

AM No. 10-123 (C8)

MEMO TO: City Council
FROM: John Marchione, Mayor
DATE: June 15, 2010

SUBJECT: RESOLUTION: AUTHORIZING THE CITY TO AUTHORIZE THE ADMINISTERING AGENCY FOR ARCH (A REGIONAL COALITION FOR HOUSING) TO ENTER INTO AGREEMENTS FOR THE FUNDING AND PROCESSING OF AFFORDABLE HOUSING PROJECTS ENTERED INTO PRIOR TO THE EFFECTIVE DATE OF THE AMENDED AND RESTATED ARCH INTERLOCAL AGREEMENT

I. RECOMMENDED ACTION

Adopt a resolution (Attachment A) authorizing the duly-appointed administering agency for ARCH (A Regional Coalition for Housing) to enter into agreements on behalf of the City to allow projects that have already received City Council funding approval to be processed under the new centralized administrative process.

II. DEPARTMENT CONTACT PERSONS

Rob Odle, Director, Planning and Community Development, 425-556-2417
Lori Peckol, Policy Planning Manager, 425-556-2411
Sarah Stiteler, Senior Planner, 425-556-2469

III. DESCRIPTION/BACKGROUND

ARCH (A Regional Coalition for Housing) is an interlocal agency whose members consist of 15 Eastside cities and King County. Its mission is to promote the creation of affordable housing, assist members with allocation of city funds for affordable housing, and assist members with developing and implementing local housing plans and programs. ARCH was created in 1993 and has grown from an original membership of three cities (Bellevue, Redmond, and Kirkland) and King County, to today's current total of 16 member jurisdictions.

On April 20, 2010, the City Council approved Resolution No. 1327 for the Amended and Restated Interlocal Agreement for ARCH between the ARCH member cities and King County. The Interlocal Agreement identifies the process by which new affordable housing projects will be contracted through the ARCH Housing Trust Fund.

In anticipation of the new centralized administration of the Housing Trust Fund, there are three additional items which require Council approval. The proposed resolution authorizes these actions as follows:

- A. For projects awarded funds in the past, but not yet contracted, the resolution authorizes the processing of these contracts under the new centralized system. This includes the Fall 2009 Housing Trust Fund applications and the YWCA Issaquah Highlands Family Village project – Phase II, approved by City Council in the Spring, 2009 funding round. (See Section 1 of resolution, and Exhibits 1 and 2).

Project:	Approval Date	Funding Amount
Saint Andrews Housing Group Totem Lake Apartments	2/16/10	\$85,000
Housing for the Challenged Group home for Developmentally Disabled adults	2/16/10	\$55,000
House Key Plus Program First time homebuyer mortgage assistance	2/16/10	\$28,500
YWCA Issaquah Highlands Family Village	9/15/09	\$150,000
TOTAL		\$318,500

- B. The Agreements for previously approved projects that will be administered under the new centralized administration will include terms and conditions to ensure that the City’s funds are used for their intended purpose and that the project(s) maintain affordability over time. (Section 2 of resolution).
- C. The resolution will authorize the centralized accounting of projects funded in the past. This involves having any loan repayments deposited into each member city’s sub-account within the new centralized Trust Fund account established by the Interlocal Agreement. In addition, for projects funded in the past, it would allow administrative amendments for agreements (e.g., change in ownership) and other administrative items to be done through the ARCH administrator. (Section 3 of resolution).

Information on the resolution was presented to the Council’s Parks and Human Services Committee on June 1, 2010.

IV. IMPACT

- A. Service Delivery:** The resolution will provide for the efficient administration of existing affordable housing contracts. By working together with other jurisdictions, Redmond's housing efforts are more cost-effective and better coordinated.
- B. Fiscal:** The resolution provides for the alternative management of funds that have been previously allocated. No other fiscal impacts are anticipated as a result of the proposed action.

