bellevue	Parkview Seviles XII ARCH Sphere Home	TOTAL
Prior ARCH Commitment	\$875,000			\$875,000
New ARCH Request	\$225,000	\$899,950	\$190,000	\$1,314,950
<b>ARCH TOTAL</b>	\$ 1,100,000 4%	\$ 899,950 4%	\$ 190,000 34%	\$ 2,189,950
King County				
Prior KC Commitment				\$0
HOF/HOME/CDBG	\$2,400,000	\$2,200,000	\$190,000	\$4,790,000
2060/2163				\$0
Veterans/Human Services				\$0
Other				\$0
<b>KC TOTAL</b>	\$ 2,400,000 9%	\$ 2,200,000 10%	\$ 190,000 34%	\$4,790,000
Prior WA Commitment				\$0
WA HAP				\$0
WA HTF	\$3,000,000	\$2,225,000	\$176,000	\$5,401,000
WA HFC (Equity Fund)				\$0
WSHFC Washington Works				\$0
<b>WA TOTAL</b>	\$ 3,000,000 12%	\$ 2,225,000 11%	\$ 176,000 31%	\$5,401,000
Federal/HUD				\$0
Section 811				\$0
McKinney				\$0
Other (VA Per Diem)				\$0
<b>FEDERAL TOTAL</b>	\$ - 0%	\$ - 0%	\$ - 0%	\$0
<b>Tax Credits</b>	\$16,471,731 64%	\$13,463,469 64%	0%	\$29,935,200
<b>Prior Tax Credit Commitment</b>	0%	0%	0%	\$0
<b>Other Prior</b>				
<b>TCAP</b>	0%	0%	0%	\$0
<b>Bonds</b>	0%	0%	0%	\$0
<b>Bank Loans</b>	\$2,700,000 10%	\$2,163,356 10%	0%	\$4,863,356
<b>Deferred Developer Fee</b>	\$196,986 1%	\$73,523 0%	0%	\$270,509
<b>Private</b>	0%	0%	\$3,000 1%	\$3,000
<b>Other</b>	\$1,647 0%	\$1,346 0%	0%	\$2,993
<b>TOTAL COST</b>	\$ 25,870,364 100%	\$ 21,026,644 100%	\$ 559,000 100%	\$ 47,456,008
Total New	\$ 24,995,364 97%			

**ECONOMIC SUMMARY:  
AMENDMENT****IMAGINE HOUSING / TOTEM LAKE PHASE II SENIOR**ARSENAL HOUSING TRUST  
FUND RECOMMENDATION

1. Applicant/Description: New construction of 91 affordable rental units for seniors including units are for homeless/very low income households

2. Project Location: Adjacent to 12601 NE 124<sup>th</sup> St., Kirkland

3. Financing Information:

Funding Source	Funding Amount	Commitment
ARCH	\$1,100,000	\$225,000 applied for in 2015, \$875,000 committed in Fall 2012 Round
King County	\$2,400,000	Committed in 2015
Commerce Trust Fund	\$3,000,000	Committed in 2015
Tax Credits	\$16,471,731	To be applied for in 2016
Private Debt	\$2,700,000	To be applied for in 2016
Deferred Developer Fee/GP Equity	\$198,633	Committed
<b>TOTAL</b>	<b>\$25,870,364</b>	

4. Development Budget:

ITEM	TOTAL	PER UNIT	HTF
Acquisition	\$2,803,932	\$30,812	
Construction	\$17,473,026	\$192,011	\$701,000
Design	\$961,000	\$10,560	\$224,000
Consultants	\$285,600	\$3,138	
Developer fee	\$1,261,986	\$13,868	
Finance costs	\$1,690,793	\$18,580	\$175,000
Reserves	\$237,243	\$2,607	
Permits/Fees/Other	\$1,156,784	\$12,712	
<b>TOTAL</b>	<b>\$25,870,364</b>	<b>\$284,290</b>	<b>\$1,100,000</b>

5. Debt Service Coverage: Debt service payments will be finalized upon commitment. Basic terms will include a 50 year amortization, deferral of payments for a period of between 10 and 15 years, 1% interest, and ability to request a deferral of annual payment to preserve economic integrity of property.

6. Security for City Funds:

- A recorded covenant to ensure affordability and use for targeted population for 50 years.
- A promissory note secured by a deed of trust. The promissory note will require repayment of the loan amount upon non-compliance with any of the loan conditions.

