King County

Urban Consortium Joint Recommendations Committee

Meeting Materials for Thursday, December 7th, 2017

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JRC Members

Ken Hearing
Mayor North Bend
Sound Cities Association, Chair

De'Sean Quinn
Tukwila, Councilmember
Sound Cities Association, Vice Chair

Dan Grausz
Mercer Island Councilmember
Sound Cities Association

Pam Fernald
SeaTac, Councilmember
Sound Cities Association

Mark Ellerbrook
King County, Regional HCD Program Manager

Gary Prince
King County, DOT, TOD Program Manager

John Starbard
King County, DPER Director

Leslie Miller
Kirkland
Human Services Coordinator

Rob Beem
Shoreline
Community Services Manager

Mac Cummins
Bellevue
Planning Director

Merina Hanson
Kent,
Housing & Human Services. Manager

Laurie Olson
Lending Manager, Seattle Office of Housing

Agenda

JOINT RECOMMENDATIONS COMMITTEE (JRC) MEETING

Thursday, December 7, 2017
9:30 AM - 11:30 AM
King County Department of Elections
Alvine Conference Room
919 Grady Way, Renton, WA 98057
Directions: http://www.kingcounty.gov/depts/elections/about-us/contact-us/directions.aspx

I. Welcome and Introductions
Chair, Mayor Ken Hearing

II. October 26, 2017 Meeting Minutes — 5 Min
Attachment A - Action

III. Housing Finance Program Review - Affordable Housing Recommendations for Funding - Capital Applications 2018 HOME & RAHP funds. — 60 Min
Attachment B.1 – 2017 Housing Capital Funding Round: Staff Analysis
Attachment B.2 – Chart of Projects for Consideration by Funding Priorities
Attachment B.3 – Project Summaries
Handout – Recommendations will be distributed at the meeting.
Quinnie Tan, HCD, Housing Finance Program

IV. Information, Round Table — 55 Min
Retiring JRC Members "Thank you" celebration.

ADJOURN
Next Meeting: TBD 9:30 AM - 11:30 AM
Location: To Be Determined

JOINT RECOMMENDATIONS COMMITTTEE MEETING
Thursday, October 26, 2017
9:30 a.m. – 11:30 a.m.
Renton Treatment Center

Members Present:

Ken Hearing, Mayor, City of North Bend, JRC Chair (Sound Cities Association)
Pam Fernald, Councilmember, City of SeaTac (Sound Cities Association)
Dan Grausz, Councilmember, City of Mercer Island (Sound Cities Association)
Rob Beem, Community Services Manager, City of Shoreline
Leslie Miller, Human Services Administrator, City of Kirkland Parks and Community Services
Merina Hanson, Housing and Human Services Manager, City of Kent
Jeff Watson, Community Services Manager, City of Federal Way (Alternate)
Laurie Olson, Office of Housing, City of Seattle
Mark Ellerbrook, Regional Housing and Community Development Manager, King County Department of Community and Human Services (DCHS)
Gary Prince, Transit Oriented Development Manager, King County Department of Transportation
Lisa Verner, for John Starbard, Director, King County Department of Permitting and Environmental Review

Members Not Present:

De'Sean Quinn, Councilmember, City of Tukwila, JRC Vice-Chair (Sound Cities Association)
Dan Stroh, Planning Director, City of Bellevue
John Starbard, King County Director, DPER

King County Staff:

Jackie Moynahan, Capital Programs Manager, Housing and Community Development (HCD), DCHS
Kathy Tremper, Coordinator, Community Development Program, HCD, DCHS
Al D'Alessandro, Project/Program Manager, HCD, DCHS
Clark Fulmer, Coordinator, Housing Repair Program, HCD, DCHS
Quinnie Tan, Coordinator, Housing Finance Program, HCD, DCHS
Dave Mecklenburg, Project/Program Manager, HCD, DCHS
Elaine Goddard, Administrative Staff Assistant, DCHS

Guests:

Ellie Wilson-Jones, Sound Cities
Lori Fleming, City of Burien
Colleen Brandt-Schluter, City of SeaTac
Dianne Utecht, City of Renton
Joy Scott, City of Auburn

I. Welcome and Introductions

Mayor Ken Hearing, Committee Chair opened the meeting at 9:32 a.m. He welcomed guests and asked for introductions.

II. Review September 28, 2017 Meeting Minutes
Attachment A – Action Item, All

A comment was made that Committee member, Dan Stroh, City of Bellevue, has retired and a replacement will be named.

MOTION: Jeff Watson made a motion to accept the September 28, 2017 meeting minutes as presented. Councilmember Pam Fernald seconded the motion. The motion was approved unanimously.

III. JRC State and Federal Legislative Priorities
Attachment B – Action Item, All

The JRC reviewed County staff recommendations for the State and Legislative agendas. These documents were presented a couple of months ago and no comments were received.

<u>State Priorities:</u>

Al D'Alessandro went over a few changes from last year's approved agendas. The document recording fee bill passed in the House, but was not heard in the Senate. Agreement was made to extend the sunset to 2023, however, the priority goal this year is to eliminate the sunset.

Another addition to the list was to make the 0.1% local sales tax option for housing and behavior health facilities councilmanic rather than putting it on the ballot. This change would shorten the process, free up money and provide greater flexibility to complete projects. Ellie Wilson-Jones noted that the Sound Cities Association does not have a position on this item, SCA is still finalizing its 2018 legislative agenda. Mayor Ken Hearing and Councilmember Dan Grausz, speaking for their own cities, did not believe it is in the region's best interest to make the change councilmanic. They prefer that voters approve the sales tax option in order to ensure community support and avoid opposing initiatives. Mark Ellerbrook and Laurie Olson expressed concern that putting the measure on the ballot would cause delay and uncertainty. These funds are critical for housing the homeless throughout the county.

MOTION: Rob Beem made a motion to approve the State Legislative Priorities as presented. Leslie Miller seconded the motion. A vote was taken and the motion was approved by a vote of 7-3. Mayor Ken Hearing, Councilmember Dan Grausz and Councilmember Pam Fernald voted against.

<u>Federal Priorities:</u>

There were no changes to the Federal priority document. The importance of preserving the Municipal Bond Tax Exemption Status was emphasized. This tool should be preserved to aid in the finance of capital projects.

MOTION: Mark Ellerbrook made a motion to approve the Federal Legislative Priorities as presented. Laurie Olson seconded the motion. A vote was taken and the motion was approved unanimously.

IV. 2017 Housing Capital Funding Round
Attachment C – Information Item, All

Quinnie Tan gave an overview of the Housing Finance Capital application process. Funds shall be used for homeless, extremely low and affordable housing projects. The process began in May with a pre-application process followed by a Request for Proposals. Applications were due September 14, and Housing Finance staff has begun the review process. Today projects are being presented to the JRC as an informational item. The review process will continue as staff performs additional analysis with help from an advisory committee made up of experts in affordable housing, lenders and other industry experts. The staff analysis will look at project feasibility and readiness as well as ability to leverage other resources and tax credits. Past agency performance, geographic equity and local support will also be considered. Final recommendations will be presented to the JRC on December 7th for consideration and action. Final decisions will be made by the DCHS Director and award notifications are expected to go out in December.

This year the County is facing very constrained resources. Last year's capital funding round was close to $14 million. This year's total funding is approximately $5.77 million. HOME funding is not yet clear, and the Veterans and Human Services Levy funding is not available until the levy renewal is approved by voters as well as approval of the transition and implementation plans of the levy funds. A question was raised whether levy approval would affect this process. No levy funds were included in the advertised RFP, so they will not be included in this process. Levy passage would result in additional funds that would need to go through another RFP process. Levy funds are not under JRC authority.

Ten eligible applications were received, totaling $15.4 million in requests. Priority will be given to homeless housing projects that reflect a housing first model and reduce barriers to tenants. Projects using MIDD sales tax funding must address households with chronic mental illness and/or substance abuse issues who are being discharged from treatment. MIDD funds are part of the total funding during this round, but are not under JRC authority.

<u>Projects Requests are:</u>

Project Name	Fund Request	Est. Dev. Cost	Units	Type
Kirkland Shelter	2,000,000	8,837,824	98	Shelter
Lake Apartments	954,409	1,975,186	12	MIDD
Men's Housing EKC	400,000	3,142,000	18	Homeless
Kent Supportive Housing	4,785,255	23,980,231	80	Homeless
Othello Park Apartments	2,000,000	24,928,643	75	Homeless
22nd Ave. Supportive Housing	1,000,000	30,767,569	90	Homeless
501 Rainier Supportive Housing	1,000,000	28,080,696	84	Homeless
Esterra Park 9%	1,500,000	17,262,534	52	Part of 4-9
Tukwila Apartments-9%	1,226,232	18,343,638	56	Part of 4-9
Renton Sunset	500,000	5,066,602	12	Homeownership

Today's review is to provide information only. Staff will return to the next JRC meeting on December 7th with award recommendations. Most applicants have also applied for funding through the Housing Trust Fund, which is not available at this time. Lack of available funding means tough decisions will need to be made.

Discussion:

Jeff Watson wondered whether the County has an option to provide additional dollars to make a project whole, but serve fewer applicants. Quinnie responded that additional resource are not available at this time. Jackie Moynahan added that staff are staying in touch with Commerce. Commerce has solicited applications, but cannot make any awards until the capital budget is passed. In addition, 9% low income housing tax credit applications are due in January and projects must be fully funded to receive a tax credit award. Conversations continue across funders to try to find solutions. Mark Ellerbrook asked if it would be possible to present different recommendations depending on possible scenarios. Quinnie Tan responded that due to the small amount of funding there are probably only a couple of projects that could be recommended.

Gary Prince requested additional information on what and how selection criteria is used. Mayor Ken Hearing and Councilmember Dan Grausz agreed that additional information on how projects are prioritized would give the JRC better guidance to reach consensus. There was also uncertainty regarding the JRC's role in determining recommendations. The JRC provides guidance through policy decisions related to regional priorities which are used during analysis. The group agreed that they would like to understand the analysis better and to receive initial recommendations early enough to process the analysis and ask pertinent questions before voting on them. Several members felt that the current process does not give them adequate time to evaluate recommendations. Mark Ellerbrook cautioned that the process is very dynamic. New information can come to light and changes can be made right up to the deadline. The group consensus was that they would like the information as early as possible in order to process the analysis and have meaningful insight to the recommendations made. This group makes recommendations to the DCHS director, but not the final award decisions.

HFP staff will share final recommendations for committee vote at the next meeting.

V. Housing Repair Program – Third Quarter Update
Attachment D – Information Item, All

Clark Fulmer gave a briefing on program activities through the third quarter of 2017. He provided data on projects by city and by status. Looking back over the past 5 years, the amount spent in 2017 is up significantly. This year 41 projects have been approved and currently in the construction process and 74 transactions have closed. Activity levels over the past 5 years has remained in a steady incline. The program is currently out of funds, awaiting its 2017 allocation. This affects third quarter activity and the approval process. Fourth quarter approvals should be significant as there is a waiting list of over 25 applicants who are conditionally approved. Activity is expected to pick up in the fourth quarter once funding is available.

Clark reviewed both publicly posted Housing Repair Program (HRP) activity reports. He answered questions from the committee regarding Housing Repair activity involving amounts funded and amounts spent in the current year.

Clark shared a slideshow showing two projects that were completed this year in order to demonstrate how the program works and the community impact. One project was in Shoreline and another project in was in unincorporated Duvall. Shoreline project was an ADA roll-in-shower and a new roof, Duvall was a new mobile home move-on and setup project.

Discussion:

Rob Beem used the shoreline project demonstration to clarify HRP project progression and the differences between a funded project and HRP funds spent, as represented on the report (Area Summary of HRP Activity – Amt).

Questions arose regarding whether the program could be self-perpetuating. A lien is recorded against the property to ensure funds are recovered when the home is sold. The money recycles back to the HCD program through the County waterfall. Should the program income return directly to the Housing Repair Program when the loans are retired? On an annual basis program income generated from payoff loan payoffs and can be over or up to $1 million in program income.

VI. Roundtable

No further business.

The meeting was adjourned at 10:53 a.m.

Next meeting December 7, 2017.

The County will send information packets for the next meeting the Wednesday before Thanksgiving as was requested by the member in order to give members more time to review.

2017 Housing Capital Funding Round: Staff Analysis

Issue: The JRC provides advice and recommendations for two funding sources awarded to housing capital projects: federal HOME Investment Partnerships (HOME) funds and Regional Affordable Housing Program (RAHP) funds. HOME funds are reviewed by the King County HOME Consortium; RAHP funds are reviewed by the Consortium plus the City of Seattle. Funding recommendations made in the 2017 round are in anticipation of 2018 HOME and RAHP dollars. Available 2018 funds are estimated at approximately $1.8M of HOME (of which 15%, or $407K, must be set aside for a Community Housing Development Organization (CHDO)), and $1.5M of RAHP, of which $554,347 is the Seattle portion.

Background:
HCD's Housing Finance Program published a Request for Proposal (RFP) in July 2017, in which the County announced the availability of HOME and RAHP funding among other sources that may be used for housing capital projects. The priorities published in the RFP for homeless/extremely low-income/affordable housing – the allowable use for RAHP and HOME funds – are as follows:

> King County is prioritizing funds for capital projects that expand the continuum of homeless housing. Homeless housing projects should reflect a Housing First system orientation with a focus on moving homeless people into housing as quickly as possible. Homeless housing projects will be required to use the Coordinated Entry for All (CEA) system, which includes reduced barriers to entry for tenants.
>
> Projects seeking Mental Illness Drug Dependency (MIDD) sales tax funding must be capital projects that expand the supply of affordable housing for individuals/ households with chronic mental illness and substance abuse issues being discharged from treatment programs/facilities, hospitals, or other institutional settings, or are being served by a Program for Assertive Community Treatment (PACT) team. Sponsors applying for this funding must either be a State Licensed/Certified Community Mental Health Provider or must partner with a State-licensed mental health provider.
>
> If funds remain unallocated after meeting the homeless priority identified above, King County reserves the right to fund other project types, such as family-sized affordable housing and homeownership projects.

HFP staff have been analyzing the submittals since mid-September. Each project is evaluated based on the overall financial feasibility of both the construction and long term operations of the proposed project, the organizational capacity of the sponsor, and how the project meets the County's priorities. Falkin provided an analysis of the construction budgets which is incorporated into the memos.

Pursuant to approved King County Procurement processes, HFP provided follow-up questions that were discussed at required in-person interviews with applicants. The discussion from interviews and subsequent written responses from applicants were incorporated into the review. HFP staff consolidated their analysis of projects into written reports and summary budget workbooks, which are attached. This year, an advisory committee composed of experts in affordable housing, lending, and other related areas provided additional guidance and recommendations on housing capital awards.

Please note that the HOME funding recommendations will be incorporated into the 2018 Draft Action Plan and made available for 30 day public comment starting on December 15th, as required by HUD.

JRC Action Needed: Concur with or provide alternate recommendations for the 2018 housing capital project recommendations using HOME and RAHP funds.

Staff Contact: Quinnie Tan, Housing Finance Program Manager
E-mail: quinnie.tan@kingcounty.gov Phone: (206) 263-5873

King County

King County Housing Capital Funding 2017 Round
Staff Analysis Materials

Projects for Consideration by Funding Priority

Project Name	Sponsor	County Cap Ask	# Units	City
Homeless/Low Income/Affordable – Up to $5.77M Available				
Lake Apartments	Navos	$1,350,000	12	Burien
Men's Housing	Congregations for the Homeless	$400,000	18	TBD: Bellevue & other cities
Othello Park	Low Income Housing Institute	$2,000,000	75	Seattle
Kent Supportive Housing	Catholic Housing Services	$4,785,255	80	Kent
22nd Ave PSH	DESC	$1,000,000	90	Seattle
501 Rainier	Plymouth Housing Group	$1,000,000	84	Seattle
Kirkland Women & Family Shelter	CCS	$2,000,000	98 (beds)	Kirkland
4%-9% LIHTC Combo TOD/Low Income/Homeless Projects				
Esterra Park	Imagine Housing	$6,000,000 ($4.5M TOD/$1.5M Homeless/Low Income)	130	Redmond
Tukwila Apartments	Bellwether	$5,633,573 ($4.4M TOD/$1.2 Homeless/Low Income)	112	Tukwila
Homeownership Projects				
Renton Sunset 12	Homestead Community Land Trust	$500,000	12	Renton

King County

Housing Finance Program
2017 Capital Funding - Affordable Housing RFP
Underwriting Report

I. Overview

Sponsor/Owner:	NAVOS		
Development Consultant:	Nicolette Smith		
Project Name:	Lake Apartments		
Project Address:	1020 SW 156th Street, Burien, WA. 98166		
Total Dev Cost:	$1,866,299	$155,525	per residential unit
KC Funds Requested:	$1,399,724	$127,248	per KC-funded unit
KC Funds Recommended:			
Did this project apply for funding in prior rounds?		No	
Is this project applying for TOD funds?		No	

II. Project Description

a. Housing Model

The Lake Apartments will serve 11 individuals with serious and persistent mental illnesses, with incomes below 30% AMI for King County. All residents will be coming out of an institution, and/or in imminent danger of becoming homeless. A 24/7 on-site resident manager will provide consistent and regular supervision, and ensure access to mental health support services. The residents are served by the Program for Assertive Community Treatment (PACT), which is a program that provides intensive case management, assistance with budgeting, meal planning, grocery shopping, maintaining a clean and safe home, counseling, routine nursing care if needed, medication management and psychiatric services in the resident's homes.

This project will improve operational efficiency and deliver better service through consolidation of existing scattered site housing units. PACT clients were previously leasing units that were previously leased from private market rate owners, making the cost and delivery of service to the clients problematic and inefficient. In addition, the leased housing presents a potential housing risk as well as loss of control on maintaining and addressing existing client's specific needs.

b. Physical: Project, Site, Locality Characteristics

Navos is requesting permanent funding to acquire and rehabilitate a 12 unit, single-story, garden style property. The layout of the structure is "U" shaped, with entries facing a common courtyard. It includes two studios and 10 one bedroom units, laundry facilities on-site, and 22 residential parking stalls. It is a solid structure built in 1958 with brick exterior siding. The property is located on a quiet street near downtown Burien, very close to shopping and transit.

The majority of the rehab work will increase security for the residents, including removal of back doors, and the addition of a security access gate and fence. Additional minor changes are made to accommodate residents, simplify daily living and provide long-term durability, such as changing out carpets for hard surface floors. A grant from the King County Housing Authority will be used to provide weatherization and sustainability items such as water flow, lighting, insulation, and ventilation. The Capital Needs Assessment (CNA) prioritized repaving, striping, and curb stops as a need in the next year, which will be completed after funding. All others items identified in the CNA will be addressed through an annual capital improvement and maintenance plan.

c. Roles and Responsibilities

Navos acquired the property in May 2017, utilizing a bank loan in the amount of $1,254,000, and a sponsor donation of $221,531. As the Housing Development Consultant, Nicolette Smith assists with funding packaging and technical details throughout development.

III. Development Budget Analysis

Navos' original submission estimated the total development cost of the project at $1,975,186, of which $1,480,338 is the actual acquisition price. The property was appraised in April 2017, valued at $1,475,000, and purchased at the appraised value. Since this project was placed in service before award, and the minor rehab work occurred immediately, the majority of the construction costs reflect actual bids, totaling $231,000. Navos has budgeted $45,000 toward the developer fee, and $11,000 in rehabilitation contingency.

Navos intends to apply to the State Housing Trust Fund requesting $960,549, the King County Housing Authority - Weatherization Program for $60,228, and the King County Housing Finance Program - MIDD request is $954,409. (less than 50% TDC, 1.1:1 leverage).

Since the status of the State Housing Trust Fund (HTF) budget is unclear, we requested Navos submit an updated development budget to remove the State as a source. The revised total development cost of the project changed to $1,866,299. Construction costs were reduced, based on work not yet completed, totaling $188,542. Navos removed the developer fee, and rehabilitation contingency. Navos now proposes to include $426,347, reduce the King County Housing Authority-Weatherization Program for $40,228 (based on a reduced rehab scope), and increase the King County Housing Finance Program - MIDD request to $1,399,724 (capped at 75% TDC, .3:1 leverage). For projects that are eligible for MIDD funds and have very specific licensure and population requirements, the Housing Finance Program has approved housing projects where up to 75% of project costs are attributed to King County.

IV. Project Services and Operations

a. Operating Pro Forma

All residents will have significant mental health challenges and some will also have a substance abuse disorder. As such, all will have access to a range of individualized wrap around support services provided by Navos including: mental health services, chemical dependency treatment, primary medical care, employment services, educational support, life skills mentoring, financial planning, legal advocacy, and peer support to promote the participants' independence, rehabilitation, and recovery. All services are designed to prevent homelessness, unnecessary hospitalization, and other negative outcomes.

The tenant paid rent and utilities is $165 and $38 per month, respectively; rental subsidies will include $801 per month for the one-bedroom units, and $638 per month for the studio units, for a total of $123,600 in annual gross rental income. Navos receives a total of $141,738 in annual service funding through its Program for Assertive Community Treatment (PACT) program, which includes tenant-based vouchers from King County Housing Authority (KCHA), and services funding from King County Behavioral Health and Recovery Division (BHRD).

b. Property Management

Navos' Housing department will provide all property management and maintenance services for the proposed project. This department has detailed procedures that address areas from budget and administration to maintenance work orders and capital repairs.

In addition to having an on-site manager who is trained on internal procedures, Navos has service support staff and maintenance staff support on-site regularly. Clinical staff is on site daily, and maintenance is available as required for work orders, routine and preventative maintenance, planned capital repairs, and twice annual routine inspections.

Navos has completed a Capital Needs Assessment (CNA) for the Lake Apartments and included targeted long-term maintenance items into the property management plan. Some of these items include siding, roofing, gutters/downspouts, landscape, HVAC, electrical and plumbing systems, and appliances. Safety equipment is maintained through a vendor contract which inspects and maintains all safety equipment on a regular schedule. Navos also has detailed safety, emergency, and disaster procedures in place and conducts regular drills at all facilities.

c. Service Model and Funding Analysis

The PACT team will provide services on-site. Those services include case management, assistance with budgeting, meal planning, grocery shopping, maintaining a clean and safe home, and transportation if needed. PACT also provides individual counseling, routine nursing care if needed, medication management and psychiatric services in the resident's homes.

Navos has worked with this population for more than 30 years, and has an excellent record of providing inpatient residential treatment and community-based living opportunities in King County. Many of Navos' clients thrive in a situation where they are able to live independently and alone, but with access to the greater community and the support of mental health services. This project builds on that model.

Navos is a licensed behavioral health provider. As such, the Navos PACT team employs a Vocational Specialist that assists residents in their pursuit of employment or efforts to pursue their education. The team offers five psych educational groups per week focusing on co-occurring disorders, illness management and recovery, and wellness recovery action plan development. Navos also partners with King County Public Health for routine healthcare needs.

d. Referrals and Marketing Plan
Clients are referred to Navos from BHRD or DSHS. Once referred to Navos, a case manager will guide the potential resident to Navos' housing management staff who will certify income by requesting verification information from a 3rd party source, such as Social Security or public assistance. The case manager will facilitate and monitor the client's documentation of mental illness in a form that is filled out by a Mental Health Professional, Licensed Mental Health Counselor, or Certified Case Manager with Navos.

Navos is experienced serving individuals with severe and persistent mental illness and with dual diagnoses of mental illness and chemical dependency. The on-site manager will be trained and familiar with the resident needs and how to respond. For services, the resident manager serves primarily as liaison, facilitating and coordinating with internal service staff.

V. Market Demand Analysis and Compatibility with Funding Priorities

a. Market Demand
A Market Study was not performed, and would not be required for projects serving people who are homeless.

b. Funding Priorities
This project meets the following 2017 King County HFP extremely low-income/homeless housing capital priorities:

- ☒ A majority of units are set-aside for homeless individuals and families, and/or serve special needs populations such as households with a member who is mentally ill, disabled, or developmentally disabled, and provides access to case management and/or behavioral health services (2331, RAHP, HOME)
- ☒ Units are set-aside for individuals in households exiting treatment facilities or other institutionalized settings, or are being served by a Program for Assertive Community Treatment (PACT) team (MIDD 2)

VI. Sponsor Capacity

a. Portfolio and Performance
Navos has 10 projects within King County's Housing program portfolio. Based on a review of those 10 projects, Navos has demonstrated they have the capacity to provide services and management for this project. They report timely, and have had no findings or concerns with financial audits or property inspections.

b. Pipeline and Performance
Navos' currently manages and provides services for 272 units in 19 projects. They have detailed procedures that address areas of budget and administration to maintenance work orders and capital repairs. They utilize an operational dashboard to track collection rates, vacancy rates, unit

turnaround times, and other management items. They have CNA's on all of the properties and use them for managing capital resources and work items. Navos also uses a Housing Prioritization Grid that prioritizes capital expenses.

c. Equity and Social Justice

This year, the County is using a tool called the "Continuum on Becoming an Anti-Racist, Multicultural Organization" as a yardstick against which to measure how effectively the applicant organization incorporates Equity and Social Justice into its work. Effectively, the Continuum describes how an organization may evolve from an exclusionary institution (where racial and cultural differences are seen as defects) into a changing organization that is tolerant of racial and cultural differences, and ultimately become an anti-racist and multicultural organization that views racial and cultural differences as assets. Going beyond an examination of the organization's cultural competence in providing housing and services to clients, this tool calls for an evaluation of the organization's governance and working culture.

The Continuum identifies that an organization is undergoing symbolic change into a compliance organization when it

- Makes official policy pronouncements regarding multicultural diversity
- Sees itself as "non-racist" institution with open doors to people of color
- Carries out intentional inclusiveness efforts, recruiting "someone of color" on committees or office staff
- Has an expanding view of diversity to include other socially oppressed groups

Per these characteristics, the applicant may be considered a "compliance organization" in this Continuum because they have 1) made Equity and Inclusion a high priority initiative, revising their mission statement to communicate a strong commitment to diversity, inclusion and equity, 2) established an Equity and Inclusion Committee, which includes staff from all departments and levels throughout the organization, 3) committed to foster an agency cultural shift towards an emphasis on equity and inclusion with their clients, employees, and at all levels, by better understanding the social inequities that impact the mental health of the people and communities they serve, 4) employed 645 people where 24% are people of color; 4% are Hispanic/Latino, and speak 34 languages, and 5) a board where half are women.

VII. Review Summary

Navos acquired the Lake Apartments in May 2017, utilizing a bank loan in the amount of $1,254,000, and a sponsor donation of $221, 531. This request for funding will pay for the acquisition, and rehab work already performed. The Lake Apartments will serve 11 individuals with serious and persistent mental illnesses with incomes below 30% AMI for King County. This project will improve operational efficiency and deliver better service through consolidation of existing scattered site housing units. Any changes in funding from other sources, would require King County approval, and the submission of updated development budgets, sources and uses.