V. ALTERNATIVES

- A. Approve the Resolution authorizing the City to authorize the administering agency for ARCH to execute the necessary documents for the funding and processing of affordable housing projects entered into prior to the effective date of the Amended and Restated Interlocal Agreement.** Staff recommends this alternative because it enables the City to address its housing goals with greater efficiency and conforms to the recommendations of the ARCH Executive Board, of which Redmond is a member.
- B. Do not approve the Resolution and submit a request to the ARCH Executive Board for modifications or conditions for reconsideration.** The City Council could specify areas of interest or concern for resolution prior to action. Staff does not recommend this alternative since multiple jurisdictions are taking action on this agreement concurrently.

VI. TIME CONSTRAINTS

Due to the difficulty of coordinating multiple approval processes, the approval of the resolution by each member council is necessary as early as possible.

VII. LIST OF ATTACHMENTS

- Attachment A:** Resolution
Attachment B: ARCH Executive Board Memo of June 15, 2009
Attachment C: ARCH Executive Board Memo of December 22, 2009

/s/
Robert G. Odle, Planning Director

6/4/2010
Date

Approved for Council Agenda:/s/

6/4/2010

City Council

RE: AUTHORIZING THE CITY TO AUTHORIZE ARCH TO ENTER INTO AGREEMENTS FOR
AFFORDABLE HOUSING PROJECTS

June 15, 2010

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John Marchione, Mayor

Date

ATTACHMENT A

CITY OF REDMOND
RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, AUTHORIZING THE DULY APPOINTED ADMINISTERING AGENCY FOR ARCH (A REGIONAL COALITION FOR HOUSING) TO EXECUTE ALL DOCUMENTS NECESSARY FOR THE FUNDING AND PROCESSING OF AFFORDABLE HOUSING PROJECTS ENTERED INTO PRIOR TO THE EFFECTIVE DATE OF THE AMENDED AND RESTATED ARCH INTERLOCAL AGREEMENT UTILIZING FUNDS FROM THE CITY'S HOUSING TRUST FUND

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

WHEREAS, the ARCH Executive Board has recommended that the city of Redmond participate in the funding of certain affordable housing projects and programs hereinafter described; and

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

WHEREAS, the Redmond City Council has approved Resolution No. 1327 on April 20, 2010, approving the Amended and Restated Interlocal Agreement for ARCH; and

WHEREAS, the City Council has approved the use of \$318,500 from City funds, as designated below in Section 1, to finance the projects recommended by the ARCH Executive Board.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON DOES RESOLVE AS FOLLOWS:

Section 1. Council Approval of Funds. On the following dates the City Council approved funding for the following projects:

Project Name	Approval Date	Amount of Funding
Saint Andrews Housing Totem Lake Apartments	2/16/10	\$85,000
Foundation for the Challenged - Adult Group Homes	2/16/10	\$55,000
House Key Plus - First time homebuyer assistance program	2/16/10	\$28,500
YWCA Issaquah Highlands Family Village, Phase II	9/15/09	\$150,000
TOTAL		\$318,500

Section 2. Conditions for Use of Funds. The agreements entered into pursuant to Section 1 of this resolution shall be funded in a combined amount not to exceed that set forth in Section 1. Such agreements shall include terms and conditions to ensure that the City's funds are used for their intended purpose and that each project maintains its affordability over time. In determining what conditions should be included in the

agreements, the duly-appointed administering agency of ARCH shall be guided by the recommendations set forth in the ARCH Executive Board's memoranda of December 22, 2009, and June 15, 2009.

Section 3. Authorization for Administration of Agreements Entered into Prior to the Effective Date of the Amended and Restated Interlocal Agreement. Pursuant to Section 12.f(v) of the Amended and Restated Interlocal Agreement, the City Council authorizes the administering agency to administer housing project agreements entered into prior to the effective date of the Amended and Restated Interlocal Agreement, upon terms consistent with the Amended and Restated Interlocal Agreement, including repayments (if any) shall be applied *pro rata* to the funding Parties' Individual Accounts based on the ratio of funding contributed to the project by each Party, unless the funding Parties otherwise agree.