7. Rental Subsidy: 8 Section 8 Vouchers

**ECONOMIC SUMMARY: IMAGINE HOUSING / 30BELLEVUE**

1. Applicant/Description: New construction of 60+ affordable rental units for households including units are for homeless/very low income households and the disabled

2. Project Location: 3030 Bellevue Way NE, Bellevue

3. Financing Information:

Funding Source	Funding Amount	Commitment
ARCH	\$899,950	Applied for in 2015
King County	\$2,200,000	To be applied for in 2016
Commerce Trust Fund	\$2,250,000	To be applied for in 2016
Tax Credits	\$13,463,469	To be applied for in 2017
Private Debt	\$2,163,356	To be applied for in 2017
Deferred Developer Fee/GP Equity	\$74,869	Committed
<b>TOTAL</b>	<b>\$21,026,644</b>	

4. Development Budget:

ITEM	TOTAL	PER UNIT (@65)	HTF
Acquisition	\$2,435,000	\$37,462	\$280,464
Construction	\$14,668,755	\$225,981	\$482,304
Design	\$700,208	\$8,806	\$50,000
Consultants	\$228,600	\$3,517	\$87,000
Developer fee	\$1,098,532	\$16,900	
Finance costs	\$603,991	\$9,292	
Reserves	\$189,963	\$2,923	
Permits/Fees/Other	\$1,081,604	\$16,640	
<b>TOTAL</b>	<b>\$21,026,644</b>	<b>\$323,487</b>	<b>\$889,950</b>

5. Debt Service Coverage: Debt service payments will be finalized upon commitment. Basic terms will include a 50 year amortization, deferral of payments for a period of between 10 and 15 years, 1% interest, and ability to request a deferral of annual payment to preserve economic integrity of property.

6. Security for City Funds:

- A recorded covenant to ensure affordability and use for targeted population for 50 years.
- A promissory note secured by a deed of trust. The promissory note will require repayment of the loan amount upon non-compliance with any of the loan conditions.