Project Name: **Lake Apartments**

UNIT MIX AND AFFORDABILITY

	HFP-funded Units								
Affordable at	30%	40%	60%	80%	Mgr	Mgr	80%	>80%	Total
Suites/Carrels									
Bedrooms									
SRO									
Studios	2								2
1 Bedroom	9					1			10
2 Bedroom									
3 Bedroom									
Total	11					1			12

PROJECT FINANCING

Permanent Sources of Funds

Source	**Amount**	**Terms**	**Statu** (Proposed, Application Made, Committed)
Navos - Developer	$ 426,347	50 years	Proposed
King County HA Weatherization	$ 40,228	Grant	Proposed
HFP Capital-MIDD	**$ 1,399,724**	40 years	Proposed
Total Project Sources	$ 1,866,299		

Lake Apartments

RESIDENTIAL DEVELOPMENT BUDGET

	Residential Costs	Per Unit	Per Sq. Ft.
Acquisition:	$ 1,480,338	$ 123,362	$ 278
Construction Costs:	188,542	15,712	35
Professional Fees:	40,796	3,400	8
Other Development Costs:	156,623	13,052	29
Total Residential Development Costs:	$ 1,866,299	$ 155,525	$ 351

PROPOSED RENTS

# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
9	1 BR	$ 165	38	$ 203	30%	17,820
2	Studios	$ 165	38	$ 203	30%	3,960
11						$ 21,780

Leverage: **0.3:1**

Project Name: **Lake Apartments**

PROJECT BUDGET

		Total		Residential
Site Control				
Purchase Price	$	1,475,000	$	1,475,000
Liens		-		
Closing, Title & Recording Costs		5,338		5,338
Other:		-		
Other:		-		
Subtotal	**$**	**1,480,338**	**$**	**1,480,338**
Construction				
Demolition		-		-
Rehabilitation	$	188,542	$	188,542
Construction Contingency		-		
Rehabilitation Contingency		-		
Off-Site Infrastructure		-		
Environmental Abatement (Building)		-		
Environmental Abatement (Land)		-		
Sales Taxes		-		
Bond Premium		-		
Equipment and Furnishings		-		
Other Construction Costs:		-		
Other Construction Costs:		-		
Subtotal	**$**	**188,542**	**$**	**188,542**
Other Professional Fees				
Appraisal	$	2,644	$	2,644
Market Study		-		
Architect		-		
Engineer		-		
Environmental Assessment		1,750		1,750
Geotechnical Study		-		
Boundary & Topographic Survey		-		
Legal - Real Estate		6,802		6,802
Developer Fee		-		
Project Management/Development Consultant Fees		28,000		28,000
Technical Assistance		-		
Other Consultants:		-		
Other: **Capital Needs Assessment**		1,600		1,600
Subtotal	**$**	**40,796**	**$**	**40,796**
Financing and Miscellaneous Other Costs				
Real Estate Tax	$	1,518	$	1,518
Insurance		1,100		1,100
Relocation		30,370		30,370
Bidding Costs		-		
Permits, Fees & Hookups		-		
Impact/Mitigation Fees		-		
Development Period Utilities		-		
Bridge Loan Fees		3,635		3,635
Bridge Loan Interest		45,000		45,000
Construction Loan Fees		-		
Construction Loan Interest		-		
Other Loan Fees		-		
State HTF Fees		-		
LIHTC Fees		-		
LIHTC Non Profit Donation		-		
Accounting/Audit		-		
Marketing/Leasing Expenses		-		
Carrying Costs at Rent up		-		
Operating Reserves		45,000		45,000
Replacement Reserves		30,000		30,000
Subtotal	**$**	**156,623**	**$**	**156,623**
Total Project Cost	**$**	**1,866,299**	**$**	**1,866,299**
Summary of Financing Resources				
Navos - Developer		426,347		426,347
King County HA Weatherization		40,228		40,228
HFP Capital-MIDD		1,399,724		1,399,724
Total Project Resources	**$**	**1,866,299**	**$**	**1,866,299**

Lake Apartments

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME			
Rents	$	21,780	
Other Operating Revenues (Parking, laundry, etc)			
Section 8		101,820	
Total Residential Income		123,600	
Residential Vacancy		(6,180)	5.0% of Residential Income
Service Subsidies		141,738	
Effective Gross Income	**$**	**259,158**	
EXPENSES			
Legal Services	$	1,000	
Electric		1,500	
Water & Sewer		8,568	
Garbage Removal		2,020	
Contract Repairs		10,000	
Maintenance and janitorial		3,000	
Management - Off-site		24,354	
Management - On-site		18,300	
Insurance		2,000	
Landscaping		600	
Pest Control		3,600	
Fire Safety		520	
Real Estate Taxes		12,589	
Telephone		1,200	
Total Operating Expenses	**$**	**89,251**	$7,438 per unit
Replacement Reserves	**$**	**4,200**	$350 per unit
Operating Reserve	**$**	**6,000**	
Total Operating Expenses & Reserves	**$**	**99,451**	
Total Services Expenses	**$**	**141,738**	$12,885 per unit
Total Expenses	**$**	**241,189**	$20,099 per unit
Net Operating Income	**$**	**17,969**	
Net Cash Flow	**$**	**17,969**	

Lake Apartments

SERVICES REVENUE AND EXPENSES

REVENUE

PACT (Program for Assertive Community Treatment)	$	141,738
Total Service Revenue	**$**	**141,738**

EXPENSES

Total Personnel	$	141,738
Total Services Expenses	**$**	**141,738**
Net Services Revenue (Expenses)	$	-

Cash Flow Projection Project: **Lake Apartments**

Assumptions:

Annual increase in rental income: 2.5% **Project vacancy/credit loss rate (residential):** 5.0%

Annual increase in operating expenses: 3.5% **Project vacancy/credit loss rate (non-residential):** 10.0%

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
OPERATING INCOME															
Residential Rents	$21,780	22,325	22,883	23,455	24,041	24,642	25,258	25,890	26,537	27,200	27,880	28,577	29,292	30,024	30,775
Operating Subsidies	101,820	104,366	106,975	109,649	112,390	115,200	118,080	121,032	124,058	127,159	130,338	133,597	136,937	140,360	143,869
Total Residential Income	**$123,600**	**$126,690**	**$129,857**	**$133,104**	**$136,431**	**$139,842**	**$143,338**	**$146,922**	**$150,595**	**$154,359**	**$158,218**	**$162,174**	**$166,228**	**$170,384**	**$174,644**
Residential Vacancy	(6,180)	(6,335)	(6,493)	(6,655)	(6,822)	(6,992)	(7,167)	(7,346)	(7,530)	(7,718)	(7,911)	(8,109)	(8,311)	(8,519)	(8,732)
Service Subsidies	$141,738	146,699	151,833	157,147	162,648	168,340	174,232	180,330	186,642	193,174	199,935	206,933	214,176	221,672	229,431
EFFECTIVE GROSS INCOME	**259,158**	**267,054**	**275,198**	**283,596**	**292,257**	**301,190**	**310,403**	**319,906**	**329,707**	**339,816**	**350,243**	**360,998**	**372,093**	**383,537**	**395,342**
Operating Expenses															
Legal Services	1,000	1,035	1,071	1,109	1,148	1,188	1,229	1,272	1,317	1,363	1,411	1,460	1,511	1,564	1,619
Electric	1,500	1,553	1,607	1,663	1,721	1,782	1,844	1,908	1,975	2,044	2,116	2,190	2,267	2,346	2,428
Water & Sewer	8,568	8,868	9,178	9,499	9,832	10,176	10,532	10,901	11,282	11,677	12,086	12,509	12,946	13,400	13,869
Garbage Removal	2,020	2,091	2,164	2,240	2,318	2,400	2,483	2,570	2,660	2,753	2,850	2,950	3,053	3,160	3,270
Contract Repairs	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723	13,168	13,629	14,106	14,600	15,111	15,640	16,187
Maintenance and janitorial	3,000	3,105	3,214	3,326	3,443	3,563	3,688	3,817	3,950	4,089	4,232	4,380	4,533	4,692	4,856
Management - Off-site	24,354	25,206	26,089	27,002	27,947	28,925	29,937	30,985	32,070	33,192	34,354	35,556	36,801	38,089	39,422
Management - On-site	18,300	18,941	19,603	20,290	21,000	21,735	22,495	23,283	24,098	24,941	25,814	26,717	27,653	28,620	29,622
Insurance	2,000	2,070	2,142	2,217	2,295	2,375	2,459	2,545	2,634	2,726	2,821	2,920	3,022	3,128	3,237
Landscaping	600	621	643	665	689	713	738	763	790	818	846	876	907	938	971
Pest Control	3,600	3,726	3,856	3,991	4,131	4,276	4,425	4,580	4,741	4,906	5,078	5,256	5,440	5,630	5,827
Fire Safety	520	538	557	577	597	618	639	662	685	709	734	759	786	813	842
Real Estate Taxes	12,589	13,029	13,485	13,957	14,446	14,951	15,475	16,016	16,577	17,157	17,757	18,379	19,022	19,688	20,377
Telephone	1,200	1,242	1,285	1,330	1,377	1,425	1,475	1,527	1,580	1,635	1,693	1,752	1,813	1,877	1,942
TOTAL OPERATING EXPENSES	**89,251**	**92,374**	**95,608**	**98,954**	**102,417**	**106,002**	**109,712**	**113,552**	**117,526**	**121,640**	**125,897**	**130,303**	**134,864**	**139,584**	**144,470**
REPLACEMENT RESERVES	4,200	4,347	4,499	4,657	4,820	4,988	5,163	5,344	5,531	5,724	5,925	6,132	6,346	6,569	6,799
OPERATING RESERVES	6,000	6,210	6,427	6,652	6,885	7,126	7,376	7,634	7,901	8,177	8,464	8,760	9,066	9,384	9,712
TOTAL OPERATING EXPENSES & RESERVES	99,451	102,931	106,534	110,263	114,122	118,116	122,250	126,529	130,958	135,541	140,285	145,195	150,277	155,537	160,980
TOTAL SERVICES EXPENSES	141,738	146,699	151,833	157,147	162,648	168,340	174,232	180,330	186,642	193,174	199,935	206,933	214,176	221,672	229,431
NET OPERATING INCOME	**$17,969**	**17,424**	**16,830**	**16,186**	**15,488**	**14,734**	**13,921**	**13,046**	**12,107**	**11,100**	**10,022**	**8,870**	**7,640**	**6,328**	**4,931**
Debt Service															
NET CASH FLOW	**$17,969**	**$17,424**	**$16,830**	**$16,186**	**$15,488**	**$14,734**	**$13,921**	**$13,046**	**$12,107**	**$11,100**	**$10,022**	**$8,870**	**$7,640**	**$6,328**	**$4,931**
DEBT SERVICE COVERAGE	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

King County

Housing Finance Program
2017 Capital Funding - Affordable Housing RFP
Underwriting Report

I. Overview

Sponsor/Owner:	Congregations for the Homeless		
Development Consultant:	Rand Redlin, Centerra LLC		
Project Name:	Men's Housing – East King County		
Project Address:	Scattered Sites (East King County)		
Total Dev Cost:	$3,142,000	$174,556	per residential unit
KC Funds Requested:	$400,000	$22,222	per KC-funded unit
KC Funds Recommended:			
Did this project apply for funding in prior rounds?		No	
Is this project applying for TOD funds?		No	

II. Project Description

a. Housing Model
Congregations for the Homeless (CFH) is requesting permanent funding to acquire three single-family homes and rehabilitate them into larger 6-bedroom homes located in East King County. The homes will serve 18 extremely low-income single adult men who are graduating from shelters to permanent housing. Each tenant will have their own room, and will share the kitchen, laundry room, living room, and bathrooms.

b. Physical: Project, Site, and Locality Characteristics
As is typical with group home acquisitions, the homes have not yet been identified and CFH will not enter into a purchase agreement until funding is secured. Once the homes are selected and purchased, CFH will comply with ESDS standards by incorporating environmentally preferable materials, and advanced water-conserving fixtures in each home. CFH intends to search for suitable homes primarily in Bellevue, and surrounding eastside cities.

c. Roles and Responsibilities
CFH intends to acquire all three homes and manage the rehab of each home. As the Development Consultant, Rand Redlin will assist with applications and real estate functions.

III. Development Budget Analysis

a. Cost Effectiveness
The estimated total development cost of the project is $3,142,000, of which $2,268,000 is estimated for acquisition costs. At this time, CFH has not selected sites for the homes, therefore there is no appraised values provided. CFH estimates $549,000 in construction costs. These estimates represent an average of $750,500 per home for acquisition, and $150,000 per home

in construction costs. CFH provided a real estate listing of six possible homes matching the criteria they are looking for. The average list price for the six homes is $772,250, this is $21,750 over the development budget estimates. The average number of bedrooms was 4.5 per home, which would require the addition of two bedrooms. With the majority of the homes built in 1960, concerns with a budget of $150,000 per home in construction costs are raised. First, consideration should be given to the parcel size; and whether full additions to the homes need to be built vs. conversion of recreational rooms or garages. Second, many older homes on the eastside of King County are on septic versus connected to a sewer line.

CFH intends to complete a competitive bidding process by securing at least 3 bids for the construction work to be performed on each home. As well as advertise and reach out for WMBE contractors and Section 3 workers. CFH has budgeted $78,000 toward the developer fee, far under the guideline of 10% of the TDC, and $15,000 in soft cost contingency.

b. Sources and Uses

CFH intends to apply to the State Housing Trust Fund requesting $400,000, ARCH for $450,000, and the Housing Finance Program request is $400,000. They have a private grant committed for $274,000, and will apply for mortgages on the 3 homes in the amount of $1,455,000. CFH estimates these mortgages will be amortizing loans, with 30 year terms, at 5.5% interest rates. The balance remaining of $163,000 will be raised through a capital campaign. All funds are proposed and in the application phase, with the exception for the private grant. The total development cost is $3,142,000, with the King County capital request of $400,000, this is less than 8% of TDC, resulting in a leverage ratio of 6.9:1.

IV. Project Services and Operations

a. Operating Pro Forma

The proposed tenant paid rent is $200 per month, rental subsidies will include $608 per month, for a total of $808 in gross monthly rent. CFH proposes that a housing choice voucher will be issued for each group home, with a voucher payment standard applicable for a 6-bedroom house. This voucher request would require discussion with the King County Housing Authority. CFH will pay for the utilities, and each home will have 2 parking stalls, and a shared laundry room, with no fees charged to the tenants.

b. Property Management

CFH intends to provide services and property management utilizing the same staff to perform both services and property management duties, as they do with the other 10 homes they manage now as group homes for men who were formerly homeless. Each home will have one resident assigned as the associate manager, who will be responsible for the general running of the house, with assistance provided by a case manager when needed. The case managers also provide supportive services, outlined below. For the past 9 years, CFH has developed a system for client intake, which includes documentation of each clients' income every 6 months, needed verifications such as I.D.'s, Social Security numbers, and homeless status verification, all to ensure clients are eligible for the housing program. They will rely on the King County Coordinated Entry system to assess and place people exiting homelessness into each home, with men experiencing homelessness who are assessed as the most vulnerable (those with moderate to severe mental health, physical health, and addiction issues) being prioritized.

Since 2006, CFH has been managing 10 homes similar to the proposed project. CFH recently started the analysis of housing needs in their community, looking at cost effective ways to meet the needs identified. They believe that acquiring houses is the most cost effective way for CFH to secure on-going housing resources for men experiencing homelessness.

c. Service Model and Funding Analysis
Based on the performance of the homes they currently manage, CFH estimates a total of $187,575 in operating and services expenses. CFH currently receives $65,000 in annual operating subsidy, and $57,000 in annual service funding both sources are identified as coming from CFH, City of Bellevue, and United Way. The specific amounts from each source were not separately identified in the application. Additionally, CFH is applying for 3 – six-bedroom Section 8 vouchers from the King County Housing Authority. If the project is unable to secure the Section 8 vouchers, they plan to use the rental assistance currently received from King County ORS. The King County ORS funding was not shown on any of the budget forms.

CFH plans to serve 18 extremely low-income single adult men who are graduating from shelters to permanent housing. Each home will have the support of a case manager, who will be on-call 24/7. Case managers will provide on-site counseling, goal setting, addiction support, financial literacy support, employment support, legal support, adult daily living guidance, and social interaction opportunities. CFH affirms their housing model adheres to the Housing First, client choice model of case management, and agrees to comply with the King County Coordinated Entry System.

Residents who enter housing will complete an agency assessment where their strengths, barriers, and goals will be documented. The house case manager will work to build relationships with each individual in the house and share how they could partner with each man in order to help them achieve goals. Case managers will capture what groups were accessed by whom and also what goals were worked on by which resident.

V. Market Demand Analysis and Compatibility with Funding Priorities

a. Market Demand
A Market Study was not performed, and would not be required for projects serving people who are homeless.

b. Funding Priorities
This project meets the following 2017 King County HFP extremely low-income/homeless housing capital priorities:

- ☒ A majority of units are set-aside for homeless individuals and families, and/or serve special needs populations such as households with a member who is mentally ill, disabled, or developmentally disabled, and provides access to case management and/or behavioral health services (2331, RAHP, HOME)
- ☐ Units are set-aside for individuals in households exiting treatment facilities or other institutionalized settings, or are being served by a Program for Assertive Community Treatment (PACT) team (MIDD 2)

VI. Sponsor Capacity

a. Portfolio and Performance
CFH does not have any projects in the Housing Finance program portfolio. However, they do provide property management for Harrington House, owned by Catholic Housing Services. Harrington House has performed satisfactory, and reports are submitted timely.

b. Pipeline and Development Capacity
CFH does not currently own property. They currently hold 5-year leases on five 6-bedroom homes. Three of the five homes were recently added within the last few years. This proposal will be their first project involving acquisition and rehabilitation. CFH does not have an established asset management function and will need to present a credible organizational transition plan in order to assure public funders that CFH is making a strategic decision in the shift to owning housing assets.

c. Equity and Social Justice
This year, the County is using a tool called the "Continuum on Becoming an Anti-Racist, Multicultural Organization" as a yardstick against which to measure how effectively the applicant organization incorporates Equity and Social Justice into its work. Effectively, the Continuum describes how an organization may evolve from an exclusionary institution (where racial and cultural differences are seen as defects) into a changing organization that is tolerant of racial and cultural differences, and ultimately become an anti-racist and multicultural organization that views racial and cultural differences as assets. Going beyond an examination of the organization's cultural competence in providing housing and services to clients, this tool calls for an evaluation of the organization's governance and working culture.

The Continuum identifies that an organization is undergoing symbolic change into a compliance organization when it

- Makes official policy pronouncements regarding multicultural diversity
- Sees itself as "non-racist" institution with open doors to people of color
- Carries out intentional inclusiveness efforts, recruiting "someone of color" on committees or office staff
- Has an expanding view of diversity to include other socially oppressed groups

Per these characteristics, the applicant may be considered a "compliance organization" in this Continuum because they have 1) done extensive internal review of polices and screening criteria in regards to housing and the impact on people of color, 2) regularly conduct internal assessments and garner input from front line staff, clients, and outside providers on how welcoming and culturally competent their programs, policies and procedures are, 3) included people of color and other groups in policy development and decision making, and 4) a board rich in diversity of experience and a solid representation of gender diversity.

VII. Review Summary

CFH would like to acquire three single-family homes and rehabilitate them into larger 6-bedroom homes in East King County. The homes will serve 18 extremely low-income single adult men, graduating from shelters to permanent housing. CFH currently leases five 6-bedroom homes. CFH does not plan to relocate or replace the current beds/units they currently lease. This project would create 18 new beds in the system. They believe that acquiring houses is the most cost effective way to secure on-going housing resources for men experiencing homelessness.

Project Name: **Men's Housing EKC**

UNIT MIX AND AFFORDABILITY

	HFP-funded Units								
Affordable at	30%	40%	60%	80%	Mgr	Mgr	80%	>80%	Total
Bedrooms	18								18
Total	18								18

PROJECT FINANCING

Permanent Sources of Funds

Source	**Amount**	**Terms**	**Status** (Proposed, Application Made, Committed)
State HTF	$ 400,000	50 yrs. Deferred payment	Application 10/9/2018
ARCH	$ 450,000	50 yrs. Deferred payment	Application 9/7/2017
CFH	$ 274,000	Grant	Committed
Mortgage	$ 1,455,000	5.5%, Amortizing, 30 yrs.	Application 3/30/2018
Donations & Pro Bono	$ 163,000		
HFP Capital	**$ 400,000**	50 yrs. Deferred payment	Application 9/14/2017
Total Project Sources	$ 3,142,000		

Men's Housing EKC

RESIDENTIAL DEVELOPMENT BUDGET

	Residential Costs	Per Unit	Per Sq. Ft.
Acquisition:	$ 2,268,000	$ 126,000	$ 302
Construction Costs:	549,000	30,500	73
Professional Fees:	177,500	9,861	24
Other Development Costs:	147,500	8,194	20
Total Residential Development Costs:	$ 3,142,000	$ 174,556	$ 419

Square feet of parcel to be acquired:	11,000
Per square foot acquisition:	$ 205
Residential square feet to be constructed:	7,500
Nonresidential square feet to be constructed:	-
Total square feet to be constructed:	7,500

PROPOSED RENTS

# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
18	30% Beds	$ 200		$ 200	30%	$ 43,200
18						$ 43,200

Project Name: **Men's Housing EKC**

PROJECT BUDGET

		Total		Residential
Acquisition				
Purchase Price	$	2,251,500	$	2,251,500
Closing, Title & Recording Costs		16,500		16,500
Subtotal	**$**	**2,268,000**	**$**	**2,268,000**
Construction				
Rehabilitation	$	450,000	$	450,000
Rehabiliation Contingency		37,500		37,500
Sales Taxes		37,500		37,500
Equipment and Furnishings		24,000		24,000
Subtotal	**$**	**549,000**	**$**	**549,000**
Soft Costs				
Appraisal	$	4,500	$	4,500
Market Study		-		
Architect		22,000		22,000
Engineer		11,000		11,000
Environmental Assessment		-		
Geotechnical Study		-		
Boundary & Topographic Survey		5,000		5,000
Legal Fees		8,000		8,000
Developer Fee		78,000		78,000
Project Management/Development Consultant Fees		34,000		34,000
Technical Assistance		-		
Other Consultants:		-		
Other: **Soft Cost Contingency**		15,000		15,000
Subtotal	**$**	**177,500**	**$**	**177,500**
Financing and Miscellaneous Other Costs				
Real Estate Tax	$	10,500	$	10,500
Insurance		9,000		9,000
Permits, Fees & Hookups		12,000		12,000
Impact/Mitigation Fees		-		
Development Period Utilities		3,000		3,000
Bridge Loan Fees		-		
Bridge Loan Interest		-		
Permanent Loan Fees		18,000		18,000
Permanent Loan Expenses		7,500		7,500
Other Loan Fees (Impact Capital, State HTF, etc.)		-		
State HTF Fees		9,000		9,000
LIHTC Fees		-		
LIHTC Non Profit Donation		-		
Accounting/Audit		3,500		3,500
Marketing/Leasing Expenses		4,000		4,000
Carrying Costs at Rent up		23,000		23,000
Operating Reserves		24,000		24,000
Replacement Reserves		24,000		24,000
Subtotal	**$**	**147,500**	**$**	**147,500**
Total Project Cost	**$**	**3,142,000**	**$**	**3,142,000**
Summary of Financing Resources				
State HTF	$	400,000	$	400,000
ARCH		450,000		450,000
CFH		274,000		274,000
Mortgage		1,455,000		1,455,000
Donations & Pro Bono		163,000		163,000
HFP Capital		400,000		400,000
Total Project Resources	**$**	**3,142,000**	**$**	**3,142,000**

Men's Housing EKC

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME			
Rents	$	43,200	
Other Operating Revenues (Parking, laundry, etc)			
Operating Subsidy 1		65,000	
Rental Subsidy 2		131,399	
Total Residential Income		239,599	
Residential Vacancy		(11,980)	5.0% of Residential Income
Service Subsidies		57,000	
Total Non-Residential Income		-	
Non-Residential Vacancy			
Effective Gross Income	**$**	**284,619**	
EXPENSES			
Telephone	$	2,000	
Electric		12,300	
Water & Sewer		9,800	
Garbage Removal		3,600	
Contract Repairs		8,500	
Maintenance and janitorial		9,000	
Decorating/Turnover		12,000	
Landscaping		1,000	
Management - Off-site		39,125	
Management - On-site			
Insurance		6,000	
Accounting		7,000	
Fire Safety/Security		2,000	
Pest Control		3,000	
Other		5,000	
Total Operating Expenses	**$**	**120,325**	$6,685 per unit
Replacement Reserves	**$**	**6,500**	$361 per unit
Operating Reserve	**$**	**4,500**	
Total Operating Expenses & Reserves	**$**	**131,325**	
Total Services Expenses	**$**	**56,250**	$3,125 per unit
Total Expenses	**$**	**187,575**	$10,421 per unit
Net Operating Income	**$**	**97,044**	
Debt Service			
Private Debt		(93,729)	
Net Cash Flow		**$3,315**	

Men's Housing EKC

SERVICES REVENUE AND EXPENSES

REVENUE

CFH, City of Bellevue, United Way (8B F39)		57,000
Total Service Revenue	**$**	**57,000**

EXPENSES

Total Personnel	$	52,250
Local Travel / Mileage		500
Equipment		
Supplies		
Telecommunications		1,500
Printing / Duplication		
Mail / Postage		
Cash Assistance to Families		2,000
Total Services Expenses	**$**	**56,250**
Net Services Revenue (Expenses)	$	750

Cash Flow Projection Project: **Men's Housing EKC**

Assumptions:

Annual increase in rental income:	2.5%	**Project vacancy/credit loss rate (residential):**	5.0%	3.00% = operating/services subsidy increase
Annual increase in operating expenses:	3.5%	**Project vacancy/credit loss rate (non-residential):**		

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
OPERATING INCOME															
Residential Rents	$43,200	44,280	45,387	46,522	47,685	48,877	50,099	51,351	52,635	53,951	55,300	56,682	58,099	59,552	61,040
Operating Subsidies	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810	87,355	89,975	92,674	95,455	98,318
Rental Subsidy	131,399	134,684	138,051	141,503	145,040	148,666	152,383	156,192	160,097	164,100	168,202	172,407	176,717	181,135	185,664
Total Residential Income	$239,599	$245,914	$252,397	$259,052	$265,883	$272,896	$280,095	$287,485	$295,072	$302,861	$310,856	$319,065	$327,491	$336,142	$345,023
Residential Vacancy	(11,980)	(12,296)	(12,620)	(12,953)	(13,294)	(13,645)	(14,005)	(14,374)	(14,754)	(15,143)	(15,543)	(15,953)	(16,375)	(16,807)	(17,251)
Service Subsidies	$57,000	58,710	60,471	62,285	64,154	66,079	68,061	70,103	72,206	74,372	76,603	78,901	81,268	83,706	86,218
EFFECTIVE GROSS INCOME	**284,619**	**292,329**	**300,248**	**308,384**	**316,743**	**325,330**	**334,151**	**343,214**	**352,525**	**362,090**	**371,917**	**382,013**	**392,385**	**403,041**	**413,989**
Operating Expenses															
Telephone	2,000	2,070	2,142	2,217	2,295	2,375	2,459	2,545	2,634	2,726	2,821	2,920	3,022	3,128	3,237
Electric	12,300	12,731	13,176	13,637	14,115	14,609	15,120	15,649	16,197	16,764	17,350	17,958	18,586	19,237	19,910
Water & Sewer	9,800	10,143	10,498	10,865	11,246	11,639	12,047	12,468	12,905	13,356	13,824	14,308	14,808	15,327	15,863
Garbage Removal	3,600	3,726	3,856	3,991	4,131	4,276	4,425	4,580	4,741	4,906	5,078	5,256	5,440	5,630	5,827
Contract Repairs	8,500	8,798	9,105	9,424	9,754	10,095	10,449	10,814	11,193	11,585	11,990	12,410	12,844	13,294	13,759
Maintenance and janitorial	9,000	9,315	9,641	9,978	10,328	10,689	11,063	11,451	11,851	12,266	12,695	13,140	13,600	14,076	14,568
Decorating/Turnover	12,000	12,420	12,855	13,305	13,770	14,252	14,751	15,267	15,802	16,355	16,927	17,520	18,133	18,767	19,424
Landscaping	1,000	1,035	1,071	1,109	1,148	1,188	1,229	1,272	1,317	1,363	1,411	1,460	1,511	1,564	1,619
Management - Off-site	39,125	40,494	41,912	43,379	44,897	46,468	48,095	49,778	51,520	53,323	55,190	57,121	59,121	61,190	63,331
Management - On-site															
Insurance	6,000	6,210	6,427	6,652	6,885	7,126	7,376	7,634	7,901	8,177	8,464	8,760	9,066	9,384	9,712
Accounting	7,000	7,245	7,499	7,761	8,033	8,314	8,605	8,906	9,218	9,540	9,874	10,220	10,577	10,948	11,331
Fire Safety/Security	2,000	2,070	2,142	2,217	2,295	2,375	2,459	2,545	2,634	2,726	2,821	2,920	3,022	3,128	3,237
Pest Control	3,000	3,105	3,214	3,326	3,443	3,563	3,688	3,817	3,950	4,089	4,232	4,380	4,533	4,692	4,856
Other	5,000	5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	7,053	7,300	7,555	7,820	8,093
TOTAL OPERATING EXPENSES	**120,325**	**124,536**	**128,895**	**133,406**	**138,076**	**142,908**	**147,910**	**153,087**	**158,445**	**163,991**	**169,730**	**175,671**	**181,819**	**188,183**	**194,769**
REPLACEMENT RESERVES	6,500	6,728	6,963	7,207	7,459	7,720	7,990	8,270	8,559	8,859	9,169	9,490	9,822	10,166	10,522
OPERATING RESERVES	4,500	4,658	4,821	4,989	5,164	5,345	5,532	5,725	5,926	6,133	6,348	6,570	6,800	7,038	7,284
TOTAL OPERATING EXPENSES & RESERVES	131,325	135,921	140,679	145,602	150,698	155,973	161,432	167,082	172,930	178,982	185,247	191,731	198,441	205,387	212,575
TOTAL SERVICES EXPENSES	56,250	58,219	60,256	62,365	64,548	66,807	69,146	71,566	74,071	76,663	79,346	82,123	84,998	87,973	91,052
NET OPERATING INCOME	**97,044**	**98,188**	**99,313**	**100,417**	**101,496**	**102,549**	**103,574**	**104,566**	**105,524**	**106,444**	**107,324**	**108,159**	**108,946**	**109,682**	**110,362**
Debt Service															
Private Debt	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)	(93,729)
NET CASH FLOW	**$3,315**	**$4,459**	**$5,584**	**$6,688**	**$7,767**	**$8,820**	**$9,845**	**$10,837**	**$11,795**	**$12,715**	**$13,595**	**$14,430**	**$15,217**	**$15,953**	**$16,633**
DEBT SERVICE COVERAGE	**1.04**	**1.05**	**1.06**	**1.07**	**1.08**	**1.09**	**1.11**	**1.12**	**1.13**	**1.14**	**1.15**	**1.15**	**1.16**	**1.17**	**1.18**

King County

Housing Finance Program
2017 Capital Funding - Affordable Housing RFP
Underwriting Report

I. Overview

Sponsor/Owner:	Low Income Housing Institute (LIHI)		
Development Consultant:	Robin Amadon		
Project Name:	Othello		
Project Address:	7345 -7357 43rd Avenue South, Seattle		
Total Dev Cost:	$24,928,643	$336,536	per residential unit
KC Funds Requested:	$2,000,000	$27,027	per regulated unit
KC Funds Recommended:			
Did this project apply for funding in prior rounds?		Yes	
Is this project applying for TOD funds?		Yes	

II. Project Description

a. Housing Model

Othello Park Apartments is a 75-unit development in the heart of Seattle's Othello neighborhood, across the street from Othello Park and less than ¼ mile from the Othello LINK Light Rail Station. Of the 75 units, 15 are set aside for homeless families, 18 for people with physical disabilities, with the remaining 44 serving the general low income population. Thirty-seven units will serve households with incomes at 30%area median income (AMI) while 19 units will be affordable to incomes at 40 % and 18 at 60 % AMI.

The site contains two single family homes and one side-by-side duplex. There are currently four tenants living on site. All tenants have been sent General Information Notices (GINs) for relocation. Two of the existing tenants moved onto the site following LIHI's purchase of the buildings and signed relocation waivers. The other two tenants will be relocated following the HUD Uniform Relocation Act (URA), or SMC 20.84 depending upon whether federal funds are in the mix of sources from the Office of Housing. Since construction will take more than one year, permanent relocation will be offered.

b. Physical: Project, Site, and Locality Characteristics

Othello Park Apartments would be a seven-story building, constructed with two levels of concrete and five (5) stories of wood frame construction above. Community spaces on the first level could include a pre-school in addition to small and large gathering spaces to accommodate a range of activities within the building including a community room with a large demonstration kitchen, computer bank, classroom, library, case management offices and office. Additional amenities include an outdoor terrace, a roof deck, children's play area, and community laundry room.