Section 4. Effective Date. This resolution shall become effective upon adoption by the City Council.

ADOPTED by the Redmond City Council this ____ day of June,
2010.

CITY OF REDMOND

MAYOR JOHN MARCHIONE

ATTEST:

MICHELLE M. MCGEHEE, CMC, CITY CLERK

APPROVED AS TO FORM:
OFFICE OF THE CITY ATTORNEY

By: _____

FILED WITH THE CITY CLERK:
PASSED BY THE CITY COUNCIL:
EFFECTIVE DATE:
RESOLUTION NO. _____

ATTACHMENT B



Family Resource Center Campus
16225 NE 87th Street, Suite A-3 ♦ Redmond, Washington 98052
(425) 861-3677 ♦ Fax: (425) 861-4553 ♦ E-MAIL: arch-housing@ci.bellevue.wa.us

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

FROM: Steve Anderson, Chair, and ARCH Executive Board

DATE: June 15, 2009

RE: Spring 2009 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board has completed its review of the three applications applicable to the Spring funding round of the 2009 Housing Trust Fund. The original recommendations total \$1,050,000 of local funding, though one project is not proceeding at this time, so formal approvals are currently only being sought for \$750,000. The proposed levels of funding from each City are summarized in the attached chart. . The actual amount will depend on final action by the City Councils.

Following is a summary of the application, the recommendation and rationale, and recommended contract conditions. Also enclosed is an economic summary for the two project seeking funding, leveraging charts, project summary table, and a summary of funded projects to date.

1. YWCA – Corner of Highlands Drive and NE High Street, Issaquah

Funding Request: \$750,000 (Loan)

Executive Board Recommendation: \$750,000
Contingent Loan

Project Summary:

YWCA is proposing to build a 47-unit development located in Issaquah on a site donated by the City of Issaquah for the purpose of providing affordable housing. The City of Issaquah has taken significant steps to show its local support and encourage additional public support, including providing donated land and fee waivers that, combined, approximate an \$8 million dollar development cost savings. They have spent years planning for this development. This project would be integrated with Phase I, a 98 unit project previously approved for funding from the ARCH Housing Trust Fund.

The project will include 47 units of affordable housing, one manager's unit, and a 3,500 square foot community building with management offices and community space. The project's unit mix will include approximately 18% 1 bedroom, 78% 2 bedroom, and 4% 3 bedroom units. The project will provide housing affordable at 50% and 60% of median income.

While these units are intended to be for permanent affordable housing, and residents who do not have need for any explicit support services, due to the property's location within the larger Family Village at Issaquah, residents will have access to services provided through the YWCA Eastside Regional Services Center. The services center includes community meeting space and community kitchen and will offer a variety of services such as employment services, training, parenting classes, domestic violence support, and mental health programs. In addition, the Family Village is planned to include a child care center operated by Bright Horizons that will include a number of spaces at subsidized rates.

In addition to typical public funding, the YWCA includes a campaign to raise \$12 million, approximately \$3.5 million of which will be used to help pay costs related to Phase II.

Construction of the first phase is projected to start in late 2009, and finishing in mid 2011. Phase II would start several months after Phase I and be completed in mid-late 2011.

Funding Rationale:

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

- There would be 47 units of affordable housing serving a range of income levels.
- 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.
- Part of larger effort that incorporates YWCA regional services, child care and community space.
- 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.