7. Rental Subsidy: 8 Section 8 Vouchers

**FIGURE 1**  
**ARCH: EAST KING COUNTY TRUST FUND SUMMARY**  
LIST OF CONTRACTED PROJECTS FUNDED (1993 - 2014)

Project	Location	Owner	Units/Bed s	Funding	Pct of Total Allocation	Distribution Target
<b>1. Family Housing</b>						
Andrews Heights Apartments	Bellevue	Imagine Housing	24	\$400,000		
Garden Grove Apartments	Bellevue	DASH	18	\$180,000		
Overlake Townhomes	Bellevue	Habitat of EKC	10	\$120,000		
Glendale Apartments	Bellevue	DASH	82	\$300,000		
Wildwood Apartments	Bellevue	DASH	36	\$270,000		
Somerset Gardents (Kona)	Bellevue	KC Housing Authority	198	\$700,000		
Pacific Inn	Bellevue *	Pacific Inn Assoc. *	118	\$600,000		
Eastwood Square	Bellevue	Park Villa LLC	48	\$600,000		
Chalet Apts	Bellevue	Imagine Housing	14	\$163,333		
Andrew's Glen	Bellevue	Imagine Housing	10 /11	\$387,500		
August Wilson Place	Bellevue ***	LIHI ***	45	\$800,000		
YWCA Family Apartments	Bellevue	YWCA	12	\$100,000		
Parkway Apartments	Redmond	KC Housing Authority	41	\$100,000		
Habitat - Patterson	Redmond **	Habitat of EKC **	24	\$446,829		
Avon Villa Mobile Home Park	Redmond **	MHCP **	93	\$525,000		
Terrace Hills	Redmond	Imagine Housing	18	\$442,000		
Village at Overlake Station	Redmond **	KC Housing Authority **	308	\$1,645,375		
Summerwood	Redmond	DASH	166	\$1,187,265		
Coal Creek Terrace	Newcastle **	Habitat of EKC **	12	\$240,837		
RoseCrest (Talus)	Issaquah **	Imagine Housing **	40	\$918,846		
Mine Hill	Issaquah	Imagine Housing	28	\$450,000		
Clark Street	Issaquah	Imagine Housing	30	\$355,000		
Lauren Heights (Iss Highlands)	Issaquah **	Imagine Housing/SRI **	45	\$657,343		
Habitat Issaquah Highlands	Issaquah **	Habitat of EKC **	10	\$318,914		
Issaquah Family Village I	Issaquah **	YWCA **	87	\$4,382,584		
Issaquah Family Village II	Issaquah **	YWCA **	47	\$2,760,000		
Greenbrier Family Apts	Woodinville **	DASH **	50	\$286,892		
Crestline Apartments	Kirkland	Shelter Resources	22	\$195,000		
Plum Court	Kirkland	DASH	61 /66	\$1,000,000		
Francis Village	Kirkland	Imagine Housing	15	\$375,000		
Velocity	Kirkland **	Imagine Housing **	46	\$901,395		
Copper Lantern	Kenmore **	LIHI **	33	\$452,321		
Highland Gardens (Klahanie)	Sammamish	Imagine Housing	54	\$291,281		
Habitat Sammamish	Sammamish ** ***	Habitat of KC ***	10	\$853,000		
Homeowner Downpayment Loan	Various	KC/WSHFC/ARCH	87 est	\$615,000		
REDI TOD Land Loan	Various	Various	100 est	\$500,000		
<b>SUB-TOTAL</b>			<b>2,042</b>	<b>\$24,520,516</b>	<b>54.0%</b>	<b>(56%)</b>
<b>2. Senior Housing</b>						
Cambridge Court	Bellevue	Resurrection Housing	20	\$160,000		
Ashwood Court	Bellevue *	DASH/Shelter Resources *	50	\$1,070,000		
Evergreen Court (Assisted Living)	Bellevue	DASH/Shelter Resources	64 /84	\$2,480,000		
Bellevue Manor / Harris Manor	Bellevue / Redmond	KC Housing Authority	105	\$1,334,749		
Vasa Creek	Bellevue	Shelter Resources	50	\$190,000		
Riverside Landing	Bothell **	Shelter Resources	50	\$225,000		
Kirkland Plaza	Kirkland	Imagine Housing	24	\$610,000		
Totem Lake Phase 2	Kirkland ***	Imagine Housing ***	80	\$736,842		
Heron Landing	Kenmore	DASH/Shelter Resources	50	\$65,000		
Ellsworth House Apts	Mercer Island	Imagine Housing	59	\$900,000		
Providence Senior Housing	Redmond **	Providence **	74	\$2,239,000		
Greenbrier Sr Apts	Woodinville **	DASH/Shelter Resources **	50	\$196,192		
<b>SUB-TOTAL</b>			<b>676</b>	<b>\$10,206,783</b>	<b>22.5%</b>	<b>(19%)</b>

