



**CITY OF KIRKLAND**  
Department of Planning and Community Development  
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## **MEMORANDUM**

**To:** David Ramsay, City Manager

**From:** Dawn Nelson, AICP, Planning Supervisor

**Date:** February 2, 2009

**Subject:** ARCH HOUSING TRUST FUND RECOMMENDATION FOR FALL 2008, File MIS09-00001

### RECOMMENDATION

Staff recommends that the City Council approve the recommendations and conditions of approval of the ARCH Executive Board for the Fall 2008 Housing Trust Fund to allocate \$200,000 to the YWCA Family Village at Issaquah 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 application process. The ARCH Executive Board has recommended that \$200,000, previously allocated from the Kirkland general fund to the ARCH Housing Trust Fund, be awarded to the YWCA Family Village at Issaquah project. This project will provide 97 units of rental housing affordable to families earning between 30% and 60% of median income. Five of the units will be set aside to serve the homeless. A child care center will also be included in the project. The property has been donated by the City of Issaquah and will likely include a second phase with an additional 48 units of affordable housing, YWCA corporate offices, housing related service offices and community spaces. The award would be made in the form of a contingent loan.

A summary of the Executive Board recommendation for this project is included as Attachment 1 to this memorandum. Additional information about the project and its financing is included as Attachment 2. Additional information regarding the proposed projects can be provided at the February 17<sup>th</sup> City Council meeting, if desired.

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

TO: City of Bellevue Council Members  
City of Kirkland Council Members  
City of Issaquah Council Members

FROM: Ava Frisinger, Chair, ARCH Executive Board

DATE: January 9, 2009

RE: Fall 2008 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board has completed its review of the three applications applicable to the Fall funding round of the 2008 Housing Trust Fund. The ARCH Executive Board recommends funding for the YWCA Family Village project, as summarized below. The actual amount will depend on final action by the City Councils.

Following is a summary of the application, the ARCH Executive Board recommendation and rationale, and proposed contract conditions for the proposal recommended for funding at this time. Also enclosed is a project summary table, an economic summary for the project, funding leveraging chart and a summary of funded projects to date.

### **YWCA – Family Village at Issaquah**

Funding Request: \$750,000 (Contingent Loan)  
97 affordable rental units

ARCH Executive Board Recommendation: \$750,000 (Contingent Loan)  
See attached Funding Chart for distribution  
of City Funds  
\$250,000 City of Issaquah  
\$200,000 City of Kirkland  
\$300,000 City of Bellevue

### **Project Summary:**

YWCA is proposing to build 97 affordable housing units located in Issaquah on a site donated by the City of Issaquah for the purpose of providing affordable housing. This proposal is part of a larger two phase development being done by the YWCA in junction with the City that will have a total of approximately 145 residential units and a variety of community spaces. The City of Issaquah has taken significant steps to show its local support, including providing donated land and fee waivers that, combined, approximate an \$8 million dollar development cost savings

The project will include 97 units of affordable housing, and one residential unit for management staff, a community meeting room, and a child care center. The project's unit mix will include approximately 6% studio, 34% 1 bedroom, 39% 2 bedroom, and 20% 3 bedroom units. The

project will provide housing affordable at 30%, 50% and 60% of median income. In addition, 5 of the project's units are planned to serve the homeless.

YWCA also envisions a second phase of this project in the future. While funds are not being requested for a second phase of this project at this time, the plans for that phase include an additional 48 units of affordable housing, YWCA corporate offices, housing-related service space, community areas, and building management offices.

Services to residents will be provided by an onsite resident coordinator, YWCA regional headquarter services located on site, and agencies who refer residents.

In addition to typical public funding, the YWCA includes a campaign to raise \$12 million which will be used to pay for the child care center, community spaces, a portion of the overall construction costs and to establish an endowment for operation of the regional headquarters.

Construction of the first phase is projected for late 2009, and finishing in mid 2011. Phase II would start mid 2010 and be completed in late 2011.

#### Funding Rationale:

The CAB supported the intent of this application for the following reasons:

- There would be 97 units of affordable housing serving a range of income levels, including some homeless.
- The site is centrally located and located close to transit, retail and employment.
- Is a project the City has been planning for affordable housing, and city has strongly supported by providing land at no cost, and significant reductions in building and impact fees. Creates opportunity for increasing housing diversity in this new community.
- The YWCA has a strong track record.
- The proportionately low ARCH funding versus other funders provides a good opportunity when considering the number of units provided.

#### Funding Conditions:

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 City 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. City staff will consider an 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. City staff will grant up to a 12 month extension. If necessary a second extension of up to 6 months may be requested by following the same procedures as the first extension.