Proposed 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, 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, 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 BD	2 BD	3 BD	Total
Low Income 31-50% AMI	0	7	27	2	36
Moderate Income 51-60% AMI	0	1	10	0	11
Total	0	8	37	2	47

- 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 submit a property management plan prior to release of funds for review by City staff for consistency with funding conditions. At a minimum, the property management plan will address:

- 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;
- A short and long term strategy for covering operating expenses.
- Use of community space for residents, YWCA programs, and Issaquah Highlands community-wide use;
- A description of the duties of the resident services coordinator;
- Management procedures to address resident needs, a description of the relationship of residents to the program and services; and
- A description of services available to residents include services available through the regional headquarters,
- Ongoing communication with the broader Issaquah Highlands community,
- Overall transportation program (e.g. transit education, bus passes) including explicitly management policies related to parking for residents, on-site staff, day care and community members.
- A summary of the City affordability requirements and annual monitoring procedures,

Also include a description of the facilitated process used for establishing a management structure including results of discussion related to need for a resident association or other approaches to engage residents into the community.

8. 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.

9. 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.

10. 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.

11. 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 community center.

12. 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.

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 the City.

ATTACHMENT C



Family Resource Center Campus
16225 NE 87th Street, Suite A-3 ♦ Redmond, Washington 98052
(425) 861-3677 ♦ Fax: (425) 861-4553 ♦ WEBSITE: www.archhousing.org

MEMORANDUM

TO: City of Bellevue Council Members
City of Clyde Hill Council Members
City of Issaquah Council Members
City of Kenmore Council Members
City of Kirkland 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

FROM: Steve Anderson, Chair, and ARCH Executive Board

DATE: December 22, 2009

RE: Fall 2009 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board (EB) has completed its review of the three applications applicable to the Fall funding round of the 2009 Housing Trust Fund. The ARCH Executive Board recommends funding for all three projects. Recommendations total \$2,000,000 as summarized in the attached table, Proposed Funding Sources.

Following is a summary of the applications, the ARCH Executive Board 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. St. Andrew's Housing Group (SAHG) – Totem Lake Family Apartments

Funding Request: \$1,500,000 (Contingent Loan)
60 affordable rental units

EB Recommendation: \$1,500,000 (Contingent Loan)
See attached Funding Chart for distribution of City Funds

Project Summary:

SAHG is proposing to build 60 affordable family rental housing units located in the Totem Lake area of Kirkland. This proposal may be part of a larger two phase development of the site being done by the SAHG that will have a total of approximately 165 residential units, the balance targeting seniors. That phase would likely not be funded for several years.

The first phase, family rental project, will have approximately 22% of its units targeting households with incomes at or below 30% AMI, 55% targeting those at or below 40% and 23% at or below 60%. The 30% and 40% units are being set aside for those coming out of homelessness. The unit mix includes 13% studio, 54% 1 bedroom and 33% 2 bedroom units. In addition there will be a non-income restricted 61st unit for an onsite manager.

Services to homeless residents will be provided by referring agencies. The operating budget does not include services delivery, however SAHG will provide certain resident services funded outside of the operating budget.

Construction of the first phase is projected for Spring 2010, and finishing in late 2011.

Funding Rationale:

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

- There would be 60 units of affordable housing serving a range of income levels, including a large set aside for homeless households.
- The site is centrally located and located close to transit, retail and employment.
- Is a project the City of Kirkland has shown support for, including grandfathering impact fees, extending the building permit, and Council action to remove the land use requirement for non-residential first floor use for affordable housing.
- The project would be a pioneer project for the rezoned Totem Lake area.
- SAHG has a strong track record.
- The amount of ARCH funding in the sources is within normal proportions.

Potential Conditions:

Special / Revised 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 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 deferred developer fee (approximately year 10), with 1% interest. The terms will also include a provision for SAHG (“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. 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 Bedrm	2 Bedrm	Total
Very Low Income 30% AMI	4	8	1	13
Low Income 31-40% AMI	4	22	7	33
Moderate Income 40-60% AMI	0	2	12	14
Total	8	32	20	60

- **The manager’s unit will not be income restricted**

5. Based on the availability of adequate support services, up to 75% of the units will be set-aside for homeless, unless otherwise approved by City Staff. In the event a coordinated/centralized screening and referral system is adopted by the County, St Andrew’s Housing Group will participate in that program as a source for identifying homeless households for residency

6. Submit documentation of the City’s approval of the provision of parking for residents. Submit a copy of a parking management plan for City review and approval which will address issues such as: number of spaces (tenant and guest) likely required for proposed unit mix and affordability of development; if there will be leasing of surplus spaces, then a proposal of how parking will be managed.