The project earns an Evergreen Sustainable Development Standard (ESDS) score of 75. ESDS features include: cove heaters mounted above windows; individual programmable thermostats in each room; motion sensors on lights to activate when the room is occupied and turn off when it is not; whole house continuous fan for air exchange in bathrooms with fans that run on higher revolutions when bathrooms are occupied-to reduce mold risk; resilient easy-wash flooring for hypo-allergenic indoor air quality and cleaning that requires only soap and water; double-door vestibule front entry; and sub-metering for water consumption providing monthly usage reports to the property manager to double-check any outliers, and provide resident education about water conservation.

Othello Park Apartments is situated in Seattle's Othello neighborhood. The site is across the street from Othello Park in a very walkable area of Seattle with a "walkscore" of 83 (out of 100) on walkscore.com. The site is a short walk (less than ¼ mile) to shopping and amenities including a Safeway grocery store, restaurants and markets (Tortas Locas, Huangu Lau, The Cajun Crawfish, King Plaza, Foo Lam Restaurant and many others). Additionally, the project is located within ¼ mile of King Plaza Pharmacy, Bank of America, UPS Store, and a Department of Neighborhoods Neighborhood Service Center. The site is located .3 miles from Wing Luke Elementary School, 0.8 miles from Aki Kurose Middle School, and one mile from Rainier Beach High School, providing our residents with access to schools.

c. Roles and Responsibilities

Initially, LIHI is the sponsor for the project is the Sole Member and 100% owner of the Project Company, the single-member entity named Othello Park Manager LLC; and this LLC is the only member in Othello Park Development LLC, a 100% owner of the project. Then, upon closing, the investor member is admitted to the Company LLC and receives 99.99% of the project's profits and losses. The nonprofit sponsor-the Low Income Housing Institute--remains the Sole Member and 100% owner of Othello Park Manager LLC (which will retain 0.01% ownership of Othello Park Development LLC) with full control over the project's development. LIHI will develop, own and manage the property. LIHI's Housing Development Associate Director, John Torrence will oversee the development and Brad Rueling will serve as Construction Manager and Owner's Representative. A general contractor has not been selected. LIHI seeks to negotiate a general construction contract based upon an open solicitation for qualified general contractors who are then ranked, rated, and short-listed for interviews leading to a selection. A proposed preschool located on site will be run by Refugee Women's Alliance (ReWA). ReWa provides holistic services to help refugee and immigrant women and families.

III. Development Budget Analysis

a. Sources and Uses

The cost per unit is $336,536 and hard cost per square foot according to Falkin Associates equates to $170.16 per gross building square foot. These costs are generally under the total development cost limits of the Washington State Housing Finance Commission and the average costs of $187.49 per square foot for other recent multi-family housing projects. The request to King County at 8% of total development costs and is appropriate for projects located in Seattle (which is the primary local public funder with the Seattle Housing Levy as the main resource), and is within mandates in HFP Guidelines.

b. Cost Effectiveness

According to Falkin Associates "The total hard cost prepared by Graham is $14,840,260 excluding sales tax. This cost equates to $170.16 per gross building square foot. This cost is approximately 9% below typical apartment pricing." However, elevator costs are 281% higher, general conditions are 60% higher, roofing is 59% lower, insulation is 51% lower, and structural and miscellaneous steel is 69% higher, according to the Falkin database of similar projects." Falkin cautions that the juxtaposition of these findings indicate the cost estimates for Othello Park Apartments may not be sufficient and there is the potential for future cost overruns.

c. Financing: Construction and Permanent

LIHI seeks $15.5 million in 9 % Low Income Tax Credit Equity, $6.85 million from the City of Seattle, and $2 million from King County. In addition LIHI is contributing $525,000 of its own funds as equity in the form of land. LIHTC pricing is projected at $1.00 which is compares reasonably with other projects. The project is self-scored at 156 points under the LIHTC placing it near the bottom of King County projects competing for credits this round and in a difficult position for securing these funds.

IV. Project Services and Operations

a. Operating Pro Forma

The Operating Pro Forma is in flux due to adjustments made to the project over last year and to attempt to leverage LIHTC funds. LIHI's current application is a different model than the TOD project presented last year due to direction from the Seattle Office of Housing. The result is a move away from the workforce housing project previously submitted toward a project that reaches lower incomes and homeless units serving working households at 30 percent AMI. Project operating costs increased over last year's application significantly in some areas. The most recent updated budget makes new adjustments which include a $177,000 decrease in water and sewer costs that is not fully explained. The project proposes to pay for services with a combination of project cash flow and King County Operating Support, Rental Assistance and Supportive Services (ORS) funding but it is unclear if the ORS amount requested is $50,000, $60,000, or $80,000.

b. Property Management

The project will be self-managed by LIHI. LIHI will employ an on-site Program coordinator, Housing Assistant and Janitor as well as two LIHI and one Sound Mental Health case managers.

c. Service Model and Funding Analysis

LIHI's Supportive Services Department will use two Services Models. The Community Support Program where LIHI case managers provide consistent counseling and engagement to tenants to help them stabilize and maintain their housing long term by improving their income; increasing their education; helping them move toward legal residency/citizenship; helping them to resolve legal and financial complications; and helping them to live with issues such as mental and physical disabilities. The second Supportive Services model is the Family Support Program which provides intensive case management and coordination of services for formerly homeless families with children. Case managers assist clients with comprehensive service plans, self-directed goal planning, and with accessing needed social service supports such as healthcare, counseling, childcare as well as education and job training. The project proposes to pay for services with a combination of project cash flow and ORS funding but it is unclear if the ORS amount requested is $50,000, $60,000, or $80,000. LIHI will employ two LIHI and one Sound Mental Health case managers.

d. Referrals and Marketing Plan

Marketing for workforce units will be focused on workers and communities in South Seattle, and in job centers that have lower wage workers who face long commutes to their workplace. LIHI will notify local employers, community colleges, technical institutes, WorkSource centers, Seattle School District, health centers, hospitals, dentists and doctor's offices, banks, grocers, and other community employers about Othello Park Apartments and unit availability. The Property Manager will be available on-site to lease up the building and work weekend hours during lease-up.

As the time of lease-up approaches (60 days prior to Certificate of Occupancy), neighborhood employers, schools, and faith-based institutions will be sent fliers and posters regarding the availability of units as well as social service agencies that serve the demographics included in the restricted set-asides. Advertising will be done through Craigslist and units will be posted on the free Seattle/King County HousingSearchNW.org web site. If it is anticipated that applications will significantly exceed the number of available units, a lottery will be held. Except for as required by the First-Come/First Served section of the Source of Income Discrimination Bill there will be no waitlist at the property. The Low Income Housing Institute will affirmatively market the development to racial and cultural groups and income classes, veterans, and the economically disadvantaged that are under-represented in the targeted market.

For homeless units, LIHI will participate in King County's Coordinated Entry for All (CEA) for referrals. The VI-SPDAT has been selected as the common assessment and triage tool, and housing placements will be allocated based on individual's VI-SPDAT score.

V. Market Demand Analysis and Compatibility with Funding Priorities

a. Market Demand

A market study was completed in 2016 showing that proposed rents are well below market, with most units renting between 40 and 50 percent below market. With the introduction of light rail to Southeast Seattle in 2009, the neighborhood has been experiencing significant market transformation. Othello Park is adjacent to new market rate developments, some built and more planned. The market study bears this out in showing the market rents for the area at double in most of the units we are renting. This is a neighborhood that is experiencing mounting rent pressure as future light rail extensions come on board (University District, Roosevelt, and Northgate are all planned for 2021).

b. Funding Priorities

This project meets the following 2017 King County HFP transit-oriented development housing capital priorities:

☒ Project leverages present and future public investment in transit infrastructure, is within ½ mile of a high capacity transit station, and is eligible for the
☒ All-County Seattle pool
☐ All-County North/East pool

☐ All-County South pool
☐ I-90 Corridor (Issaquah to North Bend pool)

☒ Project meets the preference under the TOD Bond Allocation Plan to serve or integrate units serving populations that have been identified as being in particular need, including but not limited to: families, veterans, survivors of domestic violence, people with developmental or other disabilities, households that are at risk of homelessness, or individuals re-entering the community after incarceration

VI. Sponsor Capacity

a. Portfolio and Performance
LIHI has an extensive housing portfolio and is in compliance with all King County funded investments. OH Inspections have highlighted the need for capital work on LIHI's Fry Apartments and the re-syndication required to afford it. Decipher

b. Pipeline and Development Capacity
LIHI has a number of projects under development and proposed for development including rehabilitation of the 234 Frye apartments requested by the Seattle Office of Housing, Roosevelt TOD, Martin Court, Oak Harbor Homeless Housing and CamBey Apartments. LIHI was awarded County funds for two projects last round. Little Saigon and Renton Commons. Little Saigon has not begun contract development while Renton Commons has witnessed over $1.2 million in increased costs. While more than half of these costs are due to the cratering of tax credit pricing last November and increased regional construction costs, overall the increase is a concern considering Falkin Associates opinion that the cost estimates for Othello Park Apartments may not be sufficient and there is the potential for future cost overruns.

c. Organizational Financial Soundness
Current ratio of assets to liabilities was almost two to one. The cash ratio for 2015 was 2.9:1 and for 2016, it was 1.8:1. As of 12/31/2016, LIHI had cash and funded reserves of $19M which is more than needed to operate LIHI for 180 days.

d. Equity and Social Justice
This year, the County is using a tool called the "Continuum on Becoming an Anti-Racist, Multicultural Organization" as a yardstick against which to measure how effectively the applicant organization incorporates Equity and Social Justice into its work. Effectively, the Continuum describes how an organization may evolve from an exclusionary institution (where racial and cultural differences are seen as defects) into a changing organization that is tolerant of racial and cultural differences, and ultimately become an anti-racist and multicultural organization that views racial and cultural differences as assets. Going beyond an examination of the organization's cultural competence in providing housing and services to clients, this tool calls for an evaluation of the organization's governance and working culture.

The Continuum identifies that an organization is undergoing symbolic change into a compliance organization when it:

- Makes official policy pronouncements regarding multicultural diversity
- Sees itself as "non-racist" institution with open doors to people of color

- Carries out intentional inclusiveness efforts, recruiting “someone of color” on committees or office staff
- Has an expanding view of diversity to include other socially oppressed groups

Per these characteristics, the applicant may be considered a “compliance organization” in this Continuum because they have 1) required all Housing Management, Supportive Services and Maintenance staff attend a half day training on: “Racial Sensitivities and Boundaries” taught by Bria Chakofsky-Levy, from Seattle Pacific University 2) completed the organizational self-assessment provided by the Seattle-King County Housing Development Consortium (HDC), a racial and social justice toolkit from “Equity and You”; 3) 50% of Board members are people of color and 30% come from low-income communities or represent low-income communities, and 20% are people under the age of 40and 4) creates a culture in LIHI buildings that celebrate diversity, art, music, and culture. Breaking down racial prejudice through engaging residents in cultural and social activities in an effort to build bridges across many cultures.

VII. Review Summary

LIHI proposes to construct 74 units of housing near the Othello Light Rail Station. Fifteen of the units are for homeless families, 18 for people with physical disabilities with the remaining 44 serving the general low income population units. The City of Seattle is the primary local funding source at $6.85 million and has directed LIHI to change the project’s configuration to the current model rather than the TOD project presented to King County last year. The result is a move away from the workforce housing project previously submitted toward a project that reaches lower incomes and homeless units serving working households at 30%AMI. Project operating costs increased over last year’s application significantly in some areas. The most recent updated budget makes new adjustments which include a $177,000 decrease in water and sewer costs that is not fully explained. The project proposes to pay for services with a combination of project cash flow and ORS funding but the ORS ask is unclear. Falkin cautions that the cost estimates for Othello Park Apartments may not be sufficient and there is the potential for future cost overruns. LIHI has a number of projects under development and proposed for development including rehabilitation of the Frye apartments requested by the Seattle Office of Housing. The project is self-scored at 156 points under the LIHTC placing it near the bottom of King County projects competing for credits this round and in a difficult position for securing these funds

The project meets the goal of preserving family housing units within one half mile of a light rail station. The project does not appear to be competitive for LIHTC and it is unclear if the primary local funding source – Seattle’s Office of Housing (OH) -- will prioritize Othello Park over the Frye Apartments, which OH inspections have identified as having a priority capital needs. The new project configuration is still unresolved on questions regarding operating costs, and needed subsidy. Falkin has cautioned that the cost estimates for Othello Park Apartments may not be sufficient and there is the potential for future cost overruns.

Project Name: **LIHI OTHELLO**

UNIT MIX AND AFFORDABILITY

	HFP-funded Units								
Affordable at	30%	40%	60%	80%	Mgr	Mgr	80%	>80%	Total
1 Bedroom	13	18	6						37
2 Bedroom	7	9	3						19
3 Bedroom	6	9	3						18
Total	26	36	12						74

PROJECT FINANCING

Permanent Sources of Funds

Source	**Amount**	**Terms**	**Status** (Proposed, Application Made, Committed)
City of Seattle	$ 6,895,463	Deferred	
Deferred Developer	$ 525,000	Deferred	
LIHTC 9%	$ 15,508,180	Assumes pricing of $1.00	
HFP Capital	**2,000,000**	1%, 50 yrs. Deferred payment	This Application
Total Project Sources	$ 24,928,643		

LIHI OTHELLO

RESIDENTIAL DEVELOPMENT BUDGET

	Residential Costs	Per Unit	Per Sq. Ft.
Acquisition:	$ 1,295,000	$ 17,500	$ 13
Construction Costs:	18,173,163	245,583	180
Professional Fees:	3,130,000	42,297	31
Other Development Costs:	2,330,480	31,493	23
Total Residential Development Costs:	$ 24,928,643	$ 336,874	$ 247

Square feet of parcel to be acquired:	16,987	Average Sq Ft All Unis
Per square foot acquisition:	75	Average Sq Ft All Unis
Residential square feet to be constructed:	100,906	Average Sq Ft All Unis
Nonresidential square feet to be constructed:		Average Sq Ft All Unis
Total square feet to be constructed:	100,906	Average Sq Ft All Unis

PROPOSED RENTS

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# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
13	1 BR	$ 382	40.00	422	30%	59,592
7	1 BR	$ 680	40.00	720	40%	57,120
6	1 BR	$ 1,040	40.00	1,080	60%	74,880
10	2 BR	$ 250	65.00	315	30%	30,000
8	2 BR	$ 463	65.00	528	40%	44,448
9	2 BR	$ 799	65.00	864	60%	86,292
9	2 BR	$ 1,231	612.00	1,843	30%	132,948
6	3 BR	$ 507	105.00	612	40%	36,504
3	3 BR	$ 893	105.00	998	60%	32,148
3	3 BR	$ 1,392	65.00	1,457	30%	50,112
74						$ 604,044

Project Name: **LIHI OTHELLO**

PROJECT BUDGET

		Total		Residential
Site Control				
Purchase Price	$	1,270,000	$	1,270,000
Liens		-		
Closing, Title & Recording Costs		10,000		10,000
Other:		-		
Other:		15,000		15,000
Subtotal	**$**	**1,295,000**	**$**	**1,295,000**
Construction				
Demolition	$	50,000	$	50,000
Basic Construction Contract		14,840,269		14,840,269
Construction Contingency		1,484,027		1,484,027
Parking				
Site Work and Infrastructure		-		
Off-Site Infrastructure		-		
Environmental Abatement (Building)		-		
Environmental Abatement (Land)		-		
Sales Taxes		1,498,867		1,498,867
Bond Premium		-		
Equipment and Furnishings		300,000		300,000
Other Construction Costs:		-		
Other Construction Costs:		-		
Subtotal	**$**	**18,173,163**	**$**	**18,173,163**
Other Professional Fees				
Appraisal	$	15,000	$	15,000
Market Study		15,000		15,000
Architect		1,100,000		1,100,000
Engineer		-		-
Environmental Assessment		20,000		20,000
Geotechnical Study		10,000		10,000
Boundary & Topographic Survey		20,000		20,000
Legal Fees		100,000		100,000
Developer Fee		1,500,000		1,500,000
Project Management/Development Consultant Fees		-		
Technical Assistance		-		
Other Consultants:		200,000		200,000
Other: **Soft Cost Contingency / waterproofing engineer**		150,000		150,000
Subtotal	**$**	**3,130,000**	**$**	**3,130,000**
Financing and Miscellaneous Other Costs				
Real Estate Tax	$	50,000	$	50,000
Insurance		100,000		100,000
Relocation		14,000		14,000
Bidding Costs		10,000		10,000
Permits, Fees & Hookups		278,500		278,500
Impact/Mitigation Fees		508,702		508,702
Development Period Utilities		20,000		20,000
Bridge Loan Fees		-		
Bridge Loan Interest		80,000		80,000
Construction Loan Fees		280,000		280,000
Construction Loan Interest		325,000		325,000
Other Loan Fees (Impact Capital, State HTF, etc.)		75,000		75,000
State HTF Fees		-		
LIHTC Fees		149,278		149,278
LIHTC Non Profit Donation		25,000		25,000
Accounting/Audit		20,000		20,000
Marketing/Leasing Expenses		125,000		125,000
Carrying Costs at Rent up		-		
Operating Reserves		243,750		243,750
Replacement Reserves		26,250		26,250
Subtotal	**$**	**2,330,480**	**$**	**2,330,480**
Total Project Cost	**$**	**24,928,643**	**$**	**24,928,643**
Summary of Financing Resources				
City of Seattle	$	6,895,463	$	6,895,463
Deferred Developer	$	525,000		525,000
LIHTC 9%	$	15,508,180		15,508,180
	$	-		
	$	-		
	$	-		
	$	-		-
	$	-		-
	$	-		-
HFP Capital	$	2,000,000		2,000,000
Total Project Resources	**$**	**24,928,643**	**$**	**24,928,643**

LIHI OTHELLO

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME			
Rents	$	604,044	
Other Operating Revenues (Parking, laundry, etc)		108,480	
Operating Subsidy 1			
Operating Subsidy 2		60,000	
Operating Subsidies/Mckinney			
Total Residential Income		772,524	
Residential Vacancy		(35,626)	5.0% of Residential Income
Total Non-Residential Income		-	
Non-Residential Vacancy			10.0% of Non-Residential Income
Effective Gross Income		**736,898**	
EXPENSES			
Heat			
Electric		13,439.48	
Water & Sewer		90,000.00	
Garbage Removal		22,090.03	
Contract Repairs		30,000.00	
Maintenance and janitorial		60,000.00	
Management - Off-site		54,151.82	
Management - On-site		142,038.54	
Insurance		40,000.00	
Accounting		9,000.00	
Marketing		10,000.00	
Real Estate Taxes		15,000.00	
Legal		3,500.00	
Decorating / Turnover		30,000.00	
Fire Saftey		927.36	
Pest Control		3,707.37	
Landscpaing		15,000.00	
Security		10,000.00	
Elevator		6,488.42	
Telephone		5,000.00	
Other		20,000.00	
Office / Admin			
Indirect Overhead at 15%			
Total Operating Expenses		**580,343.00**	$7,842 per unit
Replacement Reserves		**26,250**	$355 per unit
Operating Reserve			
Total Operating Expenses & Reserves		**606,593**	
Total Services Expenses		**170,100**	2,299 per unit
Total Expenses		**776,693**	$10,496 per unit
Net Operating Income	**$**	**20,205**	
Debt Service			
Private Debt			
Deferred Developer Fee			
Net Cash Flow	**$**	**20,205**	cash flow with os

LIHI OTHELLO

SERVICES REVENUE AND EXPENSES

REVENUE

Income from Operations	$	90,100
King County ORS		80,000
Total Service Revenue	**$**	**170,100**

EXPENSES

Total Personnel	$	170,100
Total Services Expenses	**$**	**170,100**
Net Services Revenue (Expenses)	$	-

Cash Flow Projection Project: **Othello**

Assumptions:

Annual increase in rental income:	2.5%	**Project vacancy/credit loss rate (residential):**	5.0%
Annual increase in operating expenses:	2.0%	**Project vacancy/credit loss rate (non-residential):**	10.0%

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
OPERATING INCOME															
Residential Rents	$604,044	619,145	634,624	650,489	666,752	683,420	700,506	718,018	735,969	754,368	773,227	792,558	812,372	832,681	853,498
Other Operating Revenues	$108,480	111,192	113,972	116,821	119,742	122,735	125,804	128,949	132,172	135,477	138,864	142,335	145,894	149,541	153,279
Operating Subsidies	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Residential Income	$712,524	730,337	748,596	767,310	786,493	806,156	826,309	846,967	868,141	889,845	912,091	934,893	958,266	982,222	1,006,778
Residential Vacancy	(35,626)	(36,517)	(37,430)	(38,366)	(39,325)	(40,308)	(41,315)	(42,348)	(43,407)	(44,492)	(45,605)	(46,745)	(47,913)	(49,111)	(50,339)
Service Subsidies	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Total Annnual Service Funding	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000
Non-Residential Vacancy	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	**796,898**	**813,820**	**831,166**	**848,945**	**867,169**	**885,848**	**904,994**	**924,619**	**944,734**	**965,353**	**986,486**	**1,008,149**	**1,030,352**	**1,053,111**	**1,076,439**
Operating Expenses															
Heat	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Electric	13,439	13,708	13,982	14,262	14,547	14,838	15,135	15,438	15,746	16,061	16,383	16,710	17,045	17,385	17,733
Water & Sewer	90,000	91,800	93,636	95,509	97,419	99,367	101,355	103,382	105,449	107,558	109,709	111,904	114,142	116,425	118,753
Garbage Removal	22,090	22,532	22,982	23,442	23,911	24,389	24,877	25,374	25,882	26,400	26,928	27,466	28,015	28,576	29,147
Contract Repairs	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	36,570	37,301	38,047	38,808	39,584
Maintenance and janitorial	60,000	61,200	62,424	63,672	64,946	66,245	67,570	68,921	70,300	71,706	73,140	74,602	76,095	77,616	79,169
Management - Off-site	54,152	55,506	56,893	58,316	59,773	61,268	62,800	64,369	65,979	67,628	69,319	71,052	72,828	74,649	76,515
Management - On-site	142,039	145,590	149,229	152,960	156,784	160,704	164,721	168,839	173,060	177,387	181,821	186,367	191,026	195,802	200,697
Insurance	40,000	40,800	41,616	42,448	43,297	44,163	45,046	45,947	46,866	47,804	48,760	49,735	50,730	51,744	52,779
Accounting	9,000	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	12,190	12,434	12,682	12,936
Marketing	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	12,190	12,434	12,682	12,936	13,195
Real Estate Taxes	15,000	15,300	15,606	15,918	16,236	16,561	16,892	17,230	17,575	17,926	18,285	18,651	19,024	19,404	19,792
Legal	3,500	3,570	3,641	3,714	3,789	3,864	3,942	4,020	4,101	4,183	4,266	4,352	4,439	4,528	4,618
Decorating / Turnover	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	36,570	37,301	38,047	38,808	39,584
Fire Saftey	927	946	965	984	1,004	1,024	1,044	1,065	1,087	1,108	1,130	1,153	1,176	1,200	1,224
Pest Control	3,707	3,782	3,857	3,934	4,013	4,093	4,175	4,259	4,344	4,431	4,519	4,610	4,702	4,796	4,892
Landscpaing	15,000	15,300	15,606	15,918	16,236	16,561	16,892	17,230	17,575	17,926	18,285	18,651	19,024	19,404	19,792
Security	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	12,190	12,434	12,682	12,936	13,195
Elevator	6,488	6,618	6,751	6,886	7,023	7,164	7,307	7,453	7,602	7,754	7,909	8,068	8,229	8,393	8,561
Telephone	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975	6,095	6,217	6,341	6,468	6,597
Other	20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974	23,433	23,902	24,380	24,867	25,365	25,872	26,390
Office / Admin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Indirect Overhead at 15%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES	**580,343**	**593,751**	**606,631**	**619,795**	**633,247**	**646,995**	**661,044**	**675,403**	**690,077**	**705,074**	**720,400**	**736,064**	**752,072**	**768,433**	**785,154**
REPLACEMENT RESERVES	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250
OPERATING RESERVES		0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES & RESERVES	776,693	793,503	809,853	826,556	843,619	861,049	878,855	897,044	915,626	934,609	954,001	973,812	994,050	1,014,725	1,035,847
TOTAL SERVICES EXPENSES	170,100	173,502	176,972	180,511	184,122	187,804	191,560	195,391	199,299	203,285	207,351	211,498	215,728	220,042	224,443
NET OPERATING INCOME	**20,205**	**20,317**	**21,312**	**22,389**	**23,550**	**24,799**	**26,139**	**27,575**	**29,108**	**30,744**	**32,485**	**34,337**	**36,302**	**38,386**	**40,592**
Debt Service															
County Loan	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
0															
NET CASH FLOW	**$205**	**$317**	**$1,312**	**$2,389**	**$3,550**	**$4,799**	**$6,139**	**$7,575**	**$9,108**	**$10,744**	**$12,485**	**$14,337**	**$16,302**	**$18,386**	**$20,592**
DEBT SERVICE COVERAGE	**(1.01)**	**(1.02)**	**(1.07)**	**(1.12)**	**(1.18)**	**(1.24)**	**(1.31)**	**(1.38)**	**(1.46)**	**(1.54)**	**(1.62)**	**(1.72)**	**(1.82)**	**(1.92)**	**(2.03)**

King County

Housing Finance Program
2017 Capital Funding - Affordable Housing RFP
Underwriting Report

I. Overview

Sponsor/Owner:	Catholic Housing Services of Western Washington (CHS)		
Development Consultant:	CHS		
Project Name:	Kent Permanent Supportive Housing		
Project Address:	23920 32nd Ave S, Kent WA 98032		
Total Dev Cost:	$23,980,231	$479	per residential unit
KC Funds Requested:	$4,785,255	$59,816	per KC-funded unit
KC Funds Recommended:			
Did this project apply for funding in prior rounds?	No		
Is this project applying for TOD funds?	No		

II. Project Description

a. Housing Model

The Sponsor is proposing to provide 80 units of permanent supportive housing in a mix of 75 studios (37 units at or below 30% of area median income (AMI) and 38 units at or below 50% AMI and five one-bedrooms (three units at or below 30% AMI and two units at or below 50% AMI) for homeless adult individuals. The average square footage of the studios and one-bedrooms is 360 and 580 respectively. This housing design does not include a manager's unit. Thirty-six of the units will be set aside for qualified veterans. Project sponsor also affirms participation in King County Coordinated Entry for All to prioritize the tenant referrals as well as some level of additional priority given to homeless currently residing in the Kent and South King County region.

The Kent Permanent Supportive Housing Project will have staff on site 24 hours a day with at least one being a services provider, at all times. During business hours, Kent PSH will have four Case Managers. Two of these Case Managers will be CHS employees, who will work with the 44 residents in the McKinney Continuum of Care subsidized units. One Case Manager will be a Veterans Affairs employee dedicated to the 36 units supported by Veterans Affairs Supportive Housing (VASH) rental subsidy, which have been awarded by King County Housing Authority (KCHA). One Case Manager on site will be provided by Catholic Community Services' behavioral health program. This staff person will provide mental health and chemical dependency services to residents who are interested in enrolling in a community mental health program.

b. Physical: Project, Site, and Locality Characteristics

Sponsor will newly construct six-story wood-framed 80-unit apartment building with surface parking on 0. 97 acres of undeveloped land. Construction projected to begin September 2018 and completed in approximately thirteen months. Sponsor established site control in August of 2017 with a purchase option agreement, allowing a series of 30 day extensions, each with a nonrefundable cost. In no event will extensions be granted beyond the option deadline of 31 December 2018.

The required environmental review did not indicate the likely presence of contaminated soil; the site is not considered a wetland or otherwise environmentally sensitive. However, it is important to note the site abuts Interstate 5, resulting in a very high noise level. The federal sources of operating and service subsidies being proposed will trigger a noise study that may require design and/or building material changes to satisfactorily attenuate those noise levels in the interior habitable and work spaces. The City of Kent has issued a zoning determination letter in support of this project and its principal use as housing. Under this zoning, the project would be required to provide 60 parking stalls; however, only 30 are being proposed pending a parking study requiring verification and approval from the City of Kent.

The Sponsor has retained the services of SMR Architects who provided preliminary design drawings for this project. Floors two through six are residential with a central laundry on each level, with the first floor dedicated to common spaces, community kitchen, staff spaces, tenant counseling offices, storage, and special storage space for bicycles. The building design incorporates a bed bug treatment room as well as bed bug-proof furniture in all units and common areas. All finishes have been chosen for long-term durability. Project design and construction will yield a total of 67 optional points out of a minimum of 50 in the Evergreen Sustainable Development Standard, with most of its points coming from advanced building envelope design, use of sustainable materials, and water conservation.

The site and surrounding area slope slightly towards the east. Typical property use in the surrounding area is a mixture of industrial, commercial and residential properties. The property is near Highline Community College and less than a ¼ mile to the business corridor of Highway 99 on the west edge of Kent, close to Des Moines. The site is less than a half mile from the planned Kent/Des Moines Station of the Federal Way extension of Link light rail, scheduled to begin service in 2024. The site has easy access to frequent bus service and is just a half mile from a small grocery and produce store and a mile from a Fred Meyer.

c. Roles and Responsibilities

The sponsor organization has in-house development capacity, which is being used for this project. Housing development manager, Patrick Trippy, will have overall project management responsibilities, overseeing the architect, and construction, securing permits, and processing draws. Proposed ownership structure is a single asset limited liability corporation, with CHS acting as the managing partner. The private equity investor will not be involved in the development or the management of the project except to set certain operating parameters through an operating agreement.