2. Funds will be in the form of a 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 in the year after repayment of the deferred developer fee (approximately 15 years), with 1% interest. The terms will also include a provision for the Agency to request 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 Staff, and any deferred payment would be repaid from future cash flow or at the end of the amortization period.

3. Until such time as the 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.

4. A covenant is recorded ensuring affordability for at least 50 years, with affordability as shown in the following table. There will be no set-aside units for particular populations other than the 5 units for homeless, and up to 26 Section 8 project-based vouchers, unless otherwise approved by City Staff. 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.

Median Income Level	Studio	1 Bedroom	2 Bedroom	3 Bedroom	Total
<b>Very Low Income 30% AMI</b>	<b>6</b>	<b>8</b>	<b>5</b>	<b>20*</b>	<b>39*</b>
<b>Low Income * 31-50% AMI</b>	<b>0</b>	<b>12</b>	<b>23</b>	<b>0</b>	<b>35*</b>
<b>Moderate Income 51-60% AMI</b>	<b>0</b>	<b>13</b>	<b>11</b>	<b>0</b>	<b>24</b>
<b>Total</b>	<b>6</b>	<b>33</b>	<b>39</b>	<b>20</b>	<b>98</b>

- \*26 of the two and three bedroom units may be Section 8 units.
- The manager’s unit will not be income restricted

5. Submit documentation of the City’s approval of the provision of parking for residents. If required, submit a copy of the parking management plan for City review and approval.

6. Submit evidence of the Agency’s ability to access the funds necessary to complete the project, which is expected to include funds raised through the organization's capital campaign and/or a corporate guarantee prior to ARCH funding. Provide update on status of capital campaign on a quarterly basis. Additionally, submit evidence of the YWCA’s endowment or other form of commitment to provide the necessary operating support for the regional YWCA office to be located in Issaquah Highlands prior to occupancy of the affordable units.

7. The Agency shall maintain documentation of any necessary land use approvals and permits required by the City. Unless otherwise approved by the City of Issaquah, the plans shall include a minimum of 4,000 square feet of community space and administrative offices, a pedestrian bridge, and a licensed childcare center similar to what has been described in the application. Recognizing that achieving the licensed child care is contingent on receiving capital dollars in excess of housing capital, in the event that the Agency is unable to proceed with the licensed child care, the City of Issaquah shall be consulted in determining an appropriate alternative course of action, subject to mutual agreement of the Agency and the City Council. The Agency shall provide a description of the status of the energy conservation features incorporated into the final design.

8. The Agency shall submit a property management plan prior to release of funds. At a minimum, the property management plan will address: a description of the relationship of residents to the program and services; resident selection procedures including marketing and outreach process, including local targeted marketing outreach to local business and community organizations such as community centers and churches; management procedures to address resident needs, services available for residents; and a short and long term strategy for covering operating expenses. It shall also include a summary of the ARCH annual monitoring procedures, a plan for the use of community space for residents, YWCA programs, and Issaquah Highlands community-wide use; a description of the duties of the resident services coordinator; a description of services offered through the regional headquarters; and a plan for ongoing communication with the broader Issaquah Highlands community. The residential management plan must be approved by City Staff to ensure compliance with the funding conditions.

9. In addition to the five units set aside for homeless households, the Agency will give priority for an additional 5 units to be available for households transitioning out of homeless programs (transitional households) pursuant to the following:

- The unit mix of the units prioritized for transitional households will be reviewed and approved by City staff;
- Families / residents will be graduating from transitional housing facilities serving the homeless;
- Families / Residents will have their own support services, and if needed, rent buy down assistance, through the Agency's partner agencies that work with persons at risk for homelessness;
- Units will be held for up to two weeks while trying to find a qualified transitional household. If one is not found then that unit will be rented to an otherwise qualified tenant and the next available, comparable unit will be targeted to a Transitional household;
- The Agency will continue to maintain relationships with service providers who serve homeless households and will perform outreach to these service providers to try to place eligible clients in units at Issaquah Highlands.
- Working with specifically identified partner service agencies, the Agency will utilize more relaxed screening criteria on these units, similar to those used in other Agency developments serving transitional households
- Prior to completion of construction, the Agency will work with City Staff to identify specific partner service agencies for this project;

- In the event a coordinated/centralized screening and referral system is adopted by the County and ARCH, the Agency will participate in that program as a source for identifying homeless households for residency. Use of a centralized screening and referral system would be consistent with the other provisions of this condition.

10. Funds shall be used by the Agency toward project construction, appraisal, architecture and engineering design fees, construction project management, construction technical assistance, and construction monitoring, or other development costs, as approved by City Staff. Funds may not be used for any other purpose unless city staff has given written authorization for the alternate use.