**FIGURE 1**  
**ARCH: EAST KING COUNTY TRUST FUND SUMMARY**  
LIST OF CONTRACTED PROJECTS FUNDED (1993 - 2014)

Project	Location	Owner	Units/Beds	Funding	Pct of Total Allocation	Distribution Target
<b>3. Homeless/Transitional Housing</b>						
Hopelink Place	Bellevue **	Hopelink **	20	\$500,000		
Chalet	Bellevue	Imagine Housing	4	\$46,667		
Kensington Square	Bellevue	Housing at Crossroads	6	\$250,000		
Andrew's Glen	Bellevue	Imagine Housing	30	\$1,162,500		
August Wilson Place	Bellevue ***	LIHI ***	12	\$200,000		
Sophia Place	Bellevue	Sophia Way	20	\$250,000		
Men's Shelter	TBD	Congregation for Homeless (C	50	\$700,000		
Dixie Price Transitional Housing	Redmond	Hopelink	4	\$71,750		
Avondale Park	Redmond	Hopelink (EHA)	18	\$280,000		
Avondale Park Redevelopment	Redmond **	Hopelink (EHA) **	60	\$1,502,469		
Petter Court	Kirkland	KITH	4	\$100,000		
Francis Village	Kirkland	Imagine Housing	45	\$1,125,000		
Velocity	Kirkland ***	Imagine Housing ***	12	\$225,349		
Totem Lake Phase 2	Kirkland	Imagine Housing	15	\$138,158		
Rose Crest (Talus)	Issaquah **	Imagine Housing **	10	\$229,712		
Lauren Heights (Iss Highlands)	Issaquah **	SRI **	5	\$73,038		
Issaquah Family Village I	Issaquah **	YWCA **	10	\$503,745		
<b>SUB-TOTAL</b>			<b>307</b>	<b>\$7,358,387</b>		16.2% (13%)
<b>4. Special Needs Housing</b>						
My Friends Place	K.C.	EDVP	6 Beds	\$65,000		
Stillwater	Redmond	Eastside Mental Health	19 Beds	\$187,787		
Foster Care Home	Kirkland	Friends of Youth	4 Beds	\$35,000		
FOY New Ground	Kirkland	Friends of Youth	6 Units	\$250,000		
DD Group Home 7	Kirkland	Community Living	5 Beds	\$100,000		
Youth Haven	Kirkland	Friends of Youth	10 Beds	\$332,133		
FOY Transitional Housing	Kirkland **	Friends of Youth **	10 Beds	\$252,624		
FOY Extended Foster Care	Kirkland **	Friends of Youth **	10 Beds	\$112,624		
DD Group Home 4	Redmond	Community Living	5 Beds	\$111,261		
DD Group Homes 5 & 6	Redmond/KC (Bothell)	Community Living	10 Beds	\$250,000		
United Cerebral Palsy	Bellevue/Redmond	UCP	9 Beds	\$25,000		
DD Group Home	Bellevue	Residence East	5 Beds	\$40,000		
AIDS Housing	Bellevue/Kirkland	AIDS Housing of WA	10 Units	\$130,000		
Harrington House	Bellevue	AHA/CCS	8 Beds	\$290,209		
DD Group Home 3	Bellevue	Community Living	5 Beds	\$21,000		
Parkview DD Condos III	Bellevue	Parkview	4	\$200,000		
IERR DD Home	Issaquah	IERR	6 Beds	\$50,209		
FFC DD Homes	NE KC	FFC	8 Beds	\$300,000		
Oxford House	Bothell	Oxford/Compass Ctr.	8 Beds	\$80,000		
Parkview DD Homes VI	Bothell/Bellevue	Parkview	6 Beds	\$150,000		
Parkview DD Homes XI	TBD	Parkview	3 Beds	\$200,800		
FFC DD Home II	Kirkland	FFC	4 Beds	\$168,737		
<b>SUB-TOTAL</b>			<b>161 Beds/Units</b>	<b>\$3,352,384</b>		7.4% (12%)
<b>TOTAL</b>			<b>3,186</b>	<b>\$45,438,070</b>		<b>100.0%</b>

\* Funded through Bellevue Downtown Program

\*\* Also, includes in-kind contributions (e.g. land, fee waivers, infrastructure improvements)

\*\*\* Amount of Fee Waiver still to be finalized

RESOLUTION R-5181

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND AUTHORIZING THE DULY-APPOINTED ADMINISTERING AGENCY FOR A REGIONAL COALITION FOR HOUSING (ARCH) TO EXECUTE ALL DOCUMENTS NECESSARY TO ENTER INTO AN AGREEMENT FOR THE FUNDING OF AFFORDABLE HOUSING PROJECTS, AS RECOMMENDED BY THE ARCH EXECUTIVE BOARD, UTILIZING FUNDS FROM THE CITY'S HOUSING TRUST FUND.

1 WHEREAS, A Regional Coalition for Housing (ARCH) was created  
2 by interlocal agreement to help coordinate the efforts of Eastside cities  
3 to provide affordable housing; and  
4

5 WHEREAS, the ARCH Executive Board has recommended that  
6 the City of Kirkland participate in the funding of a certain affordable  
7 housing project hereinafter described; and  
8

9 WHEREAS, the ARCH Executive Board has developed a number  
10 of recommended conditions to ensure that the City's affordable housing  
11 funds are used for their intended purpose and that projects maintain  
12 their affordability over time; and  
13

14 WHEREAS, the City Council approved Resolution R-4804 on  
15 March 2, 2010, approving the Amended and Restated Interlocal  
16 Agreement for ARCH; and  
17

18 WHEREAS, the City Council desires to use \$65,000 from the  
19 City's Housing Trust Funds and \$110,717 from Community Development  
20 Block Grant funds as designated below to finance the projects  
21 recommended by the ARCH Executive Board;  
22

23 NOW, THEREFORE, be it resolved by the City Council of the City  
24 of Kirkland as follows:  
25

26 Section 1. The City Council authorizes the duly-appointed  
27 administering agency of ARCH, pursuant to the Amended and Restated  
28 Interlocal Agreement for ARCH, to execute all documents and take all  
29 necessary actions to enter into Agreements on behalf of the City with:  
30

31 Imagine Housing Totem Lake II Senior Apartments in an  
32 amount not to exceed \$65,000; and  
33

34 Imagine Housing 30Bellevue in an amount not to exceed  
35 \$110,717.  
36

37 Section 2. The agreements entered into pursuant to Section 1  
38 of this Resolution shall be funded in a total amount not to exceed  
39 \$175,717. Such agreements shall include terms and conditions to  
40 ensure that the City's funds are used for their intended purpose and that  
41 the affordability of projects is maintained over time. In determining  
42 what conditions should be included in the agreements, the duly-

43 appointed administering agency of ARCH shall be guided by the  
44 recommendations set forth in the ARCH Executive Board's memorandum  
45 as of December 22, 2015, a copy of which is attached hereto as Exhibit  
46 A.