The project sponsor will serve as the property management agent. Property management services will include both building maintenance (maintenance, repairs, budget, and technical/administrative requirements). The Sponsor will provide the required supportive services, including behavioral health, which they are licensed to provide. Catholic Housing Services is not a Community Housing Development Organization (CHDO).

III. Development Budget Analysis

a. Sources and Uses

Total development cost for this project is $24M, which yields $300 per unit and $479 per square foot. The capital request to King County is $4,785,255, which yields a leverage ratio of 4:1 and $60 per unit.

King County investment in this project is approximately 20% of total development cost, well below the policy requirement limiting total investment to at or below 50%. In addition to KC, the development budget identifies $3M from the State Housing Trust Fund, $100K from the City of Kent and $16M from 9% low-income housing tax credit equity.

The project operating rental subsidies are from federal sources and will likely trigger federal Davis/Bacon wage rate. The sponsor has determined a less tall building with a larger footprint at residential wage rates would be more expensive than the proposed six-story building at commercial Davis/Bacon wage rates. The construction cost estimate is based on the commercial wage rate. Development budget also lists a capitalized operating reserve of $277K and a service reserve of $150K to be used to cover service-funding deficits. The other capital sources being pursued are $3M from State Housing Trust Fund, $100K from the City of Kent and $16M from 9% low income housing tax credits projected at 96 cents on the dollar.

b. Cost Effectiveness

The $1M acquisition cost is supported by an appraisal conducted by Kidder Mathews. Oddly, the appraisal identifies property as being in the City of Des Moines. The two cites share a boundary in close proximity to project but property is actually in Kent. Development budget shows architect/engineering fees at 2% TDC, which is typical. Impact/mitigation fees are 1% of TDC and do not seem excessive. Developer fee is 5% of TDC, where up to 10% is acceptable. However, the TDC exceeds by 14% the maximum established by WSHFC and will require a cost limit waiver.

The Sponsor obtained a third-party construction cost estimate, which factors in the cost of installation (labor) and yielded a cost of $16. 9M, site work included. An adjusted cost estimate was subsequently created, reducing the estimate to $15M, also including site work.

Falkin report analysis of construction costs took into account federal wage rate (commercial) and the adjusted estimate and found project costs to be excessive at approximately 60% above typical apartment pricing. Site improvement costs higher than average by 122%; site utility costs higher than average by 172%; and HVAC and fire sprinkler system cost higher than average by 369% each. Falkin is recommending that a general contractor also submit an estimate, at least for the line items mentioned above, for comparison as they may be able to provide more typical installation costs.

The off-site scope of work being required is considerable. It has been noted the City of Kent appears to be imposing site improvements/enhancements such as a new road, sidewalk, and related water detention for two sides of the property beyond adding considerably to the total cost. Sponsor has indicated Kent may be willing to mitigate. We have asked Sponsor to provide more details on site improvement costs and the level of conversations with Kent regarding this issue.

c. Financing: Construction and Permanent

The application represents committed bridge loans from Impact Capital and Catholic Charities Foundation. Sponsor is also seeking a $9M construction loan but does not intend to solicit lenders until Spring/Summer of 2018 along with LIHTC investors. None of the permanent sources have been committed. They are seeking $3M from the State Housing Trust Fund, which at this point represents a gap since state capital budget has yet to be funded.

The funding request to KC is high at $4. 785M, producing a leverage ratio of 4:1. The City of Kent is also listed as a permanent source in the amount of $100K. Sponsor intends to seek 9% tax credits but can only offer pricing based on a CHS development in Snohomish County, which was 96 cents. Self-scored tax credit criteria of 172, which would be competitive. No hard debt and no deferred developer fee. NOI of $24K in first year not sufficient to support private debt of any significant amount. It is our experience that a 9% tax credit project is not typically able to support private debt.

IV. Project Services and Operations

a. Operating Pro Forma

Annual gross rental income is from federal rental subsidy sources. The project has a commitment of 36 VASH vouchers from KCHA and is applying for an additional 44 Section 8 rental subsidy vouchers in conjunction with this application. Revenue from rental subsidies, which total approximately $79K after operating expenses, will be directed to services; despite this rental revenue for services, the project will still require $575K in service subsidy in its first year. Budget is projected to start experiencing negative cash flow in year 10 would it not be for the introduction of the service reserve at that point supporting cash flow at just above $20K thru year 15. Explanation of expense line items based in large part on actuals from two similar Permanent Supportive Housing properties operated by the Sponsor.

Project has also been in discussion with King County on its competitiveness for HUD McKinney Continuum of Care funding, and based on the favorable nature of those discussions has included a revenue line item from that source for services. KC ORS staff is responding favorably to the subsidy request in the application as being in line with similar projects, if anything, this application is slightly leaner.

Total operating expense per unit is just over $7K, which would be high compared to the average of $5K but it is in the range of other PSH-type projects. Service expense per unit is just over $8K; again, this is within range of other PSH-type housing.

b. Property Management

The Sponsor will provide property management and be the main services provider. Operations and services staff have close working relationship but separate supervisory chains and functions. Property management services will include both building maintenance (maintenance, repairs, budget, and technical/administrative requirements). In addition to directly performing property management activities, CHS will provide services to address residents' needs (community, safety, psychological, and physical needs).

Facility maintenance includes annual unit, appliance and mechanical equipment inspections. An inventory of all equipment, with date of installation and warranty information, is kept on-site. If deficiencies to any equipment are noted either the on-site staff or a contractor will make repairs. If a replacement is needed, it will be coordinated between CHS and the on-site staff. Property management will conduct a Capital Needs Assessment (CNA) every 5 years and it will be updated annually to establish life cycle markers for capital equipment and material. The CNA will be used in the budgeting process to determine the needed replacement reserves to sustain the project. Budget projects the need for 6. 9FTE operating personnel (1 business manager, 1 maintenance. tech, 2 janitors, 2 CHS admin, and a . 9 program director).

c. Service Model and Funding Analysis

Project will employ the "Housing First" model. Tenants will be referred to the program from the King County CEA and the Veterans Administration. In response to a request from the City of Kent the Sponsor has is seeking to set aside a small subset of units that will be given priority to referrals of homeless individuals that have a history of street homelessness in the Kent area. However, King County CEA has expressed a concern over the difficulties inherent in trying to manage special set-asides such as this. This group will be identified in coordination with the King County Coordinated Entry process. The tenant selection criteria will be based on funding requirements and must meet King County Housing Authority, Low Income Housing Tax Credits, and City and County eligibility.

Project will have staff on site 24 hours a day. At least one of the people on site will be a services provider, at all times. During business hours, the project will have 4 Case Managers. Two of these Case Managers will be CHS employees, who will work with the 44 residents in CoC funded/Section 8 units. One Case Manager will be a Veterans Affairs employee dedicated to the 36 units supported by VASH. One Case Manager on site will be provided by CCS's behavioral health program. This person will provide mental health and chemical dependency services to residents who are interested in enrolling in a community mental health program. In addition to Case Management services, one residential counselor will be onboard during swing shift, grave shift, and on weekends charged with providing services to residents. KC ORS staff believe the staffing plan and budget are reasonable.

d. Referrals and Marketing Plan

Tenants will be referred primarily via KC Coordinated Entry for All program, but will also include referrals from the Veterans Administration for the 36 units supported by VASH. It is expected that the use of these referral sources would ensure affirmative marketing.

V. Market Demand Analysis and Compatibility with Funding Priorities

a. Market Demand

Kidder Mathews provided market study. A penetration rate of 10. 2% indicates the available demand for affordable rents exceeds the available supply of rental housing at the affordability levels of the Sponsor's project. Capture rate was calculated to be 0. 2%, well below the industry threshold of 10%. Latest market vacancy rates are at 3. 3%, projected to average 5. 3% over the next 10 yrs. Absorption is estimated at 30 units/mo. assuming a restricted tax credit operating, which translates into lease-up in about 2 mos. The property is expected to compete well as an income-restricted rental property.

b. Funding Priorities

This project meets the following 2017 King County HFP extremely low-income/homeless housing capital priorities:

- ☒ A majority of units are set-aside for homeless individuals and families, and/or serve special needs populations such as households with a member who is mentally ill, disabled, or developmentally disabled, and provides access to case management and/or behavioral health services (2331, RAHP, HOME)
- ☐ Units are set-aside for individuals in households exiting treatment facilities or other institutionalized settings, or are being served by a Program for Assertive Community Treatment (PACT) team (MIDD 2)

VI. Sponsor Capacity

a. Portfolio and Performance

This sponsor has eight projects under contract with KC. Going back three years, all compliance reporting was submitted completed and on time. Those projects that were projected to generate healthy NOI are doing so, and likewise, those projects that were not expected to generate NOI, do not. None of those projects are reporting negative cash flow. These projects also receive satisfactory assessments on the physical property inspections. Overall, the sponsor appears to have capacity to effectively manage and maintain their portfolio.

b. Pipeline and Development Capacity

Sponsor has a tax credit project being developed in Snohomish County, but it is unclear about its development stage. There are four members of the Sponsor development team, a VP of Housing & Community Dev, one housing development manager and two housing developer staff. It's reasonable to expect the Sponsor has adequate capacity to develop the proposed KC project.

c. Equity and Social Justice

This year, the County is using a tool called the "Continuum on Becoming an Anti-Racist, Multicultural Organization" as a yardstick against which to measure how effectively the applicant organization incorporates Equity and Social Justice into its work. Effectively, the Continuum describes how an organization may evolve from an exclusionary institution (where racial and cultural differences are seen as defects) into a changing organization that is tolerant of racial and cultural differences, and ultimately become an anti-racist and multicultural organization that views racial and cultural differences as assets. Going beyond an examination of the organization's cultural competence in providing housing and services to clients, this tool calls for an evaluation of the organization's governance and working culture.

The Continuum identifies that an organization is undergoing symbolic change into a compliance organization when it:

- Makes official policy pronouncements regarding multicultural diversity
- Sees itself as "non-racist" institution with open doors to people of color
- Carries out intentional inclusiveness efforts, recruiting "someone of color" on committees or office staff
- Has an expanding view of diversity to include other socially oppressed groups

Per these characteristics, the applicant may be considered a "compliance organization" in this Continuum.

Lots of diversity within CHS staff, and an in-house ability to speak several different languages, which is not surprising. Appears this Sponsor has made some attempts at in-house cultural competency training with what they call "Diversity Circles" for management and something called "Multi Racial Action Teams" for employees designed to address racial, gender, ethnic and special needs biases. These things together, one could reasonably assume, might make a positive difference in addressing the issue of disproportionality, but the application does not offer any data or speak specifically to that issue. The board of Catholic Housing Services of Western Washington is composed of three women and six men. One board member is Native American, one board member is Filipino, and the other seven board members are Caucasian. The Sponsor's responses to KC supplemental questions covering race and social justice lacked specific examples of institutional changes being pursued nor specific examples of the cultural and/or racial barriers being lowered or eliminated. All things considered, this Sponsor's efforts should have an effect on the disproportionality between the racial make-up of this regions homeless and the racial make-up of the population of individuals being housed, if only marginally.

VII. Review Summary

The Sponsor has a proven track record with previous County-funded projects that continue to be successfully managed physically and financially without contract compliance issues. The project itself would fill an important need due to the lack of permanent supportive housing in South King County. However, there are challenges, some of which could be mitigated by the passing of the impending Veterans, Seniors and Human Services Levy vote and the passing of the State capital budget. The two most prominent challenges are related. One is the size of the capital request to KC, and how that would affect our ability to fund other projects. The other issue is the costliness of the construction budget, and particularly the off-site scope of work being required by the City of Kent. We also have the issue of a gap pending the success of the state capital budget. This project has a capitalized “service reserve”, which is understood could make the project more attractive to private investors. However, this project has budgeted a federal rental subsidy for all 80 units. It appears that rather than increasing its contribution to operating revenue from cash flow, the Sponsor has chosen to make large annual service reserve contributions thru year 8, only to begin drawing those reserves down beginning in year ten. This is not a preferred strategy. This project is also requesting $3M from Commerce, which effectively represents a gap because the State capital budget is not in place. The other issue is the cost of the on-site and off-site improvements the City of Kent wishes to impose. These costs, along with the anticipated commercial wage rates (federal or state) are what have driven the TDC per sq. ft. to approximately $479. Falkin recommends another cost estimate from a general contractor might yield more realistic installation (labor) cost factors.

This project meets the objective of KC Consolidated Plan. There is a recognized shortage of PSH in South KC; it has a commitment of 36 VASH from KCHA; it is being favored as the Seattle/King County entrant in the “new” project category within the McKinney Continuum of Care application in 2018. Review by ORS staff indicates reasonable staffing plan and associated costs. Sponsor has a track record stretching back to 1987 on successful tax credit developments, as the managing partner in 17 such projects w/o incurring any compliance findings by the WSHFC. Sponsor has eight projects under contract with KC and no documented issues of late compliance reporting nor compliance issues, either financial or physical repair.

Project Name: **CHS Kent PSH**

UNIT MIX AND AFFORDABILITY

	HFP-funded Units								
Affordable at	30%	40%	50%	80%	Mgr	Mgr	80%	>80%	Total
Studios	37		38						75
1 Bedroom	3		2						5
Total	40		40						80

PROJECT FINANCING

Permanent Sources of Funds

Source	**Amount**	**Terms**	**Status** (Proposed, Application Made, Committed)
State HTF	$ 3,000,000	Deferred	
City	$ 100,000	Deferred	application made
LIHTC 9%	$ 16,094,976	$0.96 (172)	proposed
HFP Capital	**4,785,255**	1%, 50 yrs. Deferred payment	This Application
Total Project Sources	$ 23,980,231		

CHS Kent PSH

RESIDENTIAL DEVELOPMENT BUDGET

	Residential Costs	Per Unit	Per Sq. Ft.
Acquisition:	$ 1,023,000	$ 12,788	$ 20
Construction Costs:	18,274,045	228,426	365
Professional Fees:	1,928,640	24,108	39
Other Development Costs:	2,754,547	34,432	55
Total Residential Development Costs:	$ 23,980,232	$ 299,753	$ 479

Square feet of parcel to be acquired:	42,290
Per square foot acquisition:	$ 24
Residential square feet to be constructed:	50,045
Nonresidential square feet to be constructed:	-
Total square feet to be constructed:	50,045

PROPOSED RENTS

# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
3	30% 1 BR	$ 1,040		1,040	30%	37,440
2	50% 1 BR	$ 1,040		1,040	50%	24,960
37	30% Studio	$ 869		869	30%	385,836
38	50% Studio	$ 869		869	50%	396,264
80						$ 844,500

Project Name: **CHS Kent PSH**

PROJECT BUDGET

		Total		Residential
Site Control				
Purchase Price	$	1,000,000	$	1,000,000
Closing, Title & Recording Costs		23,000		23,000
Other:		-		
Other:		-		
Subtotal	**$**	**1,023,000**	**$**	**1,023,000**
Construction				
Basic Construction Contract		12,685,234		12,685,234
Construction Contingency - 13%		1,601,594		1,601,594
Site Work and Infrastructure		2,330,703		2,330,703
Environmental Abatement (Land)		-		
Sales Taxes		1,426,514		1,426,514
Equipment and Furnishings		180,000		180,000
Other Construction Costs: Insurance		50,000		50,000
Other Construction Costs:		-		
Subtotal	**$**	**18,274,045**	**$**	**18,274,045**
Other Professional Fees				
Appraisal	$	4,000	$	4,000
Market Study		4,000		4,000
Architect		588,640		588,640
Environmental Assessment		10,000		10,000
Geotechnical Study		5,000		5,000
Boundary & Topographic Survey		20,000		20,000
Legal Fees		75,000		75,000
Developer Fee		1,300,000		1,300,000
Project Management/Development Consultant Fees		25,000		25,000
Technical Assistance		-		
Other Consultants:		15,000		15,000
Other: **Soft Cost Contingency**		100,000		100,000
Subtotal	**$**	**2,146,640**	**$**	**2,146,640**
Financing and Miscellaneous Other Costs				
Insurance		50,000		50,000
Real Estate Tax		5,000		5,000
Permits, Fees & Hookups		577,187		577,187
impact mitigation		215,879		215,879
Development Utilties		15,000		15,000
Bridge Loan Interest		30,000		30,000
Bridge Loan Fee		20,000		20,000
Construction Loan Fees		121,370		121,370
Construction Loan Interest		309,493		309,493
Other Loan Fees (Impact Capital, State HTF, etc.)		-		
State HTF Fees		60,000		60,000
LIHTC Fees		243,087		243,087
LIHTC Owners Title Policy		18,000		18,000
LIHTC Non Profit Donation		25,000		25,000
Accounting/Audit		20,000		20,000
Marketing/Leasing Expenses		15,000		15,000
Operating Reserves		277,649		277,649
Services Reserve		150,000		150,000
Carry Cost Rent Up/Lease Up		40,000		40,000
LeaseUp Period Int		343,882		343,882
Replacement Reserves		-		
Subtotal	**$**	**2,536,547**	**$**	**2,536,547**
Total Project Cost	**$**	**23,980,232**	**$**	**23,980,232**
Summary of Financing Resources				
State HTF	$	3,000,000	$	3,000,000
City	$	100,000		100,000
LIHTC 9%	$	16,094,976		16,094,976
HFP Capital		4,785,255		4,785,255
Total Project Resources	**$**	**23,980,231**	**$**	**23,980,231**

CHS Kent PSH

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME		
Rents	$ 844,500	
Other Operating Revenues (Parking, laundry, etc)		
Service Subsidies	573,954	
Total Residential Income	1,418,454	
Residential Vacancy	(42,225)	5.0% of Residential Income
Total Non-Residential Income	-	
Non-Residential Vacancy		10.0% of Non-Residential Income
Effective Gross Income	**1,376,229**	
EXPENSES		
Heat		
Electric	31,739	
Oil/gas/other	5,455	
Water & Sewer	32,609	
Garbage Removal	20,000	
Tele	6,500	
Turnover	1,500	
Landscaping	8,500	
Pest	10,000	
Fire Safety	2,000	
Elevator	7,200	
Contract Repairs	9,500	
Maintenance and janitorial	29,550	
Management - Off-site	71,487	
Management - On-site	261,103	
Insurance	16,000	
Legal	2,500	
Security	3,600	
Accounting	21,900	
Marketing	500	
Real Estate Taxes		
Other	30,120	
Total Operating Expenses	**571,763**	$7,147 per unit
Replacement Reserves	**32,000**	$400 per unit
Operating Reserve	**95,000**	
Total Operating Expenses & Reserves	**698,763**	
Total Services Expenses	**653,455**	8,168 per unit
Total Expenses	**1,352,218**	$16,903 per unit
Net Operating Income	**$ 24,011**	
Debt Service		
Private Debt		
Deferred Developer Fee		
Net Cash Flow	**$24,011**	

CHS Kent PSH

SERVICES REVENUE AND EXPENSES

REVENUE

Income from Operations	$	79,501
CoC Funding		199,609
King County		310,557
CCS Counseling, Recovery and Wellness (CReW)		63,788
Total Service Revenue	**$**	**653,455**

EXPENSES

Total Personnel	$	627,455
Cash Assistance to Families	$	8,000
Other	$	9,000
Other	$	9,000
Total Services Expenses	**$**	**653,455**

Net Services Revenue (Expenses)	$	-

Cash Flow Projection Project: **CHS Kent PSH**

Assumptions:			
Annual increase in rental income:	**2.5%**	**Project vacancy/credit loss rate (residential):**	**5.0%**
Annual increase in operating expenses:	**3.5%**	**Project vacancy/credit loss rate (non-residential):**	**10.0%**

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
OPERATING INCOME								
Residential Rents	$844,500	865,613	887,253	909,434	932,170	955,474	979,361	1,003,845
Service Reserves								
Operating Subsidies	-							
Service Subsidies	$573,954	588,303	603,010	618,086	633,538	649,376	665,611	682,251
Total Residential Income	$1,418,454	1,453,915	1,490,263	1,527,520	1,565,708	1,604,851	1,644,972	1,686,096
Residential Vacancy	(42,225)	(43,281)	(44,363)	(45,472)	(46,608)	(47,774)	(48,968)	(50,192)
Total Non-Residential Income								
Non-Residential Vacancy								
EFFECTIVE GROSS INCOME	**1,376,229**	**1,410,635**	**1,445,901**	**1,482,048**	**1,519,099**	**1,557,077**	**1,596,004**	**1,635,904**
Operating Expenses								
Heat								
Electric	31,739	32,850	34,000	35,190	36,421	37,696	39,015	40,381
Oil/gas/other	5,455	5,646	5,844	6,048	6,260	6,479	6,706	6,940
Water & Sewer	32,609	33,750	34,932	36,154	37,420	38,729	40,085	41,488
Garbage Removal	20,000	20,700	21,425	22,174	22,950	23,754	24,585	25,446
Tele	6,500	6,728	6,963	7,207	7,459	7,720	7,990	8,270
Turnover	1,500	1,553	1,607	1,663	1,721	1,782	1,844	1,908
Landscaping	8,500	8,798	9,105	9,424	9,754	10,095	10,449	10,814
Pest	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723
Fire Safety	2,000	2,070	2,142	2,217	2,295	2,375	2,459	2,545
Elevator	7,200	7,452	7,713	7,983	8,262	8,551	8,851	9,160
Contract Repairs	9,500	9,833	10,177	10,533	10,901	11,283	11,678	12,087
Maintenance and janitorial	29,550	30,584	31,655	32,763	33,909	35,096	36,324	37,596
Management - Off-site	71,487	73,989	76,579	79,259	82,033	84,904	87,876	90,951
Management - On-site	261,103	270,242	279,700	289,490	299,622	310,108	320,962	332,196
Insurance	16,000	16,560	17,140	17,739	18,360	19,003	19,668	20,356
Legal	2,500	2,588	2,678	2,772	2,869	2,969	3,073	3,181
Security	3,600	3,726	3,856	3,991	4,131	4,276	4,425	4,580
Accounting	21,900	22,667	23,460	24,281	25,131	26,010	26,921	27,863
Marketing	500	518	536	554	574	594	615	636
Real Estate Taxes								
Other	30,120	31,174	32,265	33,395	34,563	35,773	37,025	38,321
TOTAL OPERATING EXPENSES	**571,763**	**591,775**	**612,487**	**633,924**	**656,111**	**679,075**	**702,843**	**727,442**
REPLACEMENT RESERVES	32,000	33,120	34,279	35,479	36,721	38,006	39,336	40,713
OPERATING RESERVES	95,000	80,000	70,000	65,000	58,000	40,000	30,000	18,000
TOTAL OPERATING EXPENSES & RESERVES	698,763	704,895	716,766	734,403	750,832	757,081	772,179	786,155
TOTAL SERVICES EXPENSES	653,455	676,326	699,997	724,497	749,855	776,100	803,263	831,377
NET OPERATING INCOME	**24,011**	**29,414**	**29,137**	**23,148**	**18,413**	**23,896**	**20,562**	**18,371**
Debt Service								
Private Debt								
Deferred Developer Fee								
NET CASH FLOW	**$24,011**	**$29,414**	**$29,137**	**$23,148**	**$18,413**	**$23,896**	**$20,562**	**$18,371**
DEBT SERVICE COVERAGE								

Cash Flow Projection Project: **CHS Kent PSH**

Assumptions:			
Annual increase in rental income:	**2.5%**	**Project vacancy/credit loss rate (residential):**	**5.0%**
Annual increase in operating expenses:	**3.5%**	**Project vacancy/credit loss rate (non-residential):**	**10.0%**

Year	**9**	**10**	**11**	**12**	**13**	**14**	**15**
OPERATING INCOME							
Residential Rents	1,028,941	1,054,665	1,081,031	1,108,057	1,135,759	1,164,153	1,193,256
Service Reserves		20,000	39,000	57,000	75,000	95,000	120,000
Operating Subsidies							
Service Subsidies	699,307	716,790	734,710	753,077	771,904	791,202	810,982
Total Residential Income	1,728,248	1,791,455	1,854,741	1,918,135	1,982,663	2,050,355	2,124,238
Residential Vacancy	(51,447)	(52,733)	(54,052)	(55,403)	(56,788)	(58,208)	(59,663)
Total Non-Residential Income							
Non-Residential Vacancy							
EFFECTIVE GROSS INCOME	**1,676,801**	**1,738,721**	**1,800,689**	**1,862,732**	**1,925,875**	**1,992,147**	**2,064,576**
Operating Expenses							
Heat							
Electric	41,794	43,257	44,771	46,338	47,960	49,638	51,376
Oil/gas/other	7,183	7,435	7,695	7,964	8,243	8,531	8,830
Water & Sewer	42,940	44,443	45,998	47,608	49,274	50,999	52,784
Garbage Removal	26,336	27,258	28,212	29,199	30,221	31,279	32,374
Tele	8,559	8,859	9,169	9,490	9,822	10,166	10,522
Turnover	1,975	2,044	2,116	2,190	2,267	2,346	2,428
Landscaping	11,193	11,585	11,990	12,410	12,844	13,294	13,759
Pest	13,168	13,629	14,106	14,600	15,111	15,640	16,187
Fire Safety	2,634	2,726	2,821	2,920	3,022	3,128	3,237
Elevator	9,481	9,813	10,156	10,512	10,880	11,260	11,655
Contract Repairs	12,510	12,948	13,401	13,870	14,355	14,858	15,378
Maintenance and janitorial	38,912	40,274	41,683	43,142	44,652	46,215	47,832
Management - Off-site	94,135	97,429	100,839	104,369	108,022	111,803	115,716
Management - On-site	343,823	355,857	368,312	381,202	394,545	408,354	422,646
Insurance	21,069	21,806	22,570	23,360	24,177	25,023	25,899
Legal	3,292	3,407	3,526	3,650	3,778	3,910	4,047
Security	4,741	4,906	5,078	5,256	5,440	5,630	5,827
Accounting	28,838	29,847	30,892	31,973	33,092	34,251	35,449
Marketing	658	681	705	730	756	782	809
Real Estate Taxes							
Other	39,662	41,050	42,487	43,974	45,513	47,106	48,755
TOTAL OPERATING EXPENSES	**752,903**	**779,254**	**806,528**	**834,757**	**863,973**	**894,212**	**925,510**
REPLACEMENT RESERVES	42,138	43,613	45,139	46,719	48,354	50,047	51,798
OPERATING RESERVES							
TOTAL OPERATING EXPENSES & RESERVES	795,041	822,867	851,667	881,476	912,327	944,259	977,308
TOTAL SERVICES EXPENSES	860,475	890,592	921,763	954,025	987,415	1,021,975	1,057,744
NET OPERATING INCOME	**21,285**	**25,262**	**27,259**	**27,232**	**26,132**	**25,913**	**29,524**
Debt Service							
Private Debt							
Deferred Developer Fee							
NET CASH FLOW	**$21,285**	**$25,262**	**$27,259**	**$27,232**	**$26,132**	**$25,913**	**$29,524**
DEBT SERVICE COVERAGE							

King County

Housing Finance Program
2017 Capital Funding - Affordable Housing RFP
Underwriting Report

I. Overview

Sponsor/Owner:	Downtown Emergency Service Center (DESC)		
Development Consultant:	Lotus Development Partners (Michelle Morlan)		
Project Name:	DESC 22nd Avenue PSH		
Project Address:	1911 22nd Avenue South, Seattle		
Total Dev Cost:	$29,402,569	$326,695	per residential unit
KC Funds Requested:	$1,000,000	$11,111	per regulated unit
KC Funds Recommended:			
Did this project apply for funding in prior rounds?	No		
Is this project applying for TOD funds?	No		

II. Project Description

a. Housing Model

The 22nd Ave Permanent Supportive Housing (PSH) project is a new construction supportive housing project at 1911 22nd Ave South, one half block from the intersection of 23rd Ave and Rainier. This PSH project will provide 90 units for some of Seattle's most vulnerable people experiencing chronic homelessness. DESC plans to develop an integrated primary and behavioral healthcare clinic which will be rented to a service provider to serve people currently experiencing homelessness including residents of this proposed development. Harborview has shown interest in renting the facility and providing services.

b. Physical: Project, Site, and Locality Characteristics

22nd Ave PSH will be a new construction 6-story residential building with 5 levels of studio units over one level of common area and supportive service space. There will be 90 studio units averaging 325 square feet. Units will feature kitchenettes with full size refrigerators, electric range/hood, stovetops with timed auto shut-off and stainless sinks. Baths will include a shower/tub combination in all non-ADA units, showers with low curbs in ADA units, resilient sheet vinyl flooring with coved base and floor drains. The first floor will provide approximately 10,000 square feet of common area including a lounge/recreation space, a warming kitchen and common dining area for daily meal service, offices for on-site clinical and behavioral health services, management offices, computer lab and flexible spaces for program activities.

The project earns an Evergreen Sustainable Development Standard (ESDS) score of 56. ESDS features include: very-low-flow plumbing fixtures, Energy Star lighting and appliances and LED lighting, natural lighting in residential corridors through the use of windows, centrally monitored heating through a Digital Design & Control (DDC) system with sensor-controlled shut-off to prevent significant heat loss if windows are left open.

The site's proximity to Rainier Avenue connects it to several major bus routes, as well as the light rail station to the south (Mt. Baker Station is 0.8 miles) and soon to the East Link light rail station that will be built about .25 miles to the north. Food access in the area includes the Rainier Produce & Farmers Market 0.2 miles south, a QFC grocery store 0.5 miles to the south on Rainier; a 7-Eleven located a half block away; several fast food restaurants with 2-5 blocks. A Bartell's pharmacy is located 0.4 miles away on Rainier Ave. The site achieves a "walkscore" of 83 (out of 100) on walkscore.com.

c. Roles and Responsibilities

DESC's Senior Property Developers, Jessica Adams and Jenny Weinstein, will provide direction and communication to consultants for each development task. The core project development team comprises a project and construction manager, a design firm, and a to-be-selected general contractor. The project and construction manager is Lotus Development Partners, whose principal Michelle Morlan has 25 years of experience in development, finance and project management for affordable housing. The design firm is Runberg Architecture.