7. Submit evidence of the Agency’s ability to access the funds necessary to complete this project, and any other projects in their pipeline.

8. Half of the project contingency will be funded through ARCH or other public funds. Prior to any use of the contingency funds, the Agency shall obtain approval for such use from the City. If any unused funds remain in this line item, up to the amount of City funds reserved for this line item, those funds will be returned to the City.

9. The Contractor selection process shall be by RFQ process acceptable to the County.

10. In order to assure that land acquisition is not above market, the Agency shall provide a revised appraisal in a format acceptable to ARCH prior to release of funds. The appraisal should assess the value of the entitlements coming with the property; consider a “highest and best use for number of residential units that can be developed and the market range for land on a per unit basis; and selecting from good comparables.

11. As a condition for funding, Agency shall provide a final development and operating budget for review and approval by the CAB at or prior to its March 2010 meeting.

12. The project shall include the resident amenities as represented in the funding application proposal such as arts and crafts room, exercise facilities, computer lab room, communal kitchen and dining room, and roof top garden.

Standard Conditions:

13. Funds shall be used by the Agency toward project, acquisition, construction contingency, appraisal, architecture and engineering design fees, permits, fees and hookups, bridge loan interest, 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.

14. 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.

15. 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 Staff'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.

16. 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.

17. 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.

2. Foundation for the Challenged (FFC) – 2 Group Homes for Developmentally Disabled

Funding Request: \$300,000 (Grant)

EB Recommendation: \$300,000 (Grant)

See attached Funding Chart for distribution of City Funds

Project Summary:

The proposed project essentially replaces the Tessera project recommended in the Spring 2009 Round. Tessera withdrew their application in the late summer.

FFC is proposing to acquire and remodel 2 four-bedroom houses that will serve up to eight (8) low-income individuals with developmental disabilities. Specific homes will be identified once all funding is committed and will be located in the northern area of east King County within the ARCH sphere of influence. Tenants will be referred by the Division of Developmental Disabilities (DDD).

The residents will live in a shared living arrangement, and each of the tenants will have their own bedroom. All the tenants will receive 24/7 support services to ensure their health and safety. The support services are funded by and contracted through DDD. FFC will be the owner of the homes, and will use Scioto Management as property manager.

There currently is no site control but each house will be remodeled to include accessibility features necessary for the initial tenants and for future tenants. FFC will be looking to acquire rambler-style houses with a level lot and an open floor plan or a floor plan that can easily be modified for accessibility.

Funding Rationale:

The EB supported this application for the following reasons:

- Serves a special needs population, an area in which we have not been achieving our long term goals.
- Provides housing for developmentally disabled in an underserved area of the County.
- Serves neediest developmentally disabled residents by relying on referrals from the State DDD for new residents.
- Utilizes existing housing.
- Applicant has a strong track record of working with the State and County.

Special 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. City Staff will consider an extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion.
2. Funds shall be used by FFC (“the Agency”) toward the acquisition and closing costs, construction, architectural design, developer fee, development period utilities. Funds may not be used for any other purpose unless City Staff has given written authorization for the alternate use.
3. Unless otherwise approved by City Staff the development budget shall include:
 - The development budget will include a minimum of \$12,500 of private sources provided by the applicant.