47  
48 Passed by majority vote of the Kirkland City Council in open  
49 meeting this \_\_\_\_ day of \_\_\_\_\_, 2016.

50  
51 Signed in authentication thereof this \_\_\_\_ day of \_\_\_\_\_,  
52 2016.

\_\_\_\_\_  
MAYOR

Attest:

\_\_\_\_\_  
City Clerk

**MEMORANDUM**

TO: City of Bellevue Council Members  
City of Clyde Hill Council Members  
Town of Hunts Point Council Members  
City of Issaquah Council Members  
City of Kenmore Council Members  
City of Kirkland Council Members  
City of Medina Council Members  
City of Mercer Island Council Members  
City of Newcastle Council Members  
City of Redmond Council Members  
City of Sammamish Council Members  
City of Woodinville Council Members  
Town of Yarrow Point Council Members

FROM: Lyman Howard, Chair, and ARCH Executive Board

DATE: December 22, 2015

RE: Fall 2015 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board has completed its review of the three applications for the Fall 2015 Housing Trust Fund round. The Executive Board recommends funding for two projects. Recommendations total \$667,571 as summarized in the attached table, Proposed Funding Sources. The actual amount will depend on final action by the City Councils.

Following is a summary of the applications, the recommendation and rationale, and proposed contract conditions for the three proposals recommended for funding at this time. Also enclosed is an evaluation matrix for each proposal, an economic summary for the two projects recommended for funding, leveraging charts, project summary table, and a summary of funded projects to date.

**1. Imagine Housing Totem Lake (Phase 2) Senior Apartments Amendment**

Funding Request: \$225,000 in addition to the previously awarded \$875,000 (Deferred, Contingent Loan) plus the previously awarded 8 Section 8 Vouchers (from the 2012 round)  
91 Units

Exec Bd Recommendation: \$225,000 Additional (Deferred, Contingent Loan)  
See attached Funding Chart for distribution of City Funds

**Project Summary:**

Imagine Housing (IH) – an East King County based non-profit corporation is coming back for additional funding for a project originally funded through ARCH in 2012, but was stalled for available funding from other sources including Tax Credits. The agency is proposing a 91 unit new construction project adjacent to Francis Village in the Totem Lake region of Kirkland. The building is five levels of wood construction over one level of structured parking, lobby entrance, lounge, services office, and management spaces. It is designed to serve seniors living independently, aged 62 or over, at 30%, 40% and 50% of Area Median Income (AMI). Twenty percent of the units will be restricted for seniors who have faced homelessness. The unit mix consists of 26 studios, 60 one bedroom and five two bedroom units.

The community space and residential units are designed according to the principles of universal design. It is intended that the residents will be able to continue living in the units even with physical deterioration and the units may be adapted (such as changing kitchen cabinets to accommodate) to meet their changing physical needs. The amenity space will have a flexible design to meet the social and physical interests of the population. The property will contain a rooftop garden that will provide passive recreational opportunities as well as gardening and educational opportunities.

The additional funding request is due to holding costs on the land and increased construction costs resulting from not getting full funding earlier.

**Funding Rationale:**

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

- Development targets range of lower income senior households
- Homeless unit set-asides
- The project expands residential development within the Totem Lake area
- Site has access to transit, shopping and is near a major hospital/medical complex
- Total development cost comparable to other similar projects
- 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
- Carrying costs and cost increases are justifiable
- Applicant has site control and entitlement process well underway
- Experienced applicant

**Funding Conditions:**

**Special Conditions:** The following conditions supersede, while incorporating and updating, the conditions associated with the funding recommendation from the 2012 round.

1. The funding commitment shall continue for twelve (12) months from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. At that time, the applicant will provide a status report on progress to date, and expected schedule for start of construction and project completion. ARCH staff will consider a twelve month extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant

will demonstrate that all capital funding has been secured or is likely to be secured within a reasonable period of time.