During the first 15 years, the DESC will be the General Partner and the investor will be the Limited Partner. At the end of the 15 year compliance period, DESC will purchase the tax credit investor's interest and assume 100% ownership of the project.

DESC will serve as both property manager and service provider, using a staffing model that promotes integration and constant coordination between operations and service staff. Instead of having separate staff for these two functions, DESC integrates support services with property management.

III. Development Budget Analysis

a. Sources and Uses

The total development cost is $326,695 per unit or $555 per square foot.. County funds comprise about 3% of the total $29.4 million development cost which is not unusual for a Seattle-based project where the Office of Housing is the primary public funder. The request is appropriate and within mandates in HFP Guidelines.

b. Cost Effectiveness

Acquisition costs are supported by an appraisal. Falkin Associates reviewed the construction estimates and determined that the information provided represented early design concepts with planning and design ideas well-thought out to meet the critical needs of homeless individuals. Falkin determined the hard cost budget to be higher than anticipated for the proposed scope of work and suggests the following cost savings measures: Delete the second elevator, reconsider exterior metal siding in favor of hardie-siding (also known as cement board siding), and reconsider the exterior window wall alternative which currently comprises half of the street level exterior walls.

c. Financing: Construction and Permanent

DESC has obtained acquisition/bridge financing from the Corporation for Supportive Housing, a nonprofit CDFI for 24 months at a 6.25% interest rate. In addition DESC plans on securing $10 million in bridge financing from a bank with an estimated 3.5% interest rate. These loans will be taken out with 9% Low Income Housing Tax Credit (LIHITC) equity and public funds. Proposed Public Funds include $9.5 million from the City of Seattle, $3 million from the State Housing Trust Fund, and $1 million from King County HFP, in addition to a sponsor contribution of $1.365 million. DESC anticipates tax credit pricing at 0.93 cents which is on the low end of current estimates. The project is self-scored at 175 points under the LIHTC making it competitive for projects competing for credits this round.

IV. Project Services and Operations

a. Operating Pro Forma

The operating pro forma appears to be an accurate reflection of DESC's existing proven PSH model combining very modest rental income with available operating and services subsidies. Reliance on a new statewide Medicaid benefit to pay for services in supportive housing carries risk in that it is dependent on volatile federal health care policy and spending.

b. Property Management

DESC uses an established successful integrated management model where all project staff function as one team within a single building-wide reporting structure. Residential Counselors (RCs) provide property operations functions including 24/7 security, inspecting common areas and generating work orders. RCs collaborate with the janitorial and maintenance team to maintain the property and with the Clinical Support Specialists to assist tenants in keeping their apartments clean and in good repair.

c. Service Model and Funding Analysis

DESC employs a Housing First approach: tenants participate in case management to the best of their abilities and at a pace that they can tolerate. Under the Housing First model, new service components are introduced when the client shows that she or he is ready to become further engaged.

DESC proposes staffing at the following level: 4 FTE Clinical Support Socialists, 11 FTE Residential Counselors, and 1 FTE Residential Counselor Supervisor. Services will be delivered onsite in tenant apartments, in CSS offices onsite, or in the case of group activities such as community meals and discussion groups in the community rooms. Staffing levels mirror the established and successful DESC model that has been supported by King County. Reliance on a new statewide Medicaid benefit to pay for services in supportive housing carries risk in that it is dependent on volatile federal health care policy and spending.

d. Referrals and Marketing Plan

DESC will work with the Coordinated Entry system as part of King County's implementation of Coordinated Entry for All (CEA) using a common assessment and triage tool, and housing placements will be allocated based on the duration of homeless and the individual's score. All units will be filled through CEA referral, no project waitlist will be established or maintained.

V. Market Demand Analysis and Compatibility with Funding Priorities

a. Market Demand
A market study is in process as this project is contemplated as a LIHTC project. However, HFP Guidelines do not require market studies for projects serving homeless populations.

b. Funding Priorities
This project meets the following 2017 King County HFP extremely low-income/homeless housing capital priorities:

- ☒ A majority of units are set-aside for homeless individuals and families, and/or serve special needs populations such as households with a member who is mentally ill, disabled, or developmentally disabled, and provides access to case management and/or behavioral health services (2331, RAHP, HOME)
- ☐ Units are set-aside for individuals in households exiting treatment facilities or other institutionalized settings, or are being served by a Program for Assertive Community Treatment (PACT) team (MIDD 2)

VI. Sponsor Capacity

a. Portfolio and Performance
DESC has an extensive housing portfolio and is in compliance with all King County funded investments. One issue involves the need for rehabilitation of the Morrison apartments. This project has a failing heating system due to pipe failure leading to costly repairs and displacement of tenants in affected units.

b. Pipeline and Development Capacity
The project appears to be well-within the development capacity of the applicant with the only other activity the organization is perusing this funding round is rehabilitation of the Morrison Apartments. DESC's N. 96th Street project received King County funds last year and is currently projected to close by the end of year.

c. Organizational Financial Soundness
DESC total assets as of 12/31/2016 totaled \$135,367,739 compared to \$127,626,533 as of 12/31/2015 and \$116,661,499 as of 12/31/2014, a favorable trend. Cash and cash equivalents are also trending up over the last three years of audits. DESC auditors state that no material weaknesses have been identified and that the auditee qualifies as "low-risk."

d. Equity and Social Justice
This year, the County is using a tool called the "Continuum on Becoming an Anti-Racist, Multicultural Organization" as a yardstick against which to measure how effectively the applicant organization incorporates Equity and Social Justice into its work. Effectively, the Continuum describes how an organization may evolve from an exclusionary institution (where racial and

cultural differences are seen as defects) into a changing organization that is tolerant of racial and cultural differences, and ultimately become an anti-racist and multicultural organization that views racial and cultural differences as assets. Going beyond an examination of the organization's cultural competence in providing housing and services to clients, this tool calls for an evaluation of the organization's governance and working culture.

The Continuum identifies that an organization is undergoing symbolic change into a compliance organization when it

- Makes official policy pronouncements regarding multicultural diversity
- Sees itself as "non-racist" institution with open doors to people of color
- Carries out intentional inclusiveness efforts, recruiting "someone of color" on committees or office staff
- Has an expanding view of diversity to include other socially oppressed groups

Per these characteristics, the applicant may be considered a "compliance organization" in this Continuum because they have 1) embarked on a strategic initiative to address institutional racism 2) made a commitment to increase awareness, knowledge, and appreciation needed to work with cross-cultural proficiency with DESC clients, staff & other organizational stakeholders; 3) has a board where 37% of people are non-white or women and 4) has made a commitment to promote understanding & awareness to better incorporate cultural competency skills & humility into services.

VII. Review Summary

DESC proposes to construct 90 units of permanent supportive housing one half block from the intersection of 23rd Ave and Rainier. This PSH project will provide 90 units for some of Seattle's most vulnerable people experiencing chronic homelessness. DESC plans to develop an integrated primary and behavioral healthcare clinic adjacent to the housing which will be rented to a service provider to serve people currently experiencing homelessness including residents of this proposed development. Harborview has shown interest in renting the facility and providing services. Falkin Associates reviewed the construction estimates and determined that the information provided represented early design concepts with planning and design ideas well thought out to meet the critical needs of homeless individuals. Falkin determined the hard cost budget to be higher than anticipated for the proposed scope of work. The City of Seattle is the primary local funding source at $9.5 million and has directed DESC to change the project's configuration to include housing atop the proposed clinic. Plans for this change are not available and the cost is unclear. The project is self-scored at 175 points under the LIHTC making it competitive for projects competing for 9% credits this round. The project proposes to pay for services in part with a new statewide Medicaid benefit which could be threatened by volatile federal health care policy and spending.

The project meets the goal of creating permanent supportive housing for the most vulnerable populations while providing access to case management and/or behavioral health services. Construction estimates are based on early design concepts which are in flux as the sponsor seeks to meet the recommendations of OH to include additional units atop the proposed clinic.

Project Name: **DESC**

UNIT MIX AND AFFORDABILITY

	HFP-funded Units								
Affordable at	30%	40%	60%	80%	Mgr	Mgr	80%	>80%	Total
Suites/Carrels									
Bedrooms									
SRO									
Studios	90								90
1 Bedroom									
2 Bedroom									
3 Bedroom									
Total	90								90

PROJECT FINANCING

Permanent Sources of Funds

Source	**Amount**	**Terms**	**Status** (Proposed, Application Made, Committed)
City of Seattle	$ 9,520,742	Deferred	Proposed
State HTF	$ 3,000,000	Deferred	Proposed
LIHTC	$ 15,881,827	Assumes Pricing at 93 cents.	Proposed
HFP Capital	**1,000,000**	1%, 50 yrs. Deferred payment	This Application
Total Project Sources	$ 29,402,569		

DESC

RESIDENTIAL DEVELOPMENT BUDGET

	Residential Costs	Per Unit	Per Sq. Ft.
Acquisition:	$ 2,047,500	$ 22,750	$ 39
Construction Costs:	20,349,330	226,104	384
Professional Fees:	3,643,519	40,484	69
Other Development Costs:	3,362,220	37,358	63
Total Residential Development Costs:	$ 29,402,569	$ 326,695	$ 555

Square feet of parcel to be acquired:	21,009	Average Sq Ft All Unis
Per square foot acquisition:		Average Sq Ft All Unis
Residential square feet to be constructed:	53,020	Average Sq Ft All Unis
Nonresidential square feet to be constructed:		Average Sq Ft All Unis
Total square feet to be constructed:		Average Sq Ft All Unis

PROPOSED RENTS

`

# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
90	1 BR	$ 176		176		190,080
90						$ 190,080

Project Name: **DESC**

PROJECT BUDGET

		Total		Residential		Non-Residential
Site Control						
Purchase Price	$	1,950,000	$	1,950,000		
Liens		-				
Closing, Title & Recording Costs		97,500		97,500		
Other:		-				
Other:		-				
Subtotal	**$**	**2,047,500**	**$**	**2,047,500**	**$**	**-**
Construction						
Demolition	$	-			$	-
Basic Construction Contract		16,578,959		16,578,959		
Construction Contingency		1,657,896		1,657,896		
Parking						
Site Work and Infrastructure		-				
Off-Site Infrastructure		-				
Environmental Abatement (Building)		108,000		108,000		
Environmental Abatement (Land)		-				
Sales Taxes		1,674,475		1,674,475		
Bond Premium		-				
Equipment and Furnishings		330,000		330,000		
Other Construction Costs:		-				
Other Construction Costs:		-				
Subtotal	**$**	**20,349,330**	**$**	**20,349,330**	**$**	**-**
Other Professional Fees						
Appraisal	$	15,000	$	15,000		
Market Study		5,500		5,500		
Architect		1,325,585		1,325,585		
Engineer		50,000		50,000		
Environmental Assessment		15,000		15,000		
Geotechnical Study		25,000		25,000		
Boundary & Topographic Survey		15,000		15,000		
Legal Fees		-		-		
Developer Fee		2,092,434		2,092,434		
Project Management/Development Consultant Fees		-				
Technical Assistance		-				
Other Consultants:		50,000		50,000		
Other: **Soft Cost Contingency / waterproofing engineer**		50,000		50,000		
Subtotal	**$**	**3,643,519**	**$**	**3,643,519**	**$**	**-**
Financing and Miscellaneous Other Costs						
Real Estate Tax	$	47,674	$	47,674	$	-
Insurance		45,373		45,373		
Relocation		70,000		70,000		
Bidding Costs		6,000		6,000		
Permits, Fees & Hookups		828,948		828,948		
Impact/Mitigation Fees		-				
Development Period Utilities		3,500		3,500		
Bridge Loan Fees		53,507		53,507		
Bridge Loan Interest		307,000		307,000		
Construction Loan Fees		150,200		150,200		
Construction Loan Interest		309,103		309,103		
Other Loan Fees (Impact Capital, State HTF, etc.)		221,207		221,207		
State HTF Fees		60,000		60,000		
LIHTC Fees		115,000		115,000		
LIHTC Non Profit Donation		25,000		25,000		
Accounting/Audit		15,000		15,000		
Marketing/Leasing Expenses		-				
Carrying Costs at Rent up		50,000		50,000		
Operating Reserves		754,709		754,709		
Replacement Reserves		300,000		300,000		
Subtotal	**$**	**3,362,220**	**$**	**3,362,220**	**$**	**-**
Total Project Cost	**$**	**29,402,569**	**$**	**29,402,569**	**$**	**-**
Summary of Financing Resources						
City of Seattle	$	9,520,742			$	9,520,742
State HTF	$	3,000,000				3,000,000
LIHTC	$	15,881,827				15,881,827
HFP Capital	$	1,000,000		1,000,000		-
Total Project Resources	**$**	**29,402,569**	**$**	**1,000,000**	**$**	**28,402,569**

DESC

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME		
Rents	$ 190,080	
Other Operating Revenues (Parking, laundry, etc)		
Operating Subsidy 1		
Operating Subsidy 2	1,003,027	
Operating Subsidies/Mckinney		
Total Residential Income	1,193,107	
Residential Vacancy	(59,655)	5.0% of Residential Income
Services	956,339	
Non-Residential Vacancy		10.0% of Non-Residential Income
Effective Gross Income	**2,089,790**	
EXPENSES		
Heat	14,517	
Electric	40,519.00	
Water & Sewer	82,387.00	
Garbage Removal	22,182.00	
Contract Repairs	57,885.00	
Maintenance and janitorial	50,553.00	
Management - Off-site	31,712.85	
Management - On-site	299,958.48	
Insurance	22,340.00	
Accounting	16,528.00	
Marketing		
Real Estate Taxes	16,521.00	
Legal	924.00	
Decorating / Turnover	10,300.00	
Fire Saftey	17,806.00	
Pest Control	21,761.00	
Landscpaing	4,803.00	
Security	1,194.00	
Elevator	3,643.00	
Telephone	15,798.00	
Other	9,785.00	
Office / Admin	116,861.00	
Indirect Overhead at 15%	240,473.00	
Total Operating Expenses	**1,098,451.33**	$12,205 per unit
Replacement Reserves	**35,000**	$389 per unit
Operating Reserve		
Total Operating Expenses & Reserves	**1,133,451**	
Total Services Expenses	**956,339**	10,626 per unit
Total Expenses	**2,089,790**	$23,220 per unit
Net Operating Income	**$ 0**	
Debt Service		
Private Debt		
Deferred Developer Fee		
Net Cash Flow	**$ 0**	

DESC

SERVICES REVENUE AND EXPENSES

REVENUE

Income fıney, ORS, Medicaid	$	956,339
King County ORS		331,671
Total Service Revenue	**$**	**1,288,010**

EXPENSES

Total Personnel	$	1,064,325
Accountant	$	7,626
Maintenance	$	53,908
Janitorial	$	130,438
Admin	$	31,713
Total Services Expenses	**$**	**1,288,010**
Net Services Revenue (Expenses)	$	(0)

Cash Flow Projection Project: **501 Rainier Supportive Housing**

Assumptions:

Annual increase in rental income:	2.5%	**Project vacancy/credit loss rate (residential):**	5.0%
Annual increase in operating expenses:	3.5%	**Project vacancy/credit loss rate (non-residential):**	10.0%

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
OPERATING INCOME															
Residential Rents	$190,080	194,832	199,703	204,695	209,813	215,058	220,435	225,945	231,594	237,384	243,318	249,401	255,636	262,027	268,578
Other Operating Revenues	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Subsidies	$331,671	343,280	355,295	367,730	380,600	393,921	407,709	421,979	436,748	452,034	467,855	484,230	501,178	518,719	536,875
Total Residential Income	1,193,107	1,233,576	1,275,462	1,318,813	1,363,682	1,410,122	1,458,186	1,507,934	1,559,422	1,612,712	1,667,867	1,724,953	1,784,037	1,845,189	1,908,481
Residential Vacancy	($59,655)	(61,679)	(63,773)	(65,941)	(68,184)	(70,506)	(72,909)	(75,397)	(77,971)	(80,636)	(83,393)	(86,248)	(89,202)	(92,259)	(95,424)
Service Subsidies	956,339	989,811	1,024,454	1,060,310	1,097,421	1,135,831	1,175,585	1,216,730	1,259,316	1,303,392	1,349,011	1,396,226	1,445,094	1,495,672	1,548,021
Total Non-Residential Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Residential Vacancy	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	**2,089,790**	**2,161,708**	**2,236,143**	**2,313,183**	**2,392,919**	**2,475,446**	**2,560,862**	**2,649,267**	**2,740,767**	**2,835,468**	**2,933,485**	**3,034,932**	**3,139,929**	**3,248,602**	**3,361,078**
Operating Expenses															
Heat	14,517	15,025	15,551	16,095	16,659	17,242	17,845	18,470	19,116	19,785	20,478	21,194	21,936	22,704	23,499
Electric	40,519	41,937	43,405	44,924	46,496	48,124	49,808	51,551	53,356	55,223	57,156	59,157	61,227	63,370	65,588
Water & Sewer	82,387	85,271	88,255	91,344	94,541	97,850	101,275	104,819	108,488	112,285	116,215	120,283	124,492	128,850	133,359
Garbage Removal	22,182	22,958	23,762	24,594	25,454	26,345	27,267	28,222	29,209	30,232	31,290	32,385	33,519	34,692	35,906
Contract Repairs	57,885	59,911	62,008	64,178	66,424	68,749	71,155	73,646	76,223	78,891	81,653	84,510	87,468	90,530	93,698
Maintenance and janitorial	50,553	52,322	54,154	56,049	58,011	60,041	62,143	64,318	66,569	68,899	71,310	73,806	76,389	79,063	81,830
Management - Off-site	31,713	32,823	33,972	35,161	36,391	37,665	38,983	40,348	41,760	43,221	44,734	46,300	47,920	49,598	51,333
Management - On-site	299,958	310,457	321,323	332,569	344,209	356,257	368,726	381,631	394,988	408,813	423,121	437,930	453,258	469,122	485,541
Insurance	22,340	23,122	23,931	24,769	25,636	26,533	27,462	28,423	29,418	30,447	31,513	32,616	33,757	34,939	36,162
Accounting	16,528	17,106	17,705	18,325	18,966	19,630	20,317	21,028	21,764	22,526	23,314	24,130	24,975	25,849	26,754
Marketing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Real Estate Taxes	16,521	17,099	17,698	18,317	18,958	19,622	20,309	21,019	21,755	22,516	23,305	24,120	24,964	25,838	26,742
Legal	924	956	990	1,024	1,060	1,097	1,136	1,176	1,217	1,259	1,303	1,349	1,396	1,445	1,496
Decorating / Turnover	10,300	10,661	11,034	11,420	11,819	12,233	12,661	13,104	13,563	14,038	14,529	15,038	15,564	16,109	16,673
Fire Saftey	17,806	18,429	19,074	19,742	20,433	21,148	21,888	22,654	23,447	24,268	25,117	25,996	26,906	27,848	28,822
Pest Control	21,761	22,523	23,311	24,127	24,971	25,845	26,750	27,686	28,655	29,658	30,696	31,770	32,882	34,033	35,224
Landscpaing	4,803	4,971	5,145	5,325	5,512	5,704	5,904	6,111	6,325	6,546	6,775	7,012	7,258	7,512	7,775
Security	1,194	1,236	1,279	1,324	1,370	1,418	1,468	1,519	1,572	1,627	1,684	1,743	1,804	1,867	1,933
Elevator	3,643	3,771	3,902	4,039	4,180	4,327	4,478	4,635	4,797	4,965	5,139	5,319	5,505	5,697	5,897
Telephone	15,798	16,351	16,923	17,516	18,129	18,763	19,420	20,099	20,803	21,531	22,285	23,065	23,872	24,707	25,572
Other	9,785	10,127	10,482	10,849	11,229	11,622	12,028	12,449	12,885	13,336	13,803	14,286	14,786	15,303	15,839
Office / Admin	116,861	120,951	125,184	129,566	134,101	138,794	143,652	148,680	153,884	159,270	164,844	170,614	176,585	182,765	189,162
Indirect Overhead at 15%	240,473	248,890	257,601	266,617	275,948	285,606	295,603	305,949	316,657	327,740	339,211	351,083	363,371	376,089	389,252
TOTAL OPERATING EXPENSES	**1,098,451**	**1,136,897**	**1,176,689**	**1,217,873**	**1,260,498**	**1,304,616**	**1,350,277**	**1,397,537**	**1,446,451**	**1,497,076**	**1,549,474**	**1,603,706**	**1,659,835**	**1,717,930**	**1,778,057**
REPLACEMENT RESERVES	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
OPERATING RESERVES	956,339	989,811	1,024,454	1,060,310	1,097,421	1,135,831	1,175,585	1,216,730	1,259,316	1,303,392	1,349,011	1,396,226	1,445,094	1,495,672	1,548,021
TOTAL OPERATING EXPENSES & RESERVES	2,089,790	2,161,708	2,236,143	2,313,183	2,392,919	2,475,446	2,560,862	2,649,267	2,740,767	2,835,468	2,933,485	3,034,932	3,139,929	3,248,602	3,361,078
TOTAL SERVICES EXPENSES															
NET OPERATING INCOME	**(0)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(0)**	**0**	**0**	**0**	**(0)**	**(0)**
Debt Service															
0															
0															
NET CASH FLOW	**($0)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**($0)**	**$0**	**$0**	**$0**	**($0)**	**($0)**
DEBT SERVICE COVERAGE	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**

King County

Housing Finance Program
2017 Capital Funding - Affordable Housing RFP
Underwriting Report

I. Overview

Sponsor/Owner:	Plymouth Housing Group (PHG)		
Development Consultant:	None		
Project Name:	501 Rainier Supportive Housing		
Project Address:	501 Rainier Avenue South, Seattle, WA 98144		
Total Dev Cost:	$30,096,526	$334,294	per residential unit
KC Funds Requested:	$1,000,000	$12,195	per regulated unit
KC Funds Recommended:			
Did this project apply for funding in prior rounds?	No		
Is this project applying for TOD funds?	No		

II. Project Description

a. Housing Model

501 Rainier Supportive Housing is requesting funding to demolish an existing building and to develop a total of 84 units of permanent supportive housing for homeless adults. 82 studios will be restricted at 30% AMI and there will be two one-bedroom units for on-site managers. The studios will average at 334sf and the one bedrooms will average at 558 sf. The building will be 84 dwelling units on four wood-framed levels over a concrete basement and first floor. The first floor will include 1,300 square feet of commercial space for a neighborhood-serving business, and the lower level of the project will include a maintenance department facility to service the building as well as the rest of the Plymouth Housing Group's (PHG) housing portfolio. The basement will include 12 parking stalls and bike storage.

This project will provide permanent supportive housing, and rely on partnerships with Harborview and REACH. The partnership between Plymouth and Harborview/REACH has always been founded on a very simple exchange – housing for healthcare. Plymouth must maintain some portion of set asides for every project they operate, in order to secure adequate onsite resources to support housing stability for our tenants, who live with very complicated medical, behavioral health, and substance use challenges co-occurring. Although this project will be participating in King County's Coordinated Entry for All (CEA) system, a portion of the units will be set-aside for adults with complicated medical, behavioral, and substance use challenges being referred from Harborview and REACH. Plymouth maintains MOUs with Harborview and REACH for set-asides as well as external fills for CEA units that do not result in successful applicants across their portfolio. Plymouth will provide supportive housing and rely on partners to bring clinical services, such as mental health, chemical dependency, nursing, and palliative services that they are not able to provide themselves, in an effort to support stability and recovery for the tenants.

32 units will need a rental subsidy such as Section 8 that will be awarded in a separate funding process per policy for projects located in Seattle. The project will compete for a McKinney Bonus service/operating grant to pay a portion of the costs of operating and servicing the building. Additional leverage is provided by clinical professionals who work with tenants, including REACH/Evergreen Treatment Services, DESC, Harborview Mental Health Team, and other agencies.

b. Physical: Project, Site, and Locality Characteristics

The proposed design is for new construction of a four-story wood-framed building over concrete basement parking and first floor commercial space, and includes the Plymouth Housing Group workshop that serves the entire Plymouth portfolio. The project will include 1,300 sf of commercial space for a neighborhood-serving business, which is still to be determined. Proposed construction start date is November 2018 with completion anticipated in February of 2020. The architectural firm Weinstein A + U will provide the design, permitting oversight, and construction management of this project.

The project has self-scored 52 points on the Evergreen Sustainable Development Standards checklist, with 50 points being the minimum required for new construction. Some of the more notable sustainable and energy efficient elements include floor drains and coved sheet vinyl flooring to offset the long-term maintenance costs stemming from water damage caused by fire sprinklers and overflowing plumbing fixtures. For the same reason, Plymouth plans to use metered faucets in units, which also contributes to water-saving. Another strategy to save water and reduce flooding is to sub-meter units, in order to identify the source of over-active water use. Whenever possible, Plymouth uses more durable finishes, such as solid-surface countertops, protective wainscoting in accessible units, and chair-railing in corridors to reduce long-term maintenance costs. Exterior material will be primarily painted metal siding with vinyl framed insulated glass windows.

The site currently has three commercial tenants; Chau's automotive repair shop, The Lamar Companies advertising billboard, and one food preparation business. Only two tenants will require relocation: Chau's Auto and the advertising billboard. Plymouth staff has been working with Chau Automotive since acquiring the property. Chau had already located a relocation site for their business, and asked to remain in operation at the Linc's site until construction is ready to commence. Staff worked with Chau to evaluate the appropriate relocation payment for the business and its moving costs. Pending review and approval by the Seattle Office of Housing, there have been no issues relating to the relocation of this business. The Lamar Companies advertising billboard will require relocation, but has not selected which relocation payment option then will choose. Plymouth has budgeted $100,000 for relocation, which is sufficient to relocate both businesses. The food preparation business does not qualify for relocation, as they moved in after the sale of the property to Plymouth, and they were advised that the current property was to be demolished and a new building would be constructed.

Due to the existing building being older than 45 years, the site is required to be reviewed by the State Department of Archaeology and Historic Preservation. Plymouth Housing Group has begun that review.

The property is zoned DMR/C 65-150 and parking is not required. However, PHG contends that the cost savings from building a basement as opposed to installing geo-piles (due to the depth of fill soil) have made it more cost effective for the project to create a basement parking area, used mostly for the maintenance vehicles and some for the building staff. PHG argues that this creates onsite efficiency and reduces pressure on on-street parking. The parking level and access have been designed as efficiently as possible to build out only as much space as necessary to support the structure above. The basement level also provides storage to serve the residential operation above. A portion of the parking construction costs (those associated directly with the program of the building above) will be included in eligible basis, while the remainder of the parking costs will be paid for by a Sponsor Loan from the Owner. PHG will be including 12 stalls of underground parking for commercial use and Plymouth staff. In the preliminary project evaluation report, Falkin Associates suggests that the earthwork, shoring, and concrete costs of building an underground parking garage for 12 parking stalls as proposed in this project is not cost effective.

The steep slope on the southern end of the site might present a challenge during construction. Plymouth plans to mitigate this during construction by exporting soil fill to be used to raise the level of Rainier Avenue. The Phase 1 environmental review was completed on 1/24/2017. The report showed presence of asbestos and lead based paint. Low level of arsenic was present in the groundwater. The Phase 1 addendum was conducted and after additional monitoring it showed groundwater met acceptable levels. The report showed there is an empty underground storage tank (UST) on the property. Plymouth plans to remove the UST prior to construction, and has budgeted $25,000 for environmental abatement for the building and $120,000 for environmental abatement for the land for these issues. Phase 2 is not recommended.

The project will be located at the intersection of Rainier Ave S. and S. King St. in Seattle on land previously owned by the Linc's Tackle Shop. The project is within 1.5 miles of a grocery store and two pharmacies. There are multiple bus route stops and a street car stop within .2 miles of the property. Within less than a mile of the property there are multiple healthcare facilities, such as Asian Counseling Referral Services, Harborview Medical Center, and Swedish Medical Center. There are bus route #7 stops and the newly-expanded First Hill streetcar within a few blocks of the site, and regional light rail within a mile of the site, providing access to medical resources in downtown and on First Hill. The immediate surroundings have a wide mix of uses, from small businesses and single-family homes, to larger office buildings and apartment buildings. The population of the neighborhood (both businesses and residents) is primarily Asian-American and Pacific Islander. A key feature of this neighborhood is access to fresh and low-cost food for Plymouth residents.

Due to the siting of this project in a community that has experienced past and current displacement and oppression, Plymouth is mindful of working with the community as much as possible to develop a project that positively contributes to the neighborhood. One potential contribution is to house people who are experiencing homelessness in the neighborhood. Plymouth has conducted significant community outreach for this project, and has heard a lot from the community on this particular point. They are exploring ways that can meet this request from the community, while also complying with existing regulations and partnerships; it is unclear how this preference can work with the CEA system. REACH is the primary outreach provider in this neighborhood, and is very familiar with the people sleeping in the area. Plymouth is currently exploring partnership feasibility with REACH, ACRS, Harborview and NeighborCare. The community surrounding the site has continuously voiced concern over the lack of commercial retail in the proposed project and concern over the inclusion of the maintenance facility at the exclusion of additional retail.

Notably, the current building design does not maximize zoning height limits. The Seattle Office of Housing (OH) suggested that Plymouth limit the size of the building based on total funding gap they are willing to meet. OH indicated that they did not want Plymouth to build more units than the LIHTC equity provided leverage for, which is restricted to 82 income restricted units. Zoning on this site would allow for another story to be built, and more units to be added.