- \$432,500 per home combined for acquisition and construction cost. In the event that total acquisition and rehab costs, including contingency, for either home exceeds \$432,500, additional costs shall be covered by private sources from the applicant.
 - Developer fee shall not exceed \$90,000 for both homes combined (\$45,000 per home).
4. Reserves will be funded out of operations at \$1,000 per home for the first year with an annual increase of 2.5% per year for replacement reserves and \$1,000 per home for the first year with an annual increase of 2.5% per year for operating reserves.
 5. Funds will be in the form of a **secured grant** with no repayment, so long as affordability and target population is maintained, and the service/care providers have a contract with DDD for funds necessary to provide services to this population.
 6. For each home, a covenant is recorded ensuring affordability for four (4) beds of special needs single family housing for at least fifty (50) years. The beds shall be affordable to tenants at the time of occupancy with incomes at or below 30% of median income, adjusted for household size, and including an appropriate utility allowance.
 7. Residents referred from DDD will not receive Section 8 assistance.
 8. All cash flow after payment of operating expenses, including payment of off-site management fees of up to \$4,800 annually for both homes combined (adjusted for CPI) shall be placed into a project reserve account that can be used by the applicant for project related operating, maintenance or services expenses. Any other use of these reserves funds must be approved by City Staff.
 9. In the event that any operating support funding levels will be reduced, the Agency shall inform City Staff about the impacts the proposed reduction will have on the budget and plan for services to the DD clients, and what steps shall be taken to address the impacts. A new budget or services plan must be approved by City Staff.
 10. The applicant shall conduct their search for the homes within the northern area of east King County within the ARCH sphere of influence. The Agency will notify City Staff when they enter into an option or purchase and sale agreement for any home, providing information on the location of the home and terms for acquiring the home. The Agency will indicate if the property is large enough to be subdivided into more than one lot pursuant to existing zoning. No home considered for acquisition will be within two blocks of another home owned by Agency unless otherwise approved by City Staff.
 11. Prior to closing on a home, an individualized outreach plan will be submitted to City Staff for review and approval. The outreach plan will include provisions such as:
 - Provide written notification to neighbors upon mutual acceptance of the P&S Agreement to include FFC's intention to purchase the house, description of the project, and information regarding FFC and the service provider that will include the website and contact number;
 - Provide an opportunity for neighbors to individually and/or as a group to meet with FCC and the service provider regarding the project; such as having an Open House after the tenants move-in and include invitations to the neighbors.

12. Once each home is selected the Agency shall include City Staff in the inspection of the property and development of the final scope of work for the rehab. The final scope of work for the basic construction budget shall include, at a minimum, all work necessary for licensing of the home and correction of substandard health and safety conditions. Prior to start of construction, the Agency shall submit the final scope of work for City Staff approval, along with evidence that construction costs have been confirmed by a qualified contractor and are within the basic construction budget. All uses of construction contingency funds must be approved by City Staff prior to authorization to proceed with such work.
13. Prior to release of funds, the Agency shall submit to City Staff for review and approval drafts of all documents related to the provision of services to residents and management of the property, including the Memorandum of Understanding with the service provider, form of lease agreement with residents, and services agreement between DDD and the Service Provider. These documents shall at a minimum address: tenant selection procedures through DDD; 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 City's affordability requirements as well as annual monitoring procedure requirements.

Standard Conditions

14. The Agency shall provide revised development and operating budgets based upon actual funding commitments, which must be approved by City Staff. If the Agency is unable to adhere to the budgets, City Staff must be immediately notified and (a) new budget(s) shall be submitted by the Agency 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 Agency. Failure to adhere to the budgets, either original or as amended may result in withdrawal of the City's commitment of funds.
15. The Agency 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 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.
16. For each home, and prior to acquisition, the Agency shall submit an appraisal by a qualified appraiser. The appraisal shall be equal to or greater than the purchase price.
17. The Agency shall only purchase unoccupied homes or owner occupied homes in order to not trigger local and federal relocation regulations.
18. 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.
19. The Agency shall maintain documentation of any necessary land use approvals and permits required by the city where the homes are located.

Submit monitoring reports quarterly through completion of the project, and annually thereafter. Submit a final budget upon project completion.