2. Funds shall be used by Imagine Housing toward construction and construction contingency, design, and bridge loan interest. Funds may not be used for any other purpose unless City or Administering Agency has given written authorization for the alternate use. Spending of construction contingency must be approved in advance by City or Administering Agency. If after the completion of the project there are budget line items with unexpended balances, the public funders shall approve adjustments to the project capital sources, including potentially reductions in public fund loan balances.
3. Funds will be in the form of a deferred, contingent loan. Loan terms will account for various factors, including loan terms from other fund sources, available cash flow, and receipt of an asset management fee to the Applicant and project reserves. Final loan terms shall be determined prior to release of funds and must be approved by city staff. Based on the preliminary development budget, it is anticipated that loan payments will be based on a set repayment schedule, and begin after repayment of deferred developer fee (approximately year 15), with 1% interest. The terms will also include a provision for the Applicant to a deferment of a payment if certain conditions are met (e.g. low cash flow due to unexpected costs). Any requested deferment of loan payment is subject to approval by City or Administering Agency, and any deferred payment would be repaid from future cash flow or at the end of the amortization period.
4. The net developer fee shall be established at the time of finalizing the Contract Budget. It is anticipated that the Net Developer Fee inclusive of any project management fees and incidental costs incurred by the developer, shall not exceed \$1,065,000 based on the current size and description of the project. Net developer fee is defined as that portion of the developer fee paid out of capital funding sources and does not include the deferred portion which is paid out of cash flow from operations after being placed in service.
5. Until such time as any deferred developer fee is fully repaid, all cash flow after payment of operating expenses and debt service, shall be used to repay the deferred developer fee unless otherwise approved by City or Administering Agency. After full repayment of deferred developer fee Imagine Housing shall be entitled to an asset management fee. The amount of the asset management fee will account for various factors including project operating budget and debt repayment. Final asset management fee will be determined at time of funding agreement and must be approved by City staff.
6. A covenant is recorded ensuring affordability for at least 50 years, with affordability as shown in the following table. Affordability levels will be defined using the requirements for tax credits, and utility costs will be based on King County Housing Authority allowances, or as otherwise approved by City or Administering Agency.

Median Income Level	Studio	1 Bedrm	2 Bedrm	Total
Very Low Income 30% AMI *	26	18	2	46
Low Income 31-40% AMI		22	1	23

Moderate Income 41-60% AMI		20	2	22
Total	26	60	5	91

\* Up to 8 of the very low income units can utilize Section 8 vouchers. They can be used in a combination of one and two bedroom units. The final mix of one and two bedroom units benefiting from vouchers will be approved by City or Administering Agency. Considerations in the determination of unit mix will include overall need in the community, unit mix of existing federally assisted and Section 8 assisted housing for seniors in East King County, and Section 8 program requirements.

7. Based on the availability of adequate support services, up to 20% of the units will be set-aside for homeless, unless otherwise approved by City or Administering Agency.
8. Submit for review and approval a management and services provision plan that includes how management and services for this property will relate to the management of the adjacent Francis Village Family Housing and types of services and programs that will be available for the residents. Recognizing that there is a very limited amount of parking on the site, the plan shall also address how parking will be managed on an ongoing basis, and alternative transportation options for residents. The plan shall also include management procedures to address tenant needs; services provided for or required of tenants; management and operation of the premises; community and neighbor relations procedures; a summary of ARCH's affordability requirements as well as annual monitoring procedure requirements.

Standard Conditions:

9. The Applicant shall provide revised development and operating budgets based upon actual funding commitments, which must be approved by city staff. If the Applicant is unable to adhere to the budgets, City or Administering Agency must be immediately notified and (a) new budget(s) shall be submitted by the Applicant for the City's approval. The City shall not unreasonably withhold its approval to (a) revised budget(s), so long as such new budget(s) does not materially adversely change the Project. This shall be a continuing obligation of the Applicant. Failure to adhere to the budgets, either original or as amended may result in withdrawal of the City's commitment of funds.
10. The Applicant shall submit evidence of funding commitments from all proposed public sources. In the event commitment of funds identified in the application cannot be secured in the time frame identified in the application, the Applicant shall immediately notify City or Administering Agency, and describe the actions it will undertake to secure alternative funding and the timing of those actions subject to City or Administering Agency's review and approval.
11. In the event federal funds are used, and to the extent applicable, federal guidelines must be met, including but not limited to: contractor solicitation, bidding and selection; wage rates; and Endangered Species Act (ESA) requirements. CDBG funds may not be used to repay (bridge) acquisition finance costs.
12. The Applicant shall maintain documentation of any necessary land use approvals and permits required by the city where the projects are located.