Plymouth welcomes all qualified tenants without regard to race, color, religion, creed, ancestry, political ideology, sex, marital status, age, parental status, veteran status, national origin, sexual orientation, gender identity, disability, Section 8 housing subsidy, use of a service animal, or source of income. Plymouth currently expects that all units will be filled through the Coordinated Entry for All (CEA) for Single Adults operating within King County, and through applicant referral agreements with service agencies that provide services to homeless individuals. The referral agreements will be executed only with qualifies 501(c)3 and public entities with explicit policies prohibiting discrimination against members of protected classes identified above. Plymouth annually notifies the Seattle Housing Authority, shelters and transitional housing programs, and area social services providers throughout King County of the availability of housing units in all its properties, and advertises the availability of its units in mailing as well as in online and print publications of general circulation, including those serving communities of color and people with disabilities.

c. Roles and Responsibilities

Plymouth's Director of Real Estate Development, Tim Parham, will oversee the development and operating budgets and coordinate management of third party consultants, throughout predevelopment as well as construction phase of the project. Bo Scarim will support day-to-day operations of the project, including balancing budgets, preparing applications for funding, and preparing documents for financial closing.

Plymouth Housing Group is the sole member of the Housing at Lincs LLC. An investor member will be admitted as the project proceeds. Plymouth will admit an Investor Member as is typical with LIHTC developments. Plymouth will act as the managing member of the LLC.

Plymouth Housing Group is committed to fair contracting policies for all projects. Plymouth has contracted with Walsh Construction for pre-construction services and intends to contract the prime construction contract to Walsh. The site was originally under contract by Walsh Construction as they sought a permanent home for new offices, and Walsh subsequently transferred the purchase agreement to Plymouth. Walsh knows the site conditions well and is in the best position to serve as General Contractor. Walsh will bid out all the sub-contracts and select the lowest bidders, unless Plymouth elects to prioritize WMBE or local firms for any of the work. Plymouth will consult with the Seattle Office of Housing about fees for general conditions and overhead prior to signing the construction contract.

III. Development Budget Analysis

a. Sources and Uses

501 Rainier, as submitted, has a total development cost of $30,096,527, which includes $28,080,695 for the residential portion and $2,015,832 for the non-residential portion, which includes the retail space, Plymouth's maintenance facility, and the parking associated with the maintenance facility (roughly 2/3 of the full basement level square footage). The cost allocation between the residential and commercial uses is broken out as follows:

- All acquisition costs are divided based on percent of total square footage of the building that is non-residential (15.9%).
- All hard costs are divided based on percent of the total construction contract that is attributed to the non-residential areas (5.9%).
- All soft costs are also divided based on the same percent of total construction contract, except for all financing fees, which are divided based on percent of total square footage.

The land acquisition and associated closing costs total $3,507,335. The total construction costs are $19,396,635, $18,143,219 for the residential portion and $1,253,416 for the commercial portion. Construction contingency is $1,534,339, or 10% of the construction contract, is typical and acceptable. Soft costs are $4,026,535.

Plymouth's budget assumes residential prevailing wage. Per City of Seattle policies, the project assumes a minimum of Washington State Residential Prevailing wages. If the 501 Rainier Supportive Housing project is awarded funds, then Plymouth will consult L&I for determination or follow procedures as directed by funders that have made awards to the project. Walsh Construction estimates that State Non-Residential Prevailing Wage rates on this project would add approximately 9-12% (up to $1,893,218) to the construction cost of the project. Plymouth has not applied for any federal funds that would make Davis-Bacon wage rates applicable, and City of Seattle projects do not receive a commitment of Section 8 vouchers until after the project is built. Plymouth believes that in order to build and operate permanent housing, it is necessary to have long-term public funding sources, such as Section 8 and McKinney.

b. Cost Effectiveness

Plymouth Housing Group purchased the site from Walsh Construction through an executed assignment of Purchase and Sale Agreement for $3,500,000. The site's current appraised value is $3,630,000.

The contractor's cost estimate does not match the construction costs in the development budget. The total hard cost prepared by Walsh is $15,776,822 excluding sales tax. This cost equates to $277.65 per gross building square foot. According to Falkin, this cost is approximately 48% above typical apartment pricing. The estimate included an estimating contingency of 5% for design detailing as construction documents are prepared assuming the project moves forward. The estimate presented does not include a contingency for future cost escalation. It is Falkin's opinion that the cost estimate is in the range of costs that can be expected for the proposed work scope. Falkin suggested the following cost saving measures: deleting the second elevator, and reconsider building an underground parking garage for 12 parking stalls, which is not cost effective. Instead, Falkin suggests that PHG consider surface parking solutions to reduce costs, and to include the shell and TI costs associated with having Plymouth's central maintenance shop and staff areas on the first floor.

This project has not been value engineered. The project Architect and Engineering fee equal 4% of the total development costs, $1,104,670, appear reasonable. The developer's fee is 8% of the total development cost, $2,409,230, also appears reasonable for this project.

c. Financing: Construction and Permanent

The total development cost for this project is $30,096,526. Plymouth is requesting $1,000,000 from King County for development of 501 Rainier Supportive Housing. This is less than 4% of TDC resulting in the leverage ratio of 27.1:1. Residential construction costs total $18,143,219, with a cost per square foot of $380. Non-residential construction costs total $1,253,416, with a cost per square foot of $137.

Utilizing a bridge loan from Enterprise Community Loan Fund, Plymouth purchased the site for $3,500,000, which was appraised at $3,630,000. Bridge financing for this project will also include a Plymouth Housing Group sponsor loan for acquisition and pre development, $750,000 which has been committed and $1,197,265.75 is proposed. A to-be-determined construction bank loan for $12,453,485 will also be needed.

Permanent financing for this project includes the following sources; $5,719,541 from Seattle Office of Housing, $3,000,000 from the State Housing Trust Fund, $750,000 from Federal Home Loan Bank, $481,846 from the deferred developer's fee, $1,000,000 from King County and $17,129,309 from expected 9% LIHTC. Plymouth submitted letters of interest from National Equity Fund and Enterprise Community Investments who have advised that $1.00 per credit price is achievable for this project and have assumed that price to calculate tax credit equity. All permanent financing is proposed at this point; none has been committed. With uncertainty of the State Housing Trust Fund budget passing in December, Plymouth would reconsider their timeline, other funding asks, or their Capital Campaign initiative. Plymouth Housing Group is developing the strategy for our next capital campaign, to begin early to mid-year 2018. The capital campaign will wrap together several projects, in order to raise between 10 and 15 million dollars, of which $2,000,000 would go towards this project. Plymouth has a long track record of successful capital campaigns, in particular for the retail spaces in 10 of the building in their existing portfolio. In the unlikely scenario that the capital campaign were to fall short, Plymouth would seek private debt to fill financing gaps for the nonresidential spaces. Paul Lambros, Executive Director, and Lynn Beck, Chief Development Officer, will guide the effort and are responsible for its success.

IV. Project Services and Operations

a. Operating Pro Forma

Plymouth is estimating $434,616 in rental income, of which $364,416 would come from rent subsidies for 32 of the 82 regulated studios. Tenant-paid rents for restricted units at 30% AMI or below will be set at $117. The 32 units receiving rental subsidies are expected to receive an additional $832, for a total gross monthly rent of $949 per studio. Estimated operating subsidies are $784,183 of which $493,683 come from McKinney, and $290,500 come from King County

ORS Operating. Expected service subsidies are $319,307; $129,307 coming from McKinney Services and $190,000 coming from King County ORS Services. The service surplus, shown in the 15 year operating pro forma, will pay for enhanced building management. Plymouth will use the Seattle Housing Authority's utility allowance schedule to determine maximum rents to the project. However, Plymouth will pay all utilities for the building, except for those in the commercial space. Plymouth is budgeting $29,400 in replacement reserves, which amounts to $350 per unit per year. Vacancy rate is estimated at 5% for the residential portion and 10% for the non-residential. These factors are all within expectation and are typical for permanent supportive housing projects. In the 15 year operating pro forma, Plymouth uses an escalator of 2% for Residential Income, 3% for Operating Expenses, with the exception of electricity, which is estimated to escalate at 5%, due to City Lights increasing their rates. Escalation rates are based on similar projects in Plymouth's portfolio.

b. Property Management
501 Rainier will be managed by Plymouth Housing Group, and will provide 24/7 staff, including Property Management and Case Management services. All Property Management and Social Services staff at the building will be employees of Plymouth Housing Group. Within the building, all of these staff will have regular staff meetings to coordinate and share information across their departments and coordinate tenant care. Plymouth uses software to track tenant interactions and provide optimal communication among the care team. On a daily basis, all staff have access to the building logs, which all staff update with pertinent information about tenant interactions and building-wide maintenance information. At the upper management level, Plymouth's Property Management and Social Service managers have weekly check-in meetings to ensure that coordination across departments is running smoothly. There will be 8 FTE Property Management staff at the 501 Rainier project including a live-in Building Manager, a Building Coordinator and 6 Building Assistants who will live off-site. This number of staff allows for 24/7 staffing at the front desk. There will also be three FTE Housing Case Managers at the building, who provide the social services support to tenants. The housing case managers will be supported by a Tenant Support Aide who provides chore services to tenants within the Plymouth portfolio, a Program Manager who provides supervision at multiple properties, and the Clinical Development Manager, who provides training to building team staff. There will be 1.5 FTE Maintenance staff allocated to this building. These staff are only on site for assigned Work Orders or unit turns, during regular business hours.

c. Service Model and Funding Analysis
Plymouth estimates $784,183 of operating subsidies and $319,307 of service subsidies for this project. ORS service and operating subsidies seem appropriate for this project.

d. Referrals and Marketing Plan
Plymouth currently expects that all units will be filled through the operation of CEA in King County, and through applicant referral agreements with service agencies that provide services to chronically homeless adults with disabilities. The referral agreements are executed only with qualified 501(c)3 and public entities with explicit policies prohibiting discrimination against members of protected classes. Plymouth no longer operates a waitlist or directly accepts self-referred applicants due to the change in County-wide coordination efforts. Although this project will be participating in CEA, a portion of the units will be set-aside for adults with complicated

medical, behavioral, and substance use challenges being referred from Harborview and REACH. Plymouth maintains MOUs with Harborview and REACH for set asides as well as external fills for CEA postings that do not result in successful applicants across their portfolio. This strategy would need to be reviewed and approved by King County's CEA team.

Plymouth annually notifies the Seattle Housing Authority, shelters and transitional housing programs throughout King County, and area social services providers of the availability of housing units in all its properties. Plymouth advertises the availability of its units in mailing as well as in online and print publications of general circulation.

V. Market Demand Analysis and Compatibility with Funding Priorities

a. Market Demand

Market study is not required for this project since it is a 100% homeless housing project. This project would me the objects of the Consolidated Plan and Local Plan to End Homelessness which specify the needs for permanent supportive housing. Plymouth estimates lease-up for this project will begin February of 2020 and be fully leased up five months later in July of 2020.

b. Funding Priorities

This project meets the following 2017 King County HFP extremely low-income/homeless housing capital priorities:

- ☒ A majority of units are set-aside for homeless individuals and families, and/or serve special needs populations such as households with a member who is mentally ill, disabled, or developmentally disabled, and provides access to case management and/or behavioral health services (2331, RAHP, HOME)
- ☐ Units are set-aside for individuals in households exiting treatment facilities or other institutionalized settings, or are being served by a Program for Assertive Community Treatment (PACT) team (MIDD 2)

VI. Sponsor Capacity

a. Portfolio and Performance

Plymouth has 37 years of experience developing permanent supportive housing, with 17 projects in their portfolio and 1,119 units placed in service. Plymouth Housing Group has multiple projects within the Housing Finance Program portfolio. More recent projects include the newly completed Plymouth on First Hill, which was completed on time, but had to work closely with the City of Seattle to fill a financing gap that resulted from rapidly escalating construction prices. No notable issue with lease-up, considering Plymouth on First Hill was also the first CEA single adult lease-up project in King Count. Sylvia Odom's Place was placed in service January of 2016, this project was not completed on time or budget due to a lawsuit from a neighboring business who ultimately lost the challenge to the project. Pat Williams Apartments was placed in service February of 2013, and came in on time and within budget.

b. Pipeline and Development Capacity

Plymouth Housing has two projects in the pipeline, 501 Rainier Permanent Supportive Housing, and First Hill Senior and Workforce Housing. Plymouth has site control of 501 Rainier, is currently working with the community of design development, and has begun design and preliminary permitting work with the Department of Construction & Inspections. Plymouth does not have site control of the First Hill Senior and Workforce Housing property, which is a property owned by Sound Transit that was recently offered through an RFP.

The development team at Plymouth Housing Group has multiple years' experience in developing affordable housing, and seems more than capable to complete and service this type of project. Paul Lambros, Executive Director of Plymouth Housing Group has 26 years of experience in affordable housing. Tim Parham, Director of Real Estate, has 4 years' experience, Bo Scarim, Real Estate Development Associate has 4 years' experience, and Samantha Sauer, Compliance Manager, has 14 years' experience.

c. Organizational Financial Soundness
The last three years of Plymouth Housing Group's organizational financial audits have been consistently clean and steady, with an organizational increase in reserves from fundraising every year. Total Reserves and Total Assets have also increased every year. Net Assets have not increased every year, but the overall trend has been upward. Net Operating Income and Net Cash Provided by Operating Activity have also been positive (while not increasing) over all three years.

d. Equity and Social Justice
This year, the County is using a tool called the "Continuum on Becoming an Anti-Racist, Multicultural Organization" as a yardstick against which to measure how effectively the applicant organization incorporates Equity and Social Justice into its work. Effectively, the Continuum describes how an organization may evolve from an exclusionary institution (where racial and cultural differences are seen as defects) into a changing organization that is tolerant of racial and cultural differences, and ultimately become an anti-racist and multicultural organization that views racial and cultural differences as assets. Going beyond an examination of the organization's cultural competence in providing housing and services to clients, this tool calls for an evaluation of the organization's governance and working culture.

The Continuum identifies that an organization is undergoing symbolic change into a compliance organization when it

- Makes official policy pronouncements regarding multicultural diversity
- Sees itself as "non-racist" institution with open doors to people of color
- Carries out intentional inclusiveness efforts, recruiting "someone of color" on committees or office staff
- Has an expanding view of diversity to include other socially oppressed groups

Per these characteristics, the applicant may be considered a "compliance organization" in this Continuum because they have they 1) have committed to cultural competence throughout the organization and to diversifying staff and board; 2) conduct trainings for staff members around cultural competence and white privilege; 3) are intentional on diversifying staff through internal staff development as well as targeted outreach to communities of color, women, people with disabilities, and veterans; and 4) set concrete racial equity targets for tenants, staff, leadership, and board in their Strategic Plan, which was adopted in 2017.

VII. Review Summary

Plymouth Housing Group is requesting permanent funding to develop 82 units of permanent supportive housing, all units affordable at 30% AMI. The building will be designed as permanent supportive housing for homeless adults, many who face complicated medical, behavioral, and substance use challenges.

501 Rainier aligns with multiple local plans to house homeless adults. It is consistent with the Consolidated Plan and the 10 Year Plan to End Homelessness. The project is a competitive candidate to receive McKinney and King County ORS service and operating funding. The project would not only provide permanent housing for 82 homeless adults, but would also provide retail space in a dense neighborhood. However, total development costs are high and the proposed project does not maximize the height of the building. Should King County choose to award funds to the project, PHG should be directed to undergo a value engineering process to ensure that cost effectiveness goals are met.

Project Name: **501 Rainier Supportive Housi**

UNIT MIX AND AFFORDABILITY

	HFP-funded Units								
Affordable at	30%	40%	60%	80%	Mgr	Mgr	80%	>80%	Total
Studios	82								82
1 Bedroom						2			2
Total	82					2			84

PROJECT FINANCING

Permanent Sources of Funds

Source	Amount	Terms	Status (Proposed, Application Made, Committed)
Seattle Office of Housing	$ 5,719,541	1% Deferred payment	Proposed
WA State HTF	$ 3,000,000	1% Deferred payment	Proposed
Federal Home Loan Bank	$ 750,000	15 years Deferred payment	Proposed
Deferred Fee	481,846	3% Deferred payment	Proposed
9% LIHTC	17,129,309		
PHG Sponsor Loan	2,015,831	Non-Residential 3% Deferred payment	Proposed
HFP Capital	**1,000,000**	1%, 50 yrs. Deferred payment	This Application
Total Project Sources	$ 30,096,527		

501 Rainier Supportive Housing

RESIDENTIAL DEVELOPMENT BUDGET

	Residential Costs	Per Unit	Per Sq. Ft.
Acquisition:	$ 2,946,916	$ 35,082	$ 62
Construction Costs:	18,143,219	215,991	380
Professional Fees:	3,932,584	46,816	82
Other Development Costs:	3,057,976	36,404	64
Total Residential Development Costs:	$ 28,080,695	$ 334,294	$ 589

Square feet of parcel to be acquired:	15,000
Per square foot acquisition:	$ 196
Residential square feet to be constructed:	47,684
Nonresidential square feet to be constructed:	9,130
Total square feet to be constructed:	56,814

PROPOSED RENTS

# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
82	30% Studio	$ 117	-	117	30%	115,128
82						$ 115,128

Project Name: **501 Rainier Supportive Housing**

PROJECT BUDGET

	Total	Residential	Non-Residential
Site Control			
Purchase Price	$ 3,500,000	$ 2,940,753	$ 559,247
Liens	-		
Closing, Title & Recording Costs	7,335	6,163	1,172
Other:	-		
Other:	-		
Subtotal	**$ 3,507,335**	**$ 2,946,916**	**$ 560,419**
Construction			
Demolition	$ 71,065	$ 66,890	$ 4,175
Basic Construction Contract	14,158,692	13,329,652	829,040
Contractor Profit	222,362	209,298	13,064
Contractor Overhead	222,362	209,298	13,064
Construction Contingency	1,534,339	1,415,169	119,170
Site Work and Infrastructure	618,013	581,706	36,307
Off-Site Infrastructure	-		
Environmental Abatement (Building)	25,000	23,531	1,469
Environmental Abatement (Land)	120,000	112,950	7,050
Sales Taxes	1,705,777	1,602,912	102,865
Bond Premium	102,446	96,427	6,019
Equipment and Furnishings	286,412	269,586	16,826
Other Construction Costs: Owner prodied furnishings & commercial TI	330,167	225,800	104,367
Other Construction Costs:	-		
Subtotal	**$ 19,396,635**	**$ 18,143,219**	**$ 1,253,416**
Other Professional Fees			
Appraisal	$ 3,500	$ 3,500	
Market Study	7,000	7,000	
Architect	1,104,670	1,039,772	64,898
Engineer	-		
Environmental Assessment	30,000	28,238	1,762
Geotechnical Study	12,000	11,295	705
Boundary & Topographic Survey	40,000	37,650	2,350
Legal Fees	64,429	60,644	3,785
Developer Fee	2,409,230	2,409,230	
Project Management/Development Consultant Fees	-		
Technical Assistance	-		
Other Consultants:	215,000	202,369	12,631
Other: Soft Cost Contingency	105,706	99,942	5,764
Other: **Easement and trucking**	35,000	32,944	2,056
Subtotal	**$ 4,026,535**	**$ 3,932,584**	**$ 93,951**
Financing and Miscellaneous Other Costs			
Real Estate Tax	$ 27,645	$ 26,021	$ 1,624
Insurance	157,534	148,279	9,255
Relocation	100,000	100,000	
Bidding Costs	-		
Permits, Fees & Hookups	775,300	729,752	45,548
Impact/Mitigation Fees	-		
Development Period Utilities	-		
Bridge Loan Fees	34,275	28,798	5,477
Bridge Loan Interest	253,777	213,227	40,550
Construction Loan Fees	124,400	124,400	
Construction Loan Expenses	28,000	28,000	
Construction Loan Legal	40,000	40,000	
ConstructionPeriod Interest	193,248	193,248	
Lease-up Period Interest	32,681	32,681	
Other Loan Fees (Impact Capital, State HTF, etc.)	-		
State HTF Fees	60,000	60,000	
LIHTC Fees	165,019	165,019	
LIHTC Legal	40,000	40,000	
LIHTC Owners Title Policy	25,000	25,000	
Other: LIHTC Closing Fee	10,000	4,408	5,592
Non Profit Donation	25,000	25,000	
Accounting/Audit	20,000	20,000	
Marketing/Leasing Expenses	10,000	10,000	
Carrying Costs at Rent up	175,000	175,000	
Operating Reserves	469,143	469,143	
Replacement Reserves	200,000	200,000	
Other: Transition Reserves	200,000	200,000	
Subtotal	**$ 3,166,022**	**$ 3,057,976**	**$ 108,046**
Total Project Cost	**$ 30,096,527**	**$ 28,080,695**	**$ 2,015,832**
Summary of Financing Resources			
Seattle Office of Housing	$ 5,719,541	$ 5,719,541	$ -
WA State HTF	$ 3,000,000	3,000,000	-
Federal Home Loan Bank	$ 750,000	750,000	-
Deferred Fee	$ 481,846	481,846	-
9% LIHTC	$ 17,129,309	17,129,309	-
PHG Sponsor Loan	$ 2,015,831		2,015,831
HFP Capital	$ 1,000,000	1,000,000	-
Total Project Resources	**$ 30,096,527**	**$ 28,080,696**	**$ 2,015,831**

501 Rainier Supportive Housi

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME		
Rents	$ 115,128	
Rental Subsidy	319,488	
Operating Subsidy 1 - McKinney	493,683	
Operating Subsidy 2 - KC ORS Op	290,500	
Total Residential Income	1,218,799	
Residential Vacancy	(60,940)	5.0% of Residential Income
Total Non-Residential Income	13,532	
Non-Residential Vacancy	(1,353)	10.0% of Non-Residential Income
Effective Gross Income	**1,170,038**	
EXPENSES		
Heat	4,539	
Electric	44,354	
Water & Sewer	63,186	
Garbage Removal	7,735	
Contract Repairs	44,188	
Maintenance and janitorial	6,259	
Management - Off-site	88,193	
Management - On-site	559,171	
Insurance	19,276	
Accounting	23,456	
Marketing		
Real Estate Taxes	500	
Other	137,654	
Legal Services	1,200	
Security	130	
Decorating/Turnover	12,495	
Landscaping	10,000	
Pest Control	3,120	
Fire Safety	4,133	
Elevator	16,000	
Telephone	9,700	
Total Operating Expenses	**1,055,289**	$12,563 per unit
Replacement Reserves	**29,400**	$350 per unit
Operating Reserve		
Total Operating Expenses & Reserves	**1,084,689**	
Total Services Expenses	**268,157**	3,270 per unit
Non-Residential Expenses	**13,532**	
Total Expenses	**1,366,378**	$16,266 per unit
Total Annual Service Funding	**319,307**	
Net Operating Income	**$ 122,967**	
Debt Service		
Deferred Developer Fee	(122,967)	
PHG Sponsor Loan		
Net Cash Flow	**$ (0)**	

501 Rainier Supportive Housing

<u>SERVICES REVENUE AND EXPENSES</u>

REVENUE

McKinney Services	$	129,307
King County ORS Services		190,000
Total Service Revenue	**$**	**319,307**

EXPENSES

Total Personnel	$	259,257
Local Travel / Mileage	$	-
Equipment	$	-
Supplies	$	-
Telecommunications	$	-
Printing / Duplication	$	-
Mail / Postage	$	-
Cash Assistance to Families	$	8,900
Other	$	-
Other	$	-
Total Services Expenses	**$**	**268,157**

Net Services Revenue (Expenses)	$	51,150

Cash Flow Projection

Project: **501 Rainier Supportive Housing**

Assumptions: **Annual increase in rental income:** 2.0% 3% **Project vacancy/credit loss rate (residential):** 5.0% 5%

Annual increase in operating expenses: 2.5% 2.5% **Project vacancy/credit loss rate (non-residential):** 10.0% 3.5%

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
OPERATING INCOME															
Residential Rents	$115,128	117,431	119,779	122,175	124,618	127,111	129,653	132,246	134,891	137,589	140,340	143,147	146,010	148,930	151,909
Other Operating Revenues - Rental Subsidy	$319,488	325,878	332,395	339,043	345,824	352,741	359,795	366,991	374,331	381,818	389,454	397,243	405,188	413,292	421,558
Operating Subsidies	784,183	784,183	784,183	784,183	784,183	976,183	976,183	976,183	976,183	976,183	1,208,183	1,208,183	1,208,183	1,208,183	1,208,183
Total Residential Income	$1,218,799	$1,227,491	$1,236,357	$1,245,401	$1,254,625	$1,456,034	$1,465,631	$1,475,420	1,485,405	1,495,589	1,737,977	1,748,573	1,759,381	1,770,405	1,781,650
Residential Vacancy	(60,940)	(61,375)	(61,818)	(62,270)	(62,731)	(72,802)	(73,282)	(73,771)	(74,270)	(74,779)	(86,899)	(87,429)	(87,969)	(88,520)	(89,082)
Total Non-Residential Income	$13,532	13,938	14,356	14,787	15,230	15,687	16,158	16,643	17,142	17,656	18,186	18,731	19,293	19,872	20,468
Non-Residential Vacancy	($1,353)	(1,394)	(1,436)	(1,479)	(1,523)	(1,569)	(1,616)	(1,664)	(1,714)	(1,766)	(1,819)	(1,873)	(1,929)	(1,987)	(2,047)
Service Subsidies	$319,307	325,693	332,207	338,851	345,628	352,541	359,592	366,783	374,119	381,601	389,233	397,018	404,958	413,058	421,319
EFFECTIVE GROSS INCOME	**1,489,345**	**1,504,354**	**1,519,667**	**1,535,290**	**1,551,230**	**1,749,892**	**1,766,483**	**1,783,411**	**1,800,681**	**1,818,302**	**2,056,679**	**2,075,021**	**2,093,735**	**2,112,828**	**2,132,307**
Operating Expenses															
Heat	4,539	4,675	4,815	4,960	5,109	5,262	5,420	5,582	5,750	5,922	6,100	6,283	6,472	6,666	6,866
Electric 5%	44,354	46,572	48,900	51,345	53,913	56,608	59,439	62,411	65,531	68,808	72,248	75,860	79,653	83,636	87,818
Water & Sewer	63,186	65,082	67,034	69,045	71,116	73,250	75,447	77,711	80,042	82,443	84,917	87,464	90,088	92,791	95,574
Garbage Removal	7,735	7,967	8,206	8,452	8,706	8,967	9,236	9,513	9,798	10,092	10,395	10,707	11,028	11,359	11,700
Contract Repairs	44,188	45,514	46,879	48,285	49,734	51,226	52,763	54,346	55,976	57,655	59,385	61,167	63,002	64,892	66,838
Maintenance and janitorial	6,259	6,447	6,640	6,839	7,045	7,256	7,474	7,698	7,929	8,167	8,412	8,664	8,924	9,192	9,467
Management - Off-site	88,193	90,839	93,564	96,371	99,262	102,240	105,307	108,466	111,720	115,072	118,524	122,080	125,742	129,514	133,400
Management - On-site	559,171	575,946	593,225	611,021	629,352	648,232	667,679	687,710	708,341	729,591	751,479	774,023	797,244	821,161	845,796
Insurance	19,276	19,854	20,450	21,063	21,695	22,346	23,017	23,707	24,418	25,151	25,905	26,682	27,483	28,307	29,157
Accounting	23,456	24,160	24,884	25,631	26,400	27,192	28,008	28,848	29,713	30,605	31,523	32,469	33,443	34,446	35,479
Marketing															
Real Estate Taxes	500	515	530	546	563	580	597	615	633	652	672	692	713	734	756
Telephone	137,654	141,784	146,037	150,418	154,931	159,579	164,366	169,297	174,376	179,607	184,995	190,545	196,262	202,150	208,214
Legal Services	1,200	1,236	1,273	1,311	1,351	1,391	1,433	1,476	1,520	1,566	1,613	1,661	1,711	1,762	1,815
Security	130	134	138	142	146	151	155	160	165	170	175	180	185	191	197
Decorating/Turnover	12,495	12,870	13,256	13,654	14,063	14,485	14,920	15,367	15,828	16,303	16,792	17,296	17,815	18,349	18,900
Landscaping	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439	13,842	14,258	14,685	15,126
Pest Control	3,120	3,214	3,310	3,409	3,512	3,617	3,725	3,837	3,952	4,071	4,193	4,319	4,448	4,582	4,719
Fire Safety	4,133	4,257	4,385	4,516	4,652	4,791	4,935	5,083	5,236	5,393	5,554	5,721	5,893	6,069	6,252
Elevator	16,000	16,480	16,974	17,484	18,008	18,548	19,105	19,678	20,268	20,876	21,503	22,148	22,812	23,497	24,201
Other	9,700	9,991	10,291	10,599	10,917	11,245	11,582	11,930	12,288	12,656	13,036	13,427	13,830	14,245	14,672
TOTAL OPERATING EXPENSES	**1,055,289**	**1,087,835**	**1,121,401**	**1,156,021**	**1,191,729**	**1,228,559**	**1,266,548**	**1,305,733**	**1,346,153**	**1,387,848**	**1,430,860**	**1,475,231**	**1,521,005**	**1,568,228**	**1,616,948**
REPLACEMENT RESERVES	29,400	30,429	31,494	32,596	33,737	34,918	36,140	37,405	38,714	40,069	41,472	42,923	44,425	45,980	47,590
OPERATING RESERVES															
TOTAL OPERATING EXPENSES & RESERVES	**1,084,689**	**1,118,264**	**1,152,895**	**1,188,618**	**1,225,466**	**1,263,477**	**1,302,688**	**1,343,138**	**1,384,867**	**1,427,918**	**1,472,332**	**1,518,154**	**1,565,430**	**1,614,209**	**1,664,537**
TOTAL SERVICES EXPENSES	268,157	277,542	287,256	297,310	307,716	318,486	329,633	341,171	353,112	365,470	378,262	391,501	405,204	419,386	434,064
NET OPERATING INCOME	**136,498.85**	**108,547.81**	**79,515.38**	**49,362.14**	**18,047.27**	**167,928.47**	**134,161.93**	**99,102.26**	**62,702.43**	**24,913.74**	**206,085.71**	**165,366.06**	**123,100.61**	**79,233.23**	**33,705.77**
Debt Service															
Deferred Developer Fee	(122,967)	(94,610)	(65,159)	(34,575)	(2,817)	(152,241)	(9,477)								
PHG Sponsor Loan							(108,527)	(82,460)	(45,561)	(7,258)	(187,900)	(146,635)	(103,807)	(59,361)	(13,237)
NET CASH FLOW	**$13,532**	**$13,938**	**$14,356**	**$14,787**	**$15,230**	**$15,687**	**$16,158**	**$16,642**	**$17,141**	**$17,656**	**$18,186**	**$18,731**	**$19,294**	**$19,872**	**$20,469**

King County

Housing Finance Program
2017 Capital Funding - Affordable Housing RFP
Underwriting Report

I. Overview

Sponsor/Owner:	Catholic Community Services of Western Washington		
Development Consultant:	Catholic Housing Services of Western Washington		
Project Name:	Kirkland Shelter for Families and Women		
Project Address:	11920 NE 80th Street		
Total Dev Cost:	$8,837,824.00	$90,000	per residential unit
KC Funds Requested:	$2,000,000	$20,408	per KC-funded unit
KC Funds Recommended:			
Did this project apply for funding in prior rounds?	No		
Is this project applying for TOD funds?	No		

II. Project Description

a. Housing Model

Catholic Community Services of Western Washington (CCS), in partnership with The Sophia Way (TSW), will develop a shelter for homeless families and women in Kirkland, WA. The core component of the Kirkland Shelter for Families and Women is low-barrier access aligned with Housing First/Harm Reduction principles.