11. The Agency shall submit evidence of funding commitments from all proposed public and private sources. In the event commitment of funds identified in the application cannot be secured in the time frame identified in the application, the Agency shall immediately notify city staff, and describe the actions it will undertake to secure alternative funding and the timing of those actions subject to city staff's review and approval. Prior to initiating construction, the Agency shall submit evidence of all public and private resources needed to complete the project.

12. The Agency shall provide a revised development budget based upon actual funding commitments, which must be approved by City staff. If the Agency is unable to adhere to the budget, City staff must be immediately notified and a new budget shall be submitted by the Agency for the City's approval. The City shall not unreasonably withhold its approval to a revised budget, so long as such new budget does not materially adversely change the Project. This shall be a continuing obligation of the Agency. Failure to adhere to the budgets, either original or as amended, may result in withdrawal of the City's commitment of funds.

13. 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. The Agency shall also provide evidence that the project is subject to Davis Bacon Residential Rates.

14. 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 the City.

**ARCH HOUSING TRUST FUND (HTF) APPLICATIONS  
FALL 2008**

<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 aff. unit</b>	<b>Project completion</b>
YWCA - Family Village at Issaquah	\$750,000 (Deferred Loan)	New Construction  97 Total  1 Mngr Unit Community Room Child Care Center	39 at 30% 35 at 50% 24 at 60%  (Includes 5 units for homeless)	Corner of Highlands Drive and NE High Street  Issaquah	50 Years	\$297,406	\$7,653	June 2011

# ARCH HOUSING TRUST FUND, FALL 2008

## Leveraging Funds - -

	YWCA Family Village at Issaquah	
<b>ARCH</b>	\$ 750,000	3%
Local Public Loan Repayment - Historic	\$4,495,567	15%
King County HOF/HOME/CDBG 2060/2163 Veterans/Human Services Other	\$1,500,000	
<b>KC TOTAL</b>	\$ 1,500,000	5%
WA HAP WA HTF WA HFC (Equity Fund) WA Homeownership	\$2,000,000	
<b>WA TOTAL</b>	\$ 2,000,000	7%
Federal/HUD Section 811 McKinney Other (VA Per Diem)		
<b>FEDERAL TOTAL</b>	\$ -	0%
<b>Tax Credits</b>	\$12,537,250	43%
<b>Federal Home Bank</b>		0%
<b>Bonds</b>		0%
<b>Bank Loans</b>	\$5,500,000	19%
<b>Deferred Developer Fee</b>	\$750,000	3%
<b>Private</b>	\$1,612,948	6%
<b>Other</b>		0%
<b>TOTAL COST</b>	\$ 29,145,765	100%

**ECONOMIC SUMMARY: YWCA**

1. Applicant/Description: Issaquah Highlands / New construction of 97 affordable rental units including 5 homeless units.

2. Project Location: Corner of Highlands Drive and NE High Street, Issaquah

3. Financing Information:

Funding Source	Funding Amount	Commitment
ARCH	\$ 750,000	Applied for Fall 2008
King County	\$ 1,500,000	Applied for Fall 2008
State HTF	\$ 2,000,000	Applied for Fall 2008
Tax Credits	\$ 12,537,250	Apply for in 2009
Private Debt	\$ 5,500,000	Apply for in Spring 2009
YWCA Deferred Fees	\$ 750,000	Committed
YWCA Capital Campaign	\$ 1,612,948	Ongoing
City of Issaquah Land Donation	\$ 3,582,069	Committed
City of Issaquah Fee Waivers	\$ 913,498	Committed
<b>TOTAL</b>	<b>\$ 29,145,765</b>	

4. Development Budget:

ITEM	TOTAL	PER UNIT	HTF
Acquisition	\$ 3,595,724	\$ 36,691	
Construction	\$ 19,880,779	\$ 202,865	\$ 591,606
Design	\$ 1,082,490	\$ 11,046	\$ 47,999
Consultants	\$ 419,600	\$ 4,282	\$ 110,395
Developer fee	\$ 750,000	\$ 7,653	
Finance costs	\$ 1,724,190	\$ 17,594	
Reserves	\$ 550,000	\$ 5,612	
Permits/Fees/Other	\$ 1,142,982	\$ 11,663	
<b>TOTAL</b>	<b>\$ 29,145,765</b>	<b>\$ 297,406</b>	<b>\$ 750,000</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.