13. Submit monitoring reports quarterly through completion of the project, and annually thereafter. Submit a final budget upon project completion. If applicable, submit initial tenant information as required by City or Administering Agency.

## **2. Imagine Housing 30Bellevue**

Funding Request:                                 \$899,950 (Contingent Loan)  
  Plus 8 Section 8 Certificates  
  65 affordable rental units

### Exec Bd Recommendation:

- \$442,571, CDBG funds, subject to final adjustment for HUD CDBG awards (Contingent Loan) as follows:
  - Up to \$137,000 for predevelopment activities in 2016
  - Balance as a conditional award subject to reapplication in 2016 for balance of local funds
- See attached Funding Chart for distribution of City Funds

### Project Summary:

Imagine Housing (IH) – an East King County based non-profit corporation is proposing a 60+ unit building collocated with St. Luke’s Lutheran Church which also houses the Sophia’s Place homeless shelter for women. The proposed building is two and four levels of wood construction over one level of structured parking. The project features lobby, leasing office, computer room/library, community gathering room, children’s play area and counseling offices.

The project targets households earning below 30%, 40% and 60% of median area income, 20% of the units are proposed to be set aside for homeless and another 20% of the units are proposed to be set aside for households with disabilities. Imagine Housing is also exploring the feasibility of three bedroom units.

### Funding Rationale:

The CAB recognizes the application for funding is early, and that a number of details are still being considered and fleshed out, therefore an award for predevelopment work is recommended with a requirement to apply for full funding award in a future round.

The Executive Board supported this application and recommends partially funding for predevelopment and acquisition costs with conditions listed below for the following reasons:

- Development targets range of lower income family households including set asides for homeless and disabled
- Church and applicant have worked with city and neighborhood in process of applying for and receiving comprehensive plan and zoning updates for the site.
- Site has access to transit, shopping and is near a highway interchange
- Contributes to distributing affordable housing throughout the community.
- Site could accommodate children’s play areas
- Project leverages a substantial amount of Tax Credit equity
- Applicant has site control with a patient seller

- Proposed uses of funding are eligible uses of CDBG funding for affordable housing
- Experienced applicant

With the release of predevelopment funds, this would provide an opportunity for Imagine Housing to address issues listed below as well as complete work needed to apply for other capital funds. Imagine Housing will be expected to provide an updated funding application to ARCH in the upcoming round that addresses the items listed under Condition 6.

**Funding Conditions:**

1. The award would release \$50,000 to fund CDBG-qualified predevelopment activities to be completed by July 31, 2016. Predevelopment funds shall be used by Imagine Housing toward acquisition, design, appraisal, market study, environmental assessment, geotechnical study, surveys, legal and other consultants and that are eligible uses of CDBG funds. Funds may not be used for any other purpose unless city staff has given written authorization for the alternate use. Funds released for predevelopment activities may be forgivable only if the project cannot move forward for reasons outside of Imagine Housing's control. During this period, Imagine Housing shall at a minimum address the items listed under Condition 6 related to incorporating three bedroom units, parking, site feasibility and disabled unit set-asides.
2. Submit monitoring reports quarterly providing updates on progress on predevelopment activities.
3. With the approval of the ARCH Executive Board up to an additional \$87,000 may be released for CDBG-qualified predevelopment activities (as defined in Condition 1) carried out in 2016. To be considered for this release, Imagine Housing shall provide:
  - An update on the status of the project which will include: update on design, unit configuration and mix, conformance to Land Use Code, and status of predevelopment progress.
  - Site design including parking, setbacks, critical areas etc. demonstrating that the proposal meet city regulatory requirements.
  - Document land area to be transferred and detail how land will be legally transferred/secured.
  - Demonstrate meaningful progress.
  - Provide updated capital and operating budgets (including reflecting federal funding requirements)
  - Demonstrate progress toward being able to meet the remaining funding conditions within the 18 month period.
4. In the event the first funding condition is met and an updated application for full funding is received during the 2016 funding round, the funding commitment for the balance of funds not allocated through the first and second conditions shall be extended to 18 months from the date of Council approval. An extension may be requested to City or Administering Agency no later than sixty (60) days prior to the expiration date. City or Administering Agency will consider an extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion. In the event an updated application is not received in 2016 or if an evaluation by the Executive Board prior to the fall funding round indicates that funding conditions cannot be met within the 18 month funding condition period, then the ARCH Executive Board will be authorized to have the funding award expire.