The Kirkland Shelter for Families and Women (the Project) will be housed in a newly-constructed two story building with basement storage for a total of approximately 19,075 square feet. The first floor will be occupied by CCS's program dedicated to serving families with children experiencing homelessness and will comprise 50 shelter beds and a day center that will provide supportive services. The first floor will also include a commercial kitchen for meal prep for both the CCS and TSW programs, a dining area for families, a children's play room, shower/bathing rooms with accessible stalls, computer area, laundry room and staff offices and an outdoor patio area. There will be 10 sleeping rooms that can accommodate 10 families with between 4 and 6 members.

The second floor will be occupied by the women's day center and shelter operated by The Sophia Way. It will include a small kitchen and serving area, coffee bar, computer area, lockers, shower/bathing rooms with accessible stalls, resident laundry room, staff offices and an outdoor patio area. There will be 2 sleeping areas with 24 beds in each.

This project establishes a permanent location for the Eastside Emergency Winter Shelter, which has operated in temporary rotating facilities over the past several years.

The project intends to use King County Coordinated Entry for All as the primary selection process but will also use the emergency housing hotline (211) and local agencies and churches if needed.

The Sponsor and Sofia Way will be providing the sum total of operational and service support for this project for their relevant programs. Current operating and service support budget is predicated on managing and staffing a program operating 24 hours a day, seven days a week. Sponsor indicates that if full operating and service budget cannot be achieved, the program services would be scaled back.

b. Physical: Project, Site, and Locality Characteristics
The Project will be located at the intersection of NE 80th St and 120th Ave NE in Kirkland situated on the northwest corner of land currently owned by Salt House Church. It is within ½ mile of a variety of retail including major grocery chains, with a major bus route stop at that intersection. Bordered by a high school and a cemetery, the surrounding neighborhood is primarily single family dwellings.

The zoning consistency letter was issued by the City of Kirkland August of 2017, finding the project in compliance with the allowed uses in this zone, with the number of parking stalls required achieved thru a combination of on-site and on-street parking. The architectural firm Environmental Works has been retained and preliminary design drawings submitted. The proposed design is for new construction of a two-story wood-framed building over a sealed concrete foundation, a basement for storage/laundry/mechanical, outside patio areas on each floor and an elevator. Exterior material will be primarily fiber cement lap siding with aluminum-framed window openings. Proposed construction start date is June 2018 with completion anticipated in March of 2019. There are no noted construction challenges presented by the property and no significant environmental concerns per an expert phase 1 environmental review.

The project has self-scored 66 points on the Evergreen Sustainable Development Standards checklist, with 50 points being the minimum required for new construction. Some of the more notable sustainable and energy efficient elements include, rooftop solar photo voltaic array to reduce electrical consumption, high-efficiency air-to-water heat pump boiler system for domestic hot water, heat recovery ventilation system for energy efficiency and indoor air quality, low-VOC paints sealants and adhesives for indoor air quality.

c. Roles and Responsibilities
The Sponsor is utilizing Catholic Housing Services as the development consultant, which will be responsible for procuring consulting services, coordinating construction oversight and planning with the architect and construction team, managing project financing, and communication with CCS and TSW. Construction general contractor will be directly solicited for and then chosen with a negotiated bid process.

The current property owner is the Salt House Church, who must first apply for a lot line adjustment to create a second parcel from the south side of the lot to the north part of the lot. The City of Kirkland has an MOU to purchase the site from Salt House Church. CCS will then lease the property from the City of Kirkland and construct lease-hold improvements on the site. A draft version of a ground lease between City of Kirkland and CCS has been negotiated and is currently being reviewed by counsel for the parties, but has yet to be signed. The intent, per the memorandum of understanding signed by the City of Kirkland and the Salt House Church is for the Sponsor to own the improvement (building), who in turn lease the second floor to TSW.

III. Development Budget Analysis

a. Sources and Uses

The capital request from King County is $2m, which represents 23 percent of the $8.8M total development budget for this project and results in a leverage ratio of 3.4:1. Total development cost per unit is $98K and $463 per square foot. In addition to the King County request, the project has identified the following capital sources; $350K in State Legislative Earmark, $1.124M from A Regional Coalition for Housing, $2.1M from City of Kirkland, $1.2M from capital campaign, and $2M from State Housing Trust Fund.

This project is eligible for HUD CDBG funding, with the CDBG being very likely due to its ready availability from a variety of public funding sources. Combining this likelihood with the character of this project (time-limited shelter housing) and triggering federal commercial wage rates becomes very likely. Federal commercial wage rates across construction subcontracting disciplines can be as much as 30 percent higher than the same subcontracting discipline at the state prevailing residential wage rate. Prevailing construction environment in the surrounding metro area can influence this differential. In any case, the Sponsor has recognized the likelihood of commercial wage rates and has presented a third-party construction estimate that has factored this in.

b. Cost Effectiveness

The Sponsor did not include an M.A.I. certified appraisal with the application; however, one was expected at the end of September 2017. The acquisition cost is derived based on the tax assessor value of $585,833 and is likely to be somewhat less than a certified appraisal. The development budget lists an acquisition cost of $600,000. Architectural and Engineering costs are listed at 4% of TDC. Consulting fees overall are reasonable. The developer fee was rounded up to 5%. Impact/mitigation fees were not included. The development budget lists the “New Building” cost at $4,741,740, $196K larger than the third-party cost estimate.

The Falkin reports that the third-party cost per gross building square foot is approximately 48% above typical apartment pricing, primarily due to the relatively small building area for the work to be provided; however, Falkin also feels this estimate is in range of costs that can be expected for the proposed scope of work.

c. Financing: Construction and Permanent
The Sponsor has made a zero-interest 12-month bridge loan for $204,300 for pre-development. There is also a $25K zero-interest 18-month bridge loan from ARCH. These will be repaid by permanent funding. Of the $8.76M in perm financing, the application represents committed amounts of $350K, $850K and $1.2M from Legislative Earmark, City of Kirkland and Capital Campaign, respectively for a total $2.4M. The permanent sources also includes $2M from the State, which as we know represents a gap if or until the State's capital budget is passed. The King County request of $2M represents 23 percent of TDC and yields a leverage ratio of 3.4:1.

A capital campaign is one of the permanent funding sources in the amount of $1.2M. Though the application lists this amount as "committed," the actual campaign will not officially commence its active phase until early 2018. Although the Sponsor did provide capital campaign strategy plan, there was not enough there to analyze feasibility. The campaign will be coordinated by the Fund Development Committee, which comprises several local churches including Sophia Way.

IV. Project Services and Operations

a. Operating Pro Forma
As submitted in the application, the project's effective gross income is entirely composed of operating and service subsidies, and as such, a vacancy rate is not applicable.

A unique feature of this project is essentially the operation of two separate 24-7 shelter programs under one roof, so much so that it was necessary for the Sponsor to present separate operating proforma for each. These programs each require very large operating and service expenses per bed, with the annual per bed operating expense for CCS and TSW are $16.6K and $19.6K respectively. The annual service expense per bed for CCS and TSW are at $4.1K and $4.8K respectively. The combined amount of annual operating and service subsidy is represented to be $2,041,918, of which thirteen percent is projected to be sourced from a combination of fundraising and corporate/private donation. The Sponsor and its partner agency TSW will each be responsible for a proportionate share from those sources. This project is requesting a combined amount from King County in annual operating and service subsidy support of $659K and $100K respectively. The Sponsor indicates that expenses are based on "experience with other similar projects" providing no other specifics. King County ORS staff opinion is that both the operating and service expenses are high. In comparison, the King County 2016 time-limited housing RFP, awarded just under $1.4M to support the entire emergency shelter program for that year.

b. Property Management
The Sponsor will own the building and manage the property maintenance. They will have a lease with the Sophia Way This lease is mentioned in the application in the Property Management section, so assumed it was a document that defined the on-going maintenance responsibilities. Sponsor will be responsible for the facility through its on-site janitor shared with the Sophia Way, and through its Facilities department which will conduct and coordinate ongoing maintenance.

The Sponsor and The Sophia Way will provide on-site management and service staffing for their respective programs. Operations are provisioned by overnight shelter and day services, such as meals, hygiene, laundry, computers, and mail. The Kirkland Shelter for Families and Women is designed to operate 24 hours a day, 7 days a week, and 365 days a year providing safe, accessible and low barrier space to sleep, eat, bathe and receive services. Staff from The Sophia Way and CCS will be on site 24/7. This project does not intend to contract for any operational services.

The CCS staff positions will be a full time program manager, an operations/volunteer coordinator, a family activities coordinator, a staff supervisor and a case manager. These positions will be supplemented by 5 full time direct service advocates (line staff), and 6 part time direct service advocates (DSA). The program will be supervised by 20% of the Family Shelter Programs Division Director's time.

The Sophia Way staff positions will be a full time program manager, a day manager, an evening manager, and volunteer coordinator/administrator; 9 full time shelter staff, and 3 part time shelter staff. The program will be supervised by 20% of the Shelter Programs Director.

CCS will employ a full time janitor and a part time janitor, a half time kitchen coordinator, and a .4 FTE maintenance staff person, all of whom will serve both programs in the building.
The Sponsor has indicated that if operating subsidies cannot be achieved for the 24hr model, then CCS and TSW will reduce the hours of operation to match the level of operational funding commitment. Even if funding is not available for 24 hour a day staffing, shelter clients could continue to securely store their belongings on site and day center clients could access meals, showers and services during the hours the programs may be open.

c. Service Model and Funding Analysis

<u>CCS</u>

CCS utilizes the Housing First approach to house clients as quickly as possible.
All of the services are voluntary, and follow-up case management is provided to encourage housing stability after residents exit. There will be 2 FTE, one case manager and one family activities coordinator.

<u>The Sophia Way</u>

The Sophia Way uses the Housing First approach to reduce the barriers to housing. Building credit and establishing payment history is critical. Access to our programs will not be contingent on sobriety, income, lack of criminal record, completion of treatment or participation in services. Women with disabilities will be offered clear opportunities to request reasonable accommodations within applications and screening processes. There will be 2 FTE, both case managers.

d. Referrals and Marketing Plan

Coordinated Entry is not being used for shelters. Referrals will come from other agency partnerships, housing hot-line, website, street outreach and engagement programs and word-of-mouth.

V. Market Demand Analysis and Compatibility with Funding Priorities

a. Market Demand
Market study is not required for projects serving homeless populations. Shelter is part of the All Home strategic plan to make homeless rare, brief, and one-time for people experiencing crisis in King County, and the numbers of people who are unsheltered in the One Night Count attest to the need. The annual Point in Time Count, *Count Us In*, identified more than 5,000 people without shelter on the night of the count in January 2017, including more than 400 individuals in East and Northeast King County. The All Home Strategic Plan calls for sufficient crisis response for these individuals, including access to low-barrier shelter that creates pathways to housing.

b. Funding Priorities
This project meets the following 2017 King County HFP extremely low-income/homeless housing capital priorities:

- ☒ A majority of units are set-aside for homeless individuals and families, and/or serve special needs populations such as households with a member who is mentally ill, disabled, or developmentally disabled, and provides access to case management and/or behavioral health services (2331, RAHP, HOME)
- ☐ Units are set-aside for individuals in households exiting treatment facilities or other institutionalized settings, or are being served by a Program for Assertive Community Treatment (PACT) team (MIDD 2)

VI. Sponsor Capacity

a. Portfolio and Performance
There are only two projects in the HFP database for this sponsor. Both are transitional programs helping women coming from jail to stabilize and reunite with their children. Compliance reports are submitted on time with no issues noted. Both projects generate zero cash flow and have not been able to accumulate operating or replacement reserves, though neither of those are contract requirements.

b. Pipeline and Development Capacity
Sponsor has no other project in the development pipeline. The Sponsor is using Catholic Housing Services as the primary development consultant. CHS has experience with sophisticated housing development projects involving tax credits. The development team includes VP of Housing and Community Development, a housing development manager and two housing development staff.

c. Equity and Social Justice
This year, the County is using a tool called the "Continuum on Becoming an Anti-Racist, Multicultural Organization" as a yardstick against which to measure how effectively the applicant organization incorporates Equity and Social Justice into its work. Effectively, the Continuum describes how an organization may evolve from an exclusionary institution (where racial and cultural differences are seen as defects) into a changing organization that is tolerant of racial and cultural differences, and ultimately become an anti-racist and multicultural organization that

views racial and cultural differences as assets. Going beyond an examination of the organization's cultural competence in providing housing and services to clients, this tool calls for an evaluation of the organization's governance and working culture.

The Continuum identifies that an organization is undergoing symbolic change into a compliance organization when it;

- Makes official policy pronouncements regarding multicultural diversity
- Sees itself as "non-racist" institution with open doors to people of color
- Carries out intentional inclusiveness efforts, recruiting "someone of color" on committees or office staff
- Has an expanding view of diversity to include other socially oppressed groups

Per these characteristics, the applicant may be considered a "compliance organization" in this Continuum.

The Sponsor indicates that staff reflects those they serve, including formerly homeless staff and diversity in age, gender, race, ethnicity, sexual orientation, and languages spoken. They have staff members who are fluent in languages their clients speak, such as Spanish and Amharic. The Sponsor has regular trainings for staff on cultural responsiveness; recent trainings have included Black Lives Matter, Basics of Islam, and gender identity. Staff identify when interpreter services are necessary, and make use of the CCS in-house Language Access service (interpretation provided by CCS staff) or an outside telephone or in-person interpretation service. The Sponsor utilizes a Multi-racial Action Team that helps create and implement policies and develop educational training for employees.

VII. Review Summary, and Funding Conditions

a. Review Summary

This Sponsor had the difficult task of trying to portray its shelter project using the combined public funding format, especially in the use of the combined operating budgets. Shelters don't typically supply housing units as is the standard revenue generating source and instead quantify the utilization in terms of bed-nights. The construction budget as analyzed by Falkin was identified as up to 48% higher than typical apartment pricing, but went on to say the estimate is in range of costs that can be expected for the proposed scope of work. The non-permanent housing use of this project will likely require a commercial wage rate, which was factored into the construction budget.

The $2M funding request from King County is unremarkable given the demonstrated gap; however, the size of the request relative to the amount of funds available this round is notable. CCS is also seeking $2M from Commerce, which has no capital budget at this time, effectively representing another unfunded gap.

The larger issue is the total cost of operating and services and the associated budgets that were submitted in the application. This project presents essentially two separate projects under one roof with what appears to be little overlap of operating costs, a lack of detail on how operating expenses were derived, and just as important, how the obviously shared expenses were apportioned between the two project components. CCS and Sophia Way are experienced agencies, which lends some credibility to the level of expenses. However, the annual requirement across both programs with operating and services combined is over $2M. A significant percentage of those operating and service funding is projected to come from fund raising and private donations. King County staff from the Homeless Housing Section believe these budgets are overly expensive, even taking into consideration the project's proposed 24/7 operational tempo. The Sponsor may have also realized the expensive nature of this project by acknowledging that if operating/service funding could not be obtained at the requested levels, they would be willing to pare the project back (basically not 24-hour staffing) to fit the operating/service funding shortfall. The Sponsor did not offer to increase its fundraising efforts to fill operating gaps, probably because those commitment levels are already significant. Without an increase in capacity to operate as 24-7 shelters, however, it would be difficult to justify the amount of capital investment being requested of public funders.

Lastly, King County would prefer to see a permanent housing component, but this was not offered in the application. The church-owned property on which the proposed shelter is to be built, appears to have the development capacity to accommodate this kind of hybrid (shelter/permanent) project. However, the church does not seem interested in offering a larger parcel.

This project does not compete well with other priority projects being considered in balance of County. The size of the on-going operating/service costs, coupled with the level of reliance on fund-raising and the lack of confidence in service and operating budget scenarios serves to weaken its overall competitiveness. This project has strong support from The City of Kirkland and other Eastside cities and the Sponsor and its partner service agency Sofia Way have experience in operating 24-hr shelters. It appears that the project needs more time to refine and justify the operating and service costs. Sponsor indicated that it could not move forward without the ARCH and King County awards, and would therefore need to be put on hold until other funding was secured. This suggests that no harm is done to the project development if it must wait for another funding round.

b. Funding Condition
Must develop an operating pro forma approved by King County.

Project Name: **Kirkland Shelter**

UNIT MIX AND AFFORDABILITY

	HFP-funded Units								
Affordable at	25%	40%	60%	80%	Mgr	Mgr	80%	>80%	Total
Sophia Way beds	48								48
CCS Families beds	50								50
Total	98								98

PROJECT FINANCING

Permanent Sources of Funds

Source	Amount	Terms	Status (Proposed, Application Made, Committed)
State HTF	$ 2,000,000	Grant	applying
City of Kirkland	$ 2,163,824	Grant	$850K committed; applying(?) for remainder
Legislative Earmark	$ 350,000	Grant	committed
ARCH	$ 1,124,000	Grant	applying
Sponsor Contribution	$ 1,200,000	Grant	committed
HFP Capital	**$ 2,000,000**	1%, 50 yrs. Deferred payment	This Application
Total Project Sources	$ 8,837,824		

Kirkland Shelter

RESIDENTIAL DEVELOPMENT BUDGET

	Residential Costs	Per bed (both facilities)	Per Sq. Ft.
Acquisition:	$ 605,000	$ 6,173	$ 32
Construction Costs:	6,819,372	69,585	358
Professional Fees:	824,800	8,416	43
Other Development Costs:	588,651	6,007	31
Total Residential Development Costs:	$ 8,837,824	$ 90,182	$ 463

Square feet of parcel to be acquired:	15,312
Per square foot acquisition:	$ 40
Residential square feet to be constructed:	19,075
Nonresidential square feet to be constructed:	-
Total square feet to be constructed:	19,075

PROPOSED RENTS

# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
48	Sophia Way beds	$ -	-		25%	
50	CCS Families beds	$ -	-		25%	
98						$ -

Project Name: **Kirkland Shelter**

PROJECT BUDGET

		Total		Residential
Site Control				
Purchase Price	$	600,000	$	600,000
Closing, Title & Recording Costs		5,000		5,000
Other:		-		
Other:		-		
Subtotal	**$**	**605,000**	**$**	**605,000**
Construction				
Basic Construction Contract		4,741,740		4,741,740
Construction Contingency		550,188		550,188
Site Work and Infrastructure		760,138		760,138
Environmental Abatement (Land)		-		
Sales Taxes		605,207		605,207
Equipment and Furnishings		162,100		162,100
Other Construction Costs:		-		
Other Construction Costs:		-		
Subtotal	**$**	**6,819,372**	**$**	**6,819,372**
Other Professional Fees				
Appraisal	$	10,000	$	10,000
Market Study		-		
Architect/Engineer		374,000		374,000
Environmental Assessment		11,000		11,000
Geotechnical Study		5,000		5,000
Boundary & Topographic Survey		5,800		5,800
Legal Fees		5,000		5,000
Developer Fee		400,000		400,000
Project Management/Development Consultant Fees		-		
Technical Assistance		-		
Other Consultants:		14,000		14,000
Other: **Soft Cost Contingency**		-		
Subtotal	**$**	**824,800**	**$**	**824,800**
Financing and Miscellaneous Other Costs				
Insurance/Real Estate Tax		30,000		30,000
Permits, Fees & Hookups		462,151		462,151
Bridge Loan Interest		-		
Construction Loan Fees		-		
Construction Loan Interest		-		
Other Loan Fees (Impact Capital, State HTF, etc.)		1,500		1,500
State HTF Fees		30,000		30,000
Development period utilities		5,000		5,000
LIHTC Non Profit Donation		-		
Accounting/Audit		-		
Marketing/Leasing Expenses		60,000		60,000
Operating Reserves		-		
Replacement Reserves		-		
Subtotal	**$**	**588,651**	**$**	**588,651**
Total Project Cost	**$**	**8,837,824**	**$**	**8,837,824**
Summary of Financing Resources				
State HTF	$	2,000,000	$	2,000,000
City of Kirkland	$	2,163,824		2,163,824
Legislative Earmark	$	350,000		350,000
ARCH	$	1,124,000		1,124,000
Sponsor Contribution	$	1,200,000		1,200,000
	$	-		
HFP Capital		2,000,000		2,000,000
Total Project Resources	**$**	**8,837,824**	**$**	**8,837,824**

Kirkland Shelter - CCS Familie

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME		
Rents		$ -
Operating Subsidies		
Eastside Cities Operating Subsidy		338,800
King County		410,702
Foundations and Corporations		31,000
Individual Donations		75,000
Total Operating Income		**$ 855,502**
Services Funding Sources		
Fundraising		115,164
King County		37,000
Church Donations		60,000
Total Services Subsidies		**$ 212,164**
Effective Gross Income		**1,067,666**
EXPENSES		
Management - On-site		$ 626,087
Management - Off-site		124,871
Accounting		
Legal Services		
Insurance		4,000
Real Estate Taxes		
Marketing		600
Security		
Maintenance and janitorial		22,500
Decorating/Turnover		15,000
Contract Repairs		3,000
Landscaping		1,000
Pest Control		5,000
Fire Safety		
Elevator		3,500
Water & Sewer		18,400
Garbage Removal		4,000
Electric		15,543
Oil/Gas/Other		6,000
Telephone		6,000
Other		
Total Operating Expenses	$17,110 per bed	**855,502**
Replacement Reserves	$400 per bed	**20,000**
Operating Reserve		
Total Operating Expenses & Reserves		**875,502**
Total Services Expenses	$3,843 per bed	**192,164**
Total Expenses	$21,353 per bed	**1,067,666**
Net Operating Income		**$ 0**
Net Cash Flow		**$ 0**

Kirkland Shelter - Sophia Way

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME		
Rents	$ -	
Operating Subsidies		
Eastside Cities Operating Subsidy	510,945	
King County	333,500	
United Way/Foundations/Fundraising	108,852	
FEMA	4,800	
Total Operating Income	**$ 958,097**	
Services Funding Sources		
East King County	135,792	
King County	76,500	
Total Services Subsidies	**$ 212,292**	
Effective Gross Income	**1,170,389**	
EXPENSES		
Management - On-site	716,872	
Management - Off-site	129,282	
Accounting		
Legal Services		
Insurance	6,400	
Real Estate Taxes		
Marketing	600	
Security		
Maintenance and janitorial	4,250	
Decorating/Turnover	15,000	
Contract Repairs	3,000	
Landscaping	1,000	
Pest Control	5,000	
Fire Safety	2,500	
Elevator	3,500	
Water & Sewer	18,400	
Garbage Removal	4,000	
Electric	15,543	
Oil/Gas/Other	6,000	
Telephone	6,750	
Other		
Total Operating Expenses	**938,097**	$19,544 per bed
Replacement Reserves	**20,000**	$417 per bed
Operating Reserve		
Total Operating Expenses & Reserves	**958,097**	
Total Services Expenses	**212,292**	4,423 per bed
Total Expenses	**1,170,389**	$24,383 per bed
Net Operating Income	**$ (0)**	
Debt Service		
Net Cash Flow	**($0)**	

Kirkland Shelter - CCS Families Facility

<u>SERVICES REVENUE AND EXPENSES</u>

REVENUE

Income from Operations	$	-
Church Donations	$	60,000
Fundraising		115,164
King County		17,000
Total Service Revenue	**$**	**192,164**

EXPENSES

Total Personnel	$	107,364
Local Travel / Mileage	$	400
Equipment	$	8,700
Supplies	$	15,000
Telecommunications	$	6,850
Printing / Duplication	$	6,200
Mail / Postage	$	1,500
Cash Assistance to Families	$	28,500
Subscription/mtgs/trng/Employ Recog	$	3,450
Project Admin	$	10,200
Vehicle Maint	$	4,000
Total Services Expenses	**$**	**192,164**

Net Services Revenue (Expenses)	$	-

Kirkland Shelter - Sophia Way (Women's) Facility

SERVICES REVENUE AND EXPENSES

REVENUE

Income from Operations	$	-
Eastside Cities		135,792
King County		76,500
Total Service Revenue	**$**	**212,292**

EXPENSES

Total Personnel	$	116,392
Local Travel / Mileage	$	400
Equipment	$	8,700
Supplies	$	15,000
Telecommunications	$	12,850
Printing / Duplication	$	7,700
Mail / Postage	$	1,500
Cash Assistance to Families	$	28,500
Subscription/mtgs/trng/Employ Recog	$	7,050
Project Admin	$	10,200
Vehicle Maint	$	4,000
Total Services Expenses	**$**	**212,292**

Net Services Revenue (Expenses)	$	-

Cash Flow Projection Project: **Kirkland Shelter - CCS Families Facility**

Assumptions:		
Annual increase in rental income:	**3.5%**	
Annual increase in operating expenses:	**3.5%**	
Project vacancy/credit loss rate (residential):	**5.0%**	
Project vacancy/credit loss rate (non-residential):	**10.0%**	

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
OPERATING INCOME															
Residential Rents	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Subsidies	855,502	885,445	916,435	948,510	981,708	1,016,068	1,051,630	1,088,437	1,126,533	1,165,961	1,206,770	1,249,007	1,292,722	1,337,968	1,384,796
Total Residential Income	**$ 855,502**	**$ 885,445**	**$ 916,435**	**$ 948,510**	**$ 981,708**	**$ 1,016,068**	**$ 1,051,630**	**$ 1,088,437**	**$ 1,126,533**	**$ 1,165,961**	**$ 1,206,770**	**$ 1,249,007**	**$ 1,292,722**	**$ 1,337,968**	**$1,384,796**
Residential Vacancy	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Service Subsidies	$ 212,164	219,590	227,275	235,230	243,463	251,984	260,804	269,932	279,379	289,158	299,278	309,753	320,594	331,815	343,429
Total Non-Residential Income	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Residential Vacancy	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	**1,067,666**	**1,105,034**	**1,143,711**	**1,183,740**	**1,225,171**	**1,268,052**	**1,312,434**	**1,358,369**	**1,405,912**	**1,455,119**	**1,506,048**	**1,558,760**	**1,613,317**	**1,669,783**	**1,728,225**
Operating Expenses															
Management - On-site	626,087	648,000	670,680	694,154	718,450	743,595	769,621	796,558	824,437	853,293	883,158	914,069	946,061	979,173	1,013,444
Management - Off-site	124,871	129,241	133,765	138,447	143,292	148,308	153,498	158,871	164,431	170,186	176,143	182,308	188,689	195,293	202,128
Accounting	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	4,000	4,140	4,285	4,435	4,590	4,751	4,917	5,089	5,267	5,452	5,642	5,840	6,044	6,256	6,475
Real Estate Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing	600	621	643	665	689	713	738	763	790	818	846	876	907	938	971
Security	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maintenance and janitorial	22,500	23,288	24,103	24,946	25,819	26,723	27,658	28,626	29,628	30,665	31,738	32,849	33,999	35,189	36,421
Decorating/Turnover	15,000	15,525	16,068	16,631	17,213	17,815	18,439	19,084	19,752	20,443	21,159	21,900	22,666	23,459	24,280
Contract Repairs	3,000	3,105	3,214	3,326	3,443	3,563	3,688	3,817	3,950	4,089	4,232	4,380	4,533	4,692	4,856
Landscaping	1,000	1,035	1,071	1,109	1,148	1,188	1,229	1,272	1,317	1,363	1,411	1,460	1,511	1,564	1,619
Pest Control	5,000	5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	7,053	7,300	7,555	7,820	8,093
Fire Safety	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Elevator	3,500	3,623	3,749	3,881	4,016	4,157	4,302	4,453	4,609	4,770	4,937	5,110	5,289	5,474	5,665
Water & Sewer	18,400	19,044	19,711	20,400	21,114	21,853	22,618	23,410	24,229	25,077	25,955	26,863	27,804	28,777	29,784
Garbage Removal	4,000	4,140	4,285	4,435	4,590	4,751	4,917	5,089	5,267	5,452	5,642	5,840	6,044	6,256	6,475
Electric	15,543	16,088	16,651	17,233	17,836	18,461	19,107	19,776	20,468	21,184	21,926	22,693	23,487	24,309	25,160
Oil/Gas/Other	6,000	6,210	6,427	6,652	6,885	7,126	7,376	7,634	7,901	8,177	8,464	8,760	9,066	9,384	9,712
Telephone	6,000	6,210	6,427	6,652	6,885	7,126	7,376	7,634	7,901	8,177	8,464	8,760	9,066	9,384	9,712
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES	**855,502**	**885,444**	**916,435**	**948,510**	**981,708**	**1,016,068**	**1,051,630**	**1,088,437**	**1,126,533**	**1,165,961**	**1,206,770**	**1,249,007**	**1,292,722**	**1,337,967**	**1,384,796**
REPLACEMENT RESERVES	20,000	20,700	21,425	22,174	22,950	23,754	24,585	25,446	26,336	27,258	28,212	29,199	30,221	31,279	32,374
OPERATING RESERVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES & RESERVES	875,502	906,144	937,859	970,685	1,004,658	1,039,822	1,076,215	1,113,883	1,152,869	1,193,219	1,234,982	1,278,206	1,322,943	1,369,246	1,417,170
TOTAL SERVICES EXPENSES	192,164	198,890	205,851	213,056	220,513	228,231	236,219	244,486	253,043	261,900	271,066	280,554	290,373	300,536	311,055
NET OPERATING INCOME	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Cash Flow Projection Project: **Kirkland Shelter - Sophia Way (Women's) Facility**