3. A Regional Coalition for Housing (ARCH) –House Key Plus ARCH (down payment assistance)

Funding Request: \$200,000 (Grant)

EB Recommendation: \$200,000 (Grant)
See attached Funding Chart for distribution of City Funds

Project Summary:

The House Key Plus ARCH/Eastside Homebuyer Assistance Program is a continuation of a program launched in late 2005, to provide a program of down-payment assistance for potential homebuyers who are up to 80% of median income in East King County. Its main components are:

Eligible Homebuyers

- First time homebuyer (has not owned a home during the past 3 yrs)
- Household Income at or below 80% of median income
- Household must have a demonstrated need for down payment assistance
- Home will be the buyers principal residence

Down Payment Assistance Terms

Downpayment assistance provides second mortgages of up to \$30,000 per home. Actual amount is based on need and availability of funds. Funds are used for down payment, closing costs, and pre-pays. The second mortgages have a deferred 4% interest rate. There are no monthly payments on the second mortgage. Balance is due when the owners sells, refinances or pays off the first mortgage. When the second mortgages are repaid, the funds return to the revolving loan pool, to fund new second mortgages on homeownership units. There are no resale restrictions for homes that are purchased, unless homes already have resale restrictions.

Marketing / Education:

Marketing is targeted to households working or living in East King County through locally distributed fliers, information distributed through City web-sites and newsletters, contacting residents of affordable rental housing and manufactured housing. All homebuyers must complete a general home ownership education program and a counseling session regarding the Downpayment Assistance Program.

Administration:

The program is administered by the Washington State Housing Finance Commission. The program is mated with the Commission's House Key First Mortgage Program. In operating the program, the Commission uses its existing community of lenders and its current marketing and outreach strategies. All first mortgages will be issued under the House Key program.

In the first two rounds of funding of the Downpayment Assistance Program, included ARCH, County and State Housing Finance Commission funds, totaling \$1,640,000, which funded approximately 53 loans. The proposed recapitalization by ARCH, County and State Housing Finance Commission would add another \$800,000 bringing the total funds in the program to \$2.4 million, plus any recycling of existing loans.

Funding Rationale:

The EB supported this application for the following reasons:

- Funds are exhausted; Housing Finance Commission is currently taking reservations.
- Would fill a housing need not currently met in East King County, but identified by the community as an important issue. An evaluation of the first two rounds of the program indicates that overall it is achieving the original objectives of the program.
- It has been one of few ways that the Trust Fund has been able to be used to address ownership housing at this income level. At the proposed level, seems like a good balance for the overall Trust Fund Program
- Makes homeownership a viable option for households who would otherwise not have the resources to purchase a home. This could be even more important at this time because of changes in the broader ownership financing market which limits low/no downpayment programs.
- Strong leverage of other public funding.

Potential Conditions:

1. Funds shall be used by A Regional Coalition for Housing for down payment assistance, made available through the existing 'House Key Plus ARCH' program, administered by the Washington State Housing Finance Commission. Funds may not be used for any other purpose unless City Staff have given written authorization for the alternate use.
2. Provide annual monitoring reports that include: the number of households receiving down-payment assistance during the year, the jurisdictions homes were purchased within, the amount of down-payment assistance issued during the year, and the amount of education funds used during the year. The annual report shall include the total of repayments to the revolving loan fund during the year.
3. Update the education program in order to respond to the issues identified in the program evaluation. The primary update to consider is to complete the one on one counseling session earlier in the buying process.
4. Revisit the marketing program. Provide written marketing plan based on evaluating and seeking input from local groups serving the targeted population.
5. The Agency shall submit evidence of funding commitments from proposed public sources. City funds shall be released upon receipt of funding commitment from the Washington State Housing Finance Commission. In the event funds are not awarded by King County from 2009 fund sources, ARCH will reapply for County funds in 2010. It must be noted that it is likely that in the current round, given available funding, the County will not be able to commit to providing additional funding at this time, but that the County has committed to the House Key Plus ARCH program being the number one contingency

project in 2010 for under-expended or recaptured HOME funds, and very high priority in the 2010 funding round if the program is not able to be funded with under-expended or recaptured funds earlier in the year.

6. 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.