5. With Executive Board approval, the remaining funding award may be expended on costs for securing a site upon meaningful progress on entitlement and the making of applications to other funders.
6. Imagine Housing shall reapply to ARCH in the 2016 round for the balance of local funds needed to combine with other sources to fully fund the project. In that application, Imagine Housing shall address the following:
  - Confirm the unit count and unit mix and distribution over set-asides
  - Explore the feasibility of including more three bedroom units
  - Amount of parking required by the city for the overall site including the proposed housing, and as needed a proposal for managing parking.
  - Meet with Sophia Way and document proposed arrangements to complement operations with the 20 bed women's shelter co-located on the St Luke's property.
  - Explore utilizing disabled set-aside units by more formally partnering with one or two specific agencies to house and provide services to residents on-site. This evaluation should include agencies serving persons with developmental disabilities, but also potentially other agencies serving residents with other special needs.
  - Explore opportunities for affordable childcare for residents.
  - An appraisal that reflects the ongoing existing uses on the property and city land use requirements.
  - Management procedures to address tenant needs; services provided for or required of tenants; management and operation of the premises, including parking.
  - How the Agency will do local targeted marketing outreach to local businesses and community organizations.
  - Documentation of site control with a transfer cost consistent with the appraisal.
7. Funds will be in the form of a deferred, contingent loan. Loan terms will account for various factors, including loan terms from other fund sources and available cash flow. Final loan terms shall be determined prior to release of funds and must be approved by City Staff. Based on the preliminary development budget, it is anticipated that loan payments will be based on a set repayment schedule, and begin after repayment of the deferred developer fee (approximately year 15), with 1% interest. The terms will also include a provision for the Agency to a deferment of a payment subject to approval by City staff, if certain conditions are met (e.g. low cash flow due to unexpected costs). Any deferred payment would be repaid from future cash flow or at the end of the amortization period.
8. A covenant is recorded ensuring affordability for at least 50 years, with affordability for all units at 60% or less and a mix of unit sizes. Affordability levels will be defined using the requirements for tax credits, and utility costs will be based on King County Housing Authority allowances, unless otherwise approved by City Staff.
9. Based on the availability of adequate support services, up to 20% of the units may be set aside for occupancy by households with a disabled person and up to 20% additional units may be set aside for households transitioning out of homelessness so long as there is funding available to support those households.

### **3. Parkview Homes XII**

Funding Request: \$190,000 (Secured Grant)  
3 Beds

Exec Bd Recommendation: Do not fund at this time

#### **Project Summary:**

Parkview Services, a Shoreline-based non-profit organization 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 the Bellevue or Redmond area. The other home will be in South King County. 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 referred by the Developmental Disabilities Administration. 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 1,600 square foot rambler-style houses that can easily be modified for accessibility.

#### **Funding Rationale:**

The Executive Board potentially supports the concept of the Parkview proposal which serves the neediest of developmentally disabled persons, it does not recommend making a funding recommendation at this time. Parkview was awarded funding in 2014 for a similar project, the acquisition and rehabilitation of which has not yet started but which could help inform the current proposal. The current proposal's acquisition and development budget appears too low to be feasible given the targeted area being Bellevue and immediate areas, and experience with the 2014 could better inform if this were the case. This model appears dependent on Operating and Rental Subsidy made available through the Department of Commerce. Such funding, although anticipated when this project was invited to apply, is not being made available in the current round. This jeopardizes the sustainability of a project supported through capital funding in this funding round. The current proposal relies heavily on public capital funding at a higher per bed cost than other housing and doesn't take advantage of sources such as low income housing tax credits and or private fundraising. Given the high public capital funding amounts per bed associated with this model, when the ARCH Citizen Advisory Board (CAB) made the recommendation for funding the 2014 Parkview supportive living home, they requested that prior to funding another project providing housing for persons with developmental disabilities, a stakeholder group be convened to explore strategies and models for efficiently serving this population. Stakeholders met earlier in 2015 and a report with recommendations was issued. Several ideas that were discussed including better utilizing multifamily housing approaches, which can leverage other resources such as tax credits, and increasing occupancy of existing group homes. The Executive Board acknowledges the need for a variety of approaches to serving this population but prior to considering another single family home, the CAB wanted time for the currently funded home to be completed and a more concerted effort to incorporate housing serving this need into a multifamily setting, and in particular upcoming proposals which already plan on a set-aside of units for disabled households.