**ARCH: EAST KING COUNTY TRUST FUND SUMMARY**  
**LIST OF PROJECTS FUNDED (1993 - Fall 2007)**

Project	Location	Owner	# Units/Beds	Funding	% of Total Allocation	Distribution Target
<b>1. Family Housing</b>						
Andrews Heights Apartments	Bellevue	St. Andrews	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	St Andrews	14	\$163,333		
YWCA Family Apartments	K.C. (Bellevue Sphere)	YWCA	12	\$100,000		
Highland Gardens (Klahanie)	K.C. (Issaquah Sphere)	St. Andrews	54	\$291,281		
Crestline Apartments	K.C. (Kirkland Sphere)	Shelter Resources	22	\$195,000		
Parkway Apartments	Redmond	KC Housing Authority	41	\$100,000		
Habitat - Patterson	Redmond	Habitat of EKC	24	\$446,629		
Avon Villa Mobile Home Park	Redmond **	MHCP	93	\$525,000		
Terrace Hills	Redmond	St. Andrews	18	\$442,000		
Village at Overlake Station	Redmond	KC Housing Authority	308	\$1,645,375		
Summerwood	Redmond	DASH	166	\$1,198,034		
Habitat - Bothell Site	Bothell	Habitat of EKC	8	\$170,000		
Habitat - Newcastle Site	Newcastle **	Habitat of EKC	12	\$240,837		
RoseCrest	Issaquah ***	St. Andrews	40	\$1,063,718		
Mine Hill	Issaquah	St. Andrews	28	\$450,000		
Clark Street	Issaquah	St Andrews	30	\$355,000		
Issaquah Highlands Property	Issaquah ***	SAHG/SRI	45	\$569,430		
Habitat Issaquah Highlands	Issaquah ***	Habitat of EKC	10	\$200,000		
Greenbrier Family Apts	Woodinville **	DASH	50	\$286,892		
Plum Court	Kirkland	DASH	61 /66	\$1,000,000		
Kenmore Court	Kenmore	LIHI	33	\$350,000		
ADU Loan Program	Various		6 est	\$70,000		
Homeowner Downpayment Loan	Various	KC/WSHFC/ARCH	60 est	\$415,000		
<b>SUB-TOTAL</b>			<b>1669</b>	<b>\$13,447,530</b>		58.2% (56%)
<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	\$1,280,000		
Vasa Creek	K.C. (Bellevue Sphere)	Shelter Resources	50	\$190,000		
Riverside Landing	Bothell **	Shelter Resources	50	\$225,000		
Kirkland Plaza	Kirkland	St. Andrews	24	\$610,000		
Heron Landing	Kenmore	DASH/Shelter Resources	50	\$65,000		
Ellsworth House Apts	Mercer Island	St. Andrews	59	\$900,000		
Greenbrier Sr Apts	Woodinville **	DASH/Shelter Resources	50	\$131,192		
<b>SUB-TOTAL</b>			<b>417</b>	<b>\$4,631,192</b>		20.0% (19%)

**ARCH: EAST KING COUNTY TRUST FUND SUMMARY**  
**LIST OF PROJECTS FUNDED (1993 - Fall 2007)**

Project	Location	Owner	# Units/Beds	Funding	% of Total Allocation	Distribution Target
<b>3. Homeless/Transitional Housing</b>						
Hopelink Place	Bellevue	**	Hopelink	20	\$500,000	
Chalet	Bellevue		St Andrews	4	\$46,667	
Kensington Square	Bellevue		Housing at Crossroads	6	\$250,000	
Dixie Price Transitional Housing	Redmond		Hopelink	4	\$71,750	
Avondale Park	Redmond		Springboard (EHA)	18	\$280,000	
Avondale Park Redevelopment	Redmond	**	Springboard (EHA)	60	\$1,502,469	
Petter Court	Kirkland		KITH	4	\$100,000	
Talus Property	Issaquah	***	St. Andrews	10	\$265,930	
Issaquah Highlands Property	Issaquah	***	SAHG/SRI	5	\$70,000	
<b>SUB-TOTAL</b>				<b>113</b>	<b>\$3,086,815</b>	13.4% (13%)
<b>4. Special Needs Housing</b>						
My Friends Place	Uninc. KC		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	\$268,000	
DD Group Home 4	Redmond		Community Living	5 Beds	\$111,261	
DD Group Homes 5 & 6	Redmond/TBD		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	Bellvue/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	
Foster Care Home	Bothell		FOY	4 Beds	\$50,000	
Oxford House	Bothell		Oxford/Compass Ctr.	8 Beds	\$80,000	
Parkview DD Homes VI	Bothell/Bellevue		Parkview	6 Beds	\$150,000	
<b>SUB-TOTAL</b>				<b>115 Beds/Units</b>	<b>\$1,953,466</b>	8.4% (12%)
<b>TOTAL</b>				<b>2314</b>	<b>\$23,119,003</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 determined