Assumptions:

Annual increase in rental income:	3.5%	**Project vacancy/credit loss rate (residential):**	5.0%
Annual increase in operating expenses:	3.5%	**Project vacancy/credit loss rate (non-residential):**	10.0%

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
OPERATING INCOME															
Residential Rents	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Subsidies	958,097	991,630	1,026,337	1,062,259	1,099,438	1,137,919	1,177,746	1,218,967	1,261,631	1,305,788	1,351,490	1,398,793	1,447,750	1,498,422	1,550,866
Total Residential Income	**$ 958,097**	**$ 991,630**	**$ 1,026,337**	**$ 1,062,259**	**$ 1,099,438**	**$ 1,137,919**	**$ 1,177,746**	**$ 1,218,967**	**$ 1,261,631**	**$ 1,305,788**	**$ 1,351,490**	**$ 1,398,793**	**$ 1,447,750**	**$ 1,498,422**	**$1,550,866**
Residential Vacancy	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Service Subsidies	$ 212,292	219,722	227,412	235,372	243,610	252,136	260,961	270,095	279,548	289,332	299,459	309,940	320,788	332,015	343,636
Total Non-Residential Income	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Residential Vacancy	$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	**1,170,389**	**1,211,353**	**1,253,750**	**1,297,631**	**1,343,048**	**1,390,055**	**1,438,707**	**1,489,062**	**1,541,179**	**1,595,120**	**1,650,949**	**1,708,732**	**1,768,538**	**1,830,437**	**1,894,502**
Operating Expenses															
Management - On-site	716,872	741,963	767,931	794,809	822,627	851,419	881,219	912,062	943,984	977,023	1,011,219	1,046,612	1,083,243	1,121,157	1,160,397
Management - Off-site	129,282	133,807	138,490	143,337	148,354	153,546	158,921	164,483	170,240	176,198	182,365	188,748	195,354	202,191	209,268
Accounting	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	6,400	6,624	6,856	7,096	7,344	7,601	7,867	8,143	8,428	8,723	9,028	9,344	9,671	10,009	10,360
Real Estate Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing	600	621	643	665	689	713	738	763	790	818	846	876	907	938	971
Security	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maintenance and janitorial	4,250	4,399	4,553	4,712	4,877	5,048	5,224	5,407	5,596	5,792	5,995	6,205	6,422	6,647	6,879
Decorating/Turnover	15,000	15,525	16,068	16,631	17,213	17,815	18,439	19,084	19,752	20,443	21,159	21,900	22,666	23,459	24,280
Contract Repairs	3,000	3,105	3,214	3,326	3,443	3,563	3,688	3,817	3,950	4,089	4,232	4,380	4,533	4,692	4,856
Landscaping	1,000	1,035	1,071	1,109	1,148	1,188	1,229	1,272	1,317	1,363	1,411	1,460	1,511	1,564	1,619
Pest Control	5,000	5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	7,053	7,300	7,555	7,820	8,093
Fire Safety	2,500	2,588	2,678	2,772	2,869	2,969	3,073	3,181	3,292	3,407	3,526	3,650	3,778	3,910	4,047
Elevator	3,500	3,623	3,749	3,881	4,016	4,157	4,302	4,453	4,609	4,770	4,937	5,110	5,289	5,474	5,665
Water & Sewer	18,400	19,044	19,711	20,400	21,114	21,853	22,618	23,410	24,229	25,077	25,955	26,863	27,804	28,777	29,784
Garbage Removal	4,000	4,140	4,285	4,435	4,590	4,751	4,917	5,089	5,267	5,452	5,642	5,840	6,044	6,256	6,475
Electric	15,543	16,087	16,650	17,233	17,836	18,460	19,106	19,775	20,467	21,184	21,925	22,692	23,487	24,309	25,159
Oil/Gas/Other	6,000	6,210	6,427	6,652	6,885	7,126	7,376	7,634	7,901	8,177	8,464	8,760	9,066	9,384	9,712
Telephone	6,750	6,986	7,231	7,484	7,746	8,017	8,297	8,588	8,888	9,200	9,522	9,855	10,200	10,557	10,926
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES	**938,097**	**970,931**	**1,004,913**	**1,040,085**	**1,076,488**	**1,114,165**	**1,153,161**	**1,193,522**	**1,235,295**	**1,278,530**	**1,323,279**	**1,369,593**	**1,417,529**	**1,467,143**	**1,518,493**
REPLACEMENT RESERVES	20,000	20,700	21,425	22,174	22,950	23,754	24,585	25,446	26,336	27,258	28,212	29,199	30,221	31,279	32,374
OPERATING RESERVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES & RESERVES	958,097	991,631	1,026,338	1,062,259	1,099,438	1,137,919	1,177,746	1,218,967	1,261,631	1,305,788	1,351,491	1,398,793	1,447,751	1,498,422	1,550,867
TOTAL SERVICES EXPENSES	212,292	219,722	227,412	235,372	243,610	252,136	260,961	270,095	279,548	289,332	299,459	309,940	320,788	332,015	343,636
NET OPERATING INCOME	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**

King County
Housing Finance Program
2017 Capital Funding - Affordable Housing RFP
Underwriting Report

I. Overview

Sponsor/Owner:	Imagine Housing - 4% Project Red Vines 1 - 9% Project		
Development Consultant:	None		
Project Name:	Esterra Park		
Project Address:	2740 Tagore (156th Ave NE) Redmond, WA 98052		
Total Dev Cost:	4%: $23,867,013	$307,709	per residential unit
	9%: $21,768,646	$341,587	per residential unit
KC Funds Requested:	4%: $4,500,000	$57,692	per regulated unit
	9%: $1,500,000	$28,846	per regulated unit
KC Funds Recommended:			
Did this project apply for funding in prior rounds?	Yes, in 2016		
Is this project applying for TOD funds?	Yes, the 4% portion		

II. Project Description

a. Housing Model

Imagine Housing is requesting funding to develop the affordable portion of Esterra Park Block 6B. Block 6B at Esterra Park is a planned new construction project with 256 units (comprising two buildings: one building will include the affordable units in a combined 4% and 9% Low Income Housing Tax Credit (LIHTC) project, and the second building will be a market rate building developed by Imagine Housing's market-rate partner Pryde+Johnson). The affordable building is divided vertically; the 4% units are on one side of the building and the 9% units on the other side. This project will provide an integrated mix of affordable, workforce, and market-rate housing combined with an onsite 11,540 square foot YMCA Licensed Child Care center. Imagine Housing is partnering with their sister organization, Red Vines 1, market rate partner Pryde+Johnson (P+J), and the Eastside YMCA on this project.

Imagine Housing will build one building and split the project into two parts, in order to fund the project with both 4% and 9% LIHTC. The combined Block 6B 4% and Block 6B 9% projects will have 130 total units and the second building in Block 6b will have an additional 126 units to be owned by Pryde+Johnson, the private development partner. The 4% portion of Esterra Park will be owned by Imagine Housing and will comprise 78 units of affordable workforce housing. The units are proposed to be restricted by Commerce, King County and ARCH to provide affordable rents to twelve (12) households earning at or below 30% of AMI, twenty-one (21) households earning at or below 50% of AMI, and the remaining forty-five (45) units affordable to households earning at or below 60% of AMI. Eight (8) units will be set aside for homeless families placed through CEA and eight (8) units will be set aside for households with a disabled household member.

Red Vines 1 is the sponsor for the 9% portion of Esterra Park, which comprises 52 units of affordable workforce housing. (As a Community Housing Development Organization (CHDO), Red Vines 1 is technically a separate arm of Imagine Housing. For purposes of this review, the applicant is referred to as Imagine for both the 4% and 9% projects.) The units are proposed to be restricted by Commerce, King County and ARCH to provide affordable rents to twenty three (23) households earning at or below 30% of AMI, twelve (12) households earning at or below 50% of AMI, and the remaining eleven (11) units affordable to households earning at or below 60% of AMI. Six (6) units will be unrestricted market rate units. Fourteen (14) units will be set aside for homeless families with children, and ten (10) units will be set aside for households with a disabled household member with at least two set aside for developmentally disabled adults. The 9% portion of the building will include the 11,500 square foot YMCA Child Care center.

The project will provide affordable housing for workforce households. Both the 4% and 9% projects will provide set-asides for homeless families, households with a disabled household member. Homeless units will be filled through Coordinated Entry for All (CEA). For units that are not homeless set-asides, referrals will be received from many service providers in East King County including Congregations for the Homeless, The Sophia Way, YWCA, Hopelink and the Veterans Administration.

b. Physical: Project, Site, and Locality Characteristics

Esterra Park Block 6B will be a block within the entire Esterra Park master planned community located south of the intersection of 156th Avenue and Turing Avenue in Redmond, less than one half mile from the Microsoft campus and the Overlake Village Light Rail Station opening in 2023, and one-quarter mile from current bus transit and Rapid Ride B line. The project is located within less than a mile of multiple grocery stores, including Safeway, Trader Joes, and Fred Meyer. Also, within a mile of the site are multiple schools and parks. Within 4 miles of the site, there are multiple service providers, such as Friends of Youth, Together Center, Hopelink Food Bank, and Youth Eastside Service.

The two buildings will share a common 2-level underground parking structure. There will be 213 residential parking stalls for the entire project (the 4%, 9%, and P+J), meets requirements for current zoning. 60 stalls will be for the 4% portion and 42 stalls will be for the 9%. 14 commercial parking stalls are required by Code, but the project design is proposing seven stalls; the project will require a departure from parking requirements. Imagine Housing plans on charging for parking only for the 6 unrestricted market rate units in the Block 6B 9% portion.

Imagine Housing has chosen to work with the architectural firm Clark Design Group PLLC, which is currently the firm that is leading a three block development for Lincoln Residential at Esterra Park. The firm has provided preliminary designs for this project. The proposed design is for the new construction of a 7-story, 130-unit affordable apartment building and childcare center over a 2-level underground parking garage. The Pryde+Johnson building will be a 9-story building and will share the underground parking with Imagine Housing/Red Vines 1 portion. Imagine Housing has worked closely with the architect to ensure that the site is being developed at a maximum capacity. The maximum base density allowed by the City of Redmond is 4:1 Floor Area Ration (FAR). Block 6B with the two buildings will be at 4:1 FAR. The site is currently zoned Redmond OV4.

Exterior material will be primarily fiber-cemented siding over rain screen assembly with vinyl framed insulated glass windows and aluminum storefronts at commercial areas. Proposed construction start date is December of 2018 with completion anticipated in August of 2020. The Phase I environmental review was completed on 8/11/2017. Phase II is not recommeded. The site was formerly parking and landscaping for Group Health.

The project has self-scored 70 points on the Evergreen Sustainable Development Standards checklist, with 50 points being the minimum required for new construction. Some of the more notable sustainable and energy efficient elements will incorporate design components in accordance with ESDS Version 3.0 that will allow the project to minimize electricity consumption for heat and lighting and maximize the comfort of the residents' living environment. Low flow water fixtures will be selected and the project will use a high efficiency water heating system. The exterior of the building will be fiber cement panel siding and windows will have a clear Low-E argon filling. Building envelope insulation density will minimize heat transfer/loss and improve sound attenuation.

The property is located in the Overlake neightborhood, 0.1 miles from the Overlake Park & Ride which serves the B-line, 249, and 269 routes. The site will be less than ½ a mile from the upcoming Overlake Village Light Rail. The site qualifies as a TOD project and the location received a positive assessment from King County Metro staff. The site is located in Zone 1 of Metro's Transit Access Zones. Zone 1 has a high density area served by a grid of frequent service, such as downtown areas. Improvements in this zone are focused on bicycle and pedestrian facilities; with little or no expansion of Metro parking. It is socred at 96% in the Future Bicycle/ Walk Share catergory.

Esterra Park is located in the Overlake neighborhood in Redmond, across the street from the Microsoft campus. With Microsoft opening up its campus in the area, this neighborhood has undergone many changes in last few years. The need for affordable housing in Redmond is rapidly increasing as the area continues to see rent and home prices increase far faster than wage growth. Redmond is the third largest employment area in the region. Creating a variety of housing options that provide equitable access to the city's many opportunities is vital for the community.

Imagine Housing is mindful of working with the community as much as possible to develop a project that positively contributes to the neighborhood. One potential contribution is to provide affordable housing to workforce households, homeless households with children, and households with disabled family members. The YMCA Children's Center will be located on the first floor of this project. Imagine Housing has a MOU with The YMCA for the purpose of pursing the joint development and use of Block 6B. The YMCA will serve up to 125 children ages 0-5 years from the broader community. Early childcare can be a burden for low income families as it is often difficult to get to and can be very costly in high opportunity areas. With the YMCA Childcare Center onsite, Imagine expects to lessen the burden and help ensure the children are able to receive early childhood education and socialization which can reflect positively in grade-school success.

As proposed, Esterra Park will provide high-quality, mixed-income housing in an urban center equipped with walkable parks and a future light-rail station. It will be affordable to people at many income levels and will support the diverse communities' characteristic of all of Imagine Housing's properties. It is consistent with both the vision for Overlake Village and the City of Redmond's direction to pursue approaches to add more affordable housing at greater levels of affordability in Redmond, including the Overlake neighborhood.

c. Roles and Responsibilities

Imagine Housing's Director of Housing Development, Sibyl Glasby, will oversee the development of Block 6B's affordable housing component, the affordable housing portion of the parking garage, and coordinating the partnership with the market rate partner. Sibyl is supported by her team, which includes Allen Dauterman, Senior Real Estate Developer, and Megan Adams, Real Estate Developer. Sibyl assembles the development team, including the General Contractor and Architect, and manages the project from start to finish.

The ownership entity will be a Limited Liability Company (LLC). The sponsor, Imagine Housing, will be the Managing Member, a non-profit organization. The to-be-determined Investor Member will be the equity investor. An operating agreement will capture the rights and responsibilites of each member.

The project comprises four condominium units: Imagine Housing, Pryde+Johnson, YMCA-leased space, and Red Vines 1. The 4% condominium will be owned by Imagine Housing, and the 9% condominium will be owned by Red Vines 1. The condominiums will have separate ownership, distinct operating and loan agreements, and shared use of all the amenities. The ownership structure of the non-residential space will be a condominium wholly owned by Block 6B 9% or Imagine Housing and leased to the YMCA for a minimum 20 year period with a ten year extension. The ownership structure will be fully vetted with the selection of the LIHTC investor and lender for Block 6B 9%. At the end of the 15 year tax compliance period, the investor member will divest their interest in the project.

Imagine Housing anticipate that there will be five construction contracts with the same general contractor and the same construction lender. The parking podium will be one contract with reimbursement from other entities, most likely Pryde+Johnson or the 9% contract. The second contract will be for the Pryde+Johnson housing building. The third will be for the Block 6B 4% housing portion; the fourth contract will be for the Block 6B 9% housing portion with shell contract for YMCA, and the fifth contract will for the YMCA finishes. All professional services are negotiated through a comprehensive scope bid process. Three proposals are solicited to ensure the most cost effective services are delivered to the project from qualified professional firms and in accordance with the funding requirements of Block 6B Esterra Park. Red Vines 1/Imagine Housing and Pryde+Johnson will reach out to at least two WMBE contracting firms to submit proposals through the general contractor RFQ process. The contracting RFQ process will provide for WMBE and section 3 compliance requirements. The successful general contractor will be required to demonstrate in their proposal a program that meets all compliance requirements.

III. Development Budget Analysis

a. Sources and Uses

Esterra Park submitted a budget with a total development cost of $45,769,941, which includes $24,001,295 for the 4% affordable housing portion and $21,768,646 for the 9% portion, of which $17,762,534 are residential costs and $4,006,112 for the YMCA Childcare Center. In terms of allocation of costs between the different project components, specific costs related to the specific entities are first applied such as interior design, furnishing equipment and financing costs. Costs that are shared, such as design and engineering, are allocated based upon square footage of each entity. Land costs are allocated on a per unit basis, as are sewer capacity fees. This allocation scheme is reasonable and acceptable to King County.

Pre-development costs will be paid for with internal Imaigne Housing sources and a loan from Impact Capital. Land will be acquired at closing. Earnest money payments and timeline, which are currently being renegotiated, will be paid for with internal proceeds from Imagine Housing and the ARCH funds already awarded (following NEPA) and applicable costs paid by Pryde+Johnson.

<u>For the 4% project</u>: Acquisition costs on the 4% project at $3,420,977 equal 14% of the total project costs. Hard costs at $15,352,122 equal 64% of the total project costs. Soft costs at $2,335,674, of make up 10% total project costs. Per unit costs come to approximately $307,709 per unit at $306 per square foot. These costs are within expectation and are in line with like projects.

<u>For the 9% project</u>: Acquisition costs at $2,288,984 is equal to 11% of total project costs. The hard cost at $14,656,566 equal 67% of total project costs, which includes $3,038, related to the childcare portion of the building. Soft costs at $2,249,592 make up 10% of total project costs and includes $301,236 for the non-residential portion. Per unit costs come to approximately $341,587 at $298 per square foot. Compared to the 4% project, and with the split of larger-sized units on the 9% project, these costs make sense and are in line with like projects.

Overall, new construction contingency is budgeted at approximately 9% of the construction contract, which is acceptable.

The Esterra Park budget assumes residential prevailing wage for the parking podium, the 4% housing portion, the 9% housing portion, and the YMCA shell. The potential that 16 Section 8 vouchers would be awarded – eight each for the 4% and 9% projects, respectively – introduces the risk that Davis-Bacon commercial wages would be triggered. Imagine argues that because the 4% and 9% portions of the building are owned by separate entities, and because the Section 8 vouchers would also be contracted separately, Davis-Bacon requirements would not be triggered.

KCHA is open to delving into more deeply and has allowed Imagine Housing's attorney to contact HUD general counsel directly to discuss. If Davis-Bacon were to be triggered in this project, it approximately increase construction related activities by 15%, creating a gap of $1.7M on the 4% and $1.4M on the 9%.

Esterra Park Block 6B 4% will utilize an innovative model of public/private partnership maximizing the leverage secured by the public funds.

The combined Block 6B 4% and Block 6B 9% was awarded $500,000 in acquisition funds from ARCH in in early 2017.

In July 2017 the Redmond City Council approved the Multi-Family Property Tax Exemption Program (MFTE) for affordable housing and created a mechanism for alternative compliance under MFTE which is helping provide additional funding resources to support the project and reduce the funding requests to other funders. Via this program, the City of Redmond was able to commit $4M to the development of Esterra Park Block 6B, deepening the affordability levels that are already required by the City's inclusionary zoning ordinance.

Sources for the 4% project. The development of Block 6B 4% will require approximately $250,000 of the awarded ARCH funds and $3.5 M of the committed City of Redmond funds. Imagine Housing is applying for $4 M in King County TOD Bond Funds and $800,000 in funding from State Housing Trust Fund. The public capital funds of $8.9M will leverage $1.67 of private funds for every $1 of public sources. The non-public funds contemplated include $14.96 M in private investment from the tax exempt bond financing, 4% LIHTC investment by a private financial institution and $884,000 from Imagine Housing as deferred developer fee and a $200,000 sponsor loan. Specific to King County's request, this scenario achieves a 4.3:1 leverage ratio, which is within expectation for a 4% project. In terms of competitiveness for credits in the King County pool, the 4% project is scoring highly at 57. Comparatively, affordable housing projects serving low income populations are scoring in the range of 40s. Therefore, the ability for the Esterra Park to compete for 4% credits in 2018, and depend largely on the number of transit oriented projects applying for credits in the same round. Imagine Housing is calculating 4% tax credit pricing at $.95.

Sources for the 9% project. The development of Block 6B 9% will require approximately $250,000 of the awarded ARCH funds and $500,000 of the awarded City of Redmond funds. Imagine Housing is applying for $1.5M non-TOD from King County and $900,000 in funding from the State Housing Trust Fund. The public capital funds of $3.8 M will leverage $3.7 in private funds for every public dollar. Non-public funding includes $3.9 M in private investment from taxable private debt, 9% LIHTC investment of $9.2 M from a private financial institution and $854,000 from Imagine Housing as deferred developer fee and a $300,000 sponsor loan. The source for the sponsor loan is Imagine Housing's Private Social Impact Investment that it plans to launch this year. In terms of competitiveness for credits in the King County pool, the 9% project is scoring at 163. Comparatively, permanent supportive housing projects serving high-need homeless populations will score most competitively in the range of 170s. Therefore, the ability for the Esterra Park to compete for 9% credits in 2018 will depend largely on the number of permanent supportive housing projects with 75% homeless set-aside units will be applying for credits in the same round. Imagine Housing is calculating 9% tax credit pricing at $.95.

In the event that the project does not receive funding from the State Housing Trust Fund, Imagine Housing is requesting King County and ARCH guarantee the State funding request to maintain the existing unit count and income mix. If necessary, the project could then reapply when State funding is available in 2018.

b. Cost Effectiveness

The project site was purchase for $11,195,000, of which $3,410,977 is for the 4% portion, and $2,273,984 for the 9% portion. The gross 2017 appraisal value of the property is $14,130,000.

Per the preliminary project evaluation report generated by Falkin Associates, "early design concepts, and layout, and the estimating pricing, indicate planning and design ideas are well thought out to meet the needs of affordable and workforce housing and child care center." According to Falkin, the cost estimate is in the higher range of costs that can be expected for the proposed work scope, which may be attributable to the uncertainty around wage rates.

This project has not been value engineered. The architect and engineering fee for both the 4% and 9% projects are reasonable for this project.

c. Financing: Bridge and Permanent

Sources for pre-development include loans from Impact Capital and Imagine Housing. Impact Capital's loan for a combined $1.1M across the two projects has a 6% interest rate; Imagine's loan is at 0%.

For permanent financing on the 4% project, tax credit equity pricing is assumed at $0.95. Tax-exempt bond debt is modeled at 4.65% amortizing over 30 years with a 17-year loan term. On the 9% project, tax credit equity pricing is also assumed at $0.95, and permanent debt is modeled at 5.25% amortizing over 30 years with a 17-year loan term. The interest rates on the tax-exempt and taxable debt on the 4% and 9% projects, respectively, are reasonable and in line with terms on projects that are closing currently. With projects that contemplate closing further out in time, King County has seen a more conservative 6% interest rate being modeled; however, as submitted, the Esterra Park assumptions are reasonable. It is unclear how the current tax reform proposals might immediately affect tax credit equity pricing, but as submitted, the Esterra Park pricing assumptions are reasonably conservative. Comparatively, for the 30Bellevue project that is closing by the end of November 2017, Imagine Housing received the LIHTC equity price of $0.97.

IV. Project Services and Operations

a. Operating Pro Forma

Overall, the proposed rents for the Block 6B 4% and 9% projects at Esterra Park were determined through an analysis of the market study rents at similar properties measured against the operating costs for the property. Utility allowances reflect the current allowances provided by

King County Housing Authroity. Imagine Housing will complete an energy consumption model analysis which could result in a adjustment of the actual rate used.

The 4% project. Imagine Housing is estimating $771,264 in rents for the 4% project, plus $169,632 of rental subsidy from KCHA for the eight Section 8 Vouchers. The 4% project includes a request for $30,000 of service funding from King County, and the 9% will include a $50,000 ask for services. Other souces of funding for the 4% include income from laundry estimated at $23,400 for the first year. Debt service of the hard debt at approximately $385,953 year yields a debt coverage ratio (DCR) of 1.26 in the first year, which meets the typical lender DCR of 1.15. King County TOD Bond for $4,500,000 is shown as hard debt, with interest payments of $45,000 beginning in Year 2.

The 9% project. For the 9% project $379,704 is estimated for rental income plus $187,560 of rental subsidy from KCHA for the eight Section 8 vouchers. The 9% project also assumes $71,064 in operating subsidy from King County. Other sources for the 9% include income from laundry estimated at $10,400 for the first year, as well as unrestricted income units parking fee of $2,700 for the first year. Debt service of the permanent loan at approximately $265,678 year yields a debt coverage ratio (DCR) of 1.15 in the first year, which meets the typical lender DCR of 1.15.

Vacancy rates for the 4% and 9% projects are estimated at 5% for residential and 10% for non-residential, which are typical.

Real estate taxes for the 4% and 9% projects significantly increase after Year 12, due to the Multi-Family Tax Exemption expiring.

b. Property Management
FPI Management firm will be the property manager at Esterra Park Block 6B 4% and 9%. Their duties will include day-today operations of the project; hiring on-site staff; upkeep and maintenance of the project; proper accounting of the project funds; initial lease-up and marketing; resident selection and certification; hiring and supervising all contracted activity for the project; overall supervision of the project, and weekly and monthly reports reflecting the project status to the owner and sponsor. Red Vines 1 and Imagine Housing will closely oversee all work by FPI and ensure that they are effectively managing and maintaining the property. FPI Management will provide four full time positions: community director; assistant community manager; maintenance superivisor, and maintenance technician.

c. Service Model and Funding Analysis
The proposed homeless set-aside units in both the 4% and 9% projects at Esterra Park are considered permanent housing with supports, where service levels are moderate in comparison to a permanent supportive housing project serving high-needs homeless households. The services that Imagine Housing provides are designed to meet the residents where they are at but are not compulsory, in line with the Housing First philosophy. For the 4% and 9% projects, Imagine proposed to serve 31 households placed through CEA with a 1.25 FTE case manager.

For the 9% project, ongoing operating, rental, and services subsidy resources contemplated include eight Section 8 Vouchers from KCHA and an annual services support funding of $50,000 and operating support of $71,064 from King County to provide the necessary resources to serve at least 14 homeless families with children and 9 homeless individuals/small households placed through CEA.

The 4% project estimates $30,000 of service funding from King County. The 9% project estimates $50,000 of service funding from King County and $71,064 of operating subsidy from the King County. ORS service and operating subsidies seem appropriate for this project.

d. Referrals and Marketing Plan

Prospective renters shall be recruited though an affirmative marketing strategy designed to ensure equal access to all appropriate-sized housing units for all persons in any category protected by federal, state, or local laws governing discrimination. Imagine has a comprehensive affirmative fair housing marketing plan that includes print, online media, outreach, referral program, and internal waitlist activities. Marketing will begin 6-9 months before property operations are expected to start. The waitlist will open for 2-3 months with a set closure date 3-4 months before operations. If more applications are received for unit types and setasides than units available, a random order will be generated. Homeless units will be filled through Coordinated Entry for All. For units that are not homeless set-asides, referrals will be received from many service providers in East King County including Congregations for the Homeless, The Sophia Way, YWCA, Hopelink and the Veterans Administration.

V. Market Demand Analysis and Compatibility with Funding Priorities

a. Market Demand

The market study confirms that there is demand for affordable units in the area. Property managers of low-income properties with units available to households with 30% of AMI or less income reported that demand for these units are typically the highest and generally command a waitlist. The Market Study confirms that vacancy for LIHTC units was ~1% in September of 2017. The Market Study indicates that the project will benefit from its proximity to the services provided in the East King County markets. The project's location adjacent to major transportation routes will afford tenants good access to employment centers, shopping, and services. Imagine Housing estimates lease-up for this project will begin April of 2020 and be fully by March of 2021.

b. Funding Priorities

This project meets the following 2017 King County HFP extremely low-income/homeless housing capital priorities:

☒ A majority of units are set-aside for homeless individuals and families, and/or serve special needs populations such as households with a member who is mentally ill, disabled, or developmentally disabled, and provides access to case management and/or behavioral health services (2331, RAHP, HOME)

☐ Units are set-aside for individuals in households exiting treatment facilities or other institutionalized settings, or are being served by a Program for Assertive Community Treatment (PACT) team (MIDD 2)

This project meets the following 2017 King County HFP transit-oriented development housing capital priorities:

☒ Project leverages present and future public investment in transit infrastructure, is within ½ mile of a high capacity transit station, and is eligible for the
- ☐ All-County Seattle pool
- ☒ All-County North/East pool
- ☐ All-County South pool
- ☐ I-90 Corridor (Issaquah to North Bend pool)

☒ Project meets the preference under the TOD Bond Allocation Plan to serve or integrate units serving populations that have been identified as being in particular need, including but not limited to: families, veterans, survivors of domestic violence, people with developmental or other disabilities, households that are at risk of homelessness, or individuals re-entering the community after incarceration

VI. Sponsor Capacity

a. Portfolio and Performance

Imagine Housing and Red Vines 1 have 30 year of experience developing affordable housing in King County, with 13 projects in their portfolio, and 485 units placed in service. Imagine has multiple projects within the Housing Finance Program portfolio. More recent projects include the newly completed Velocity in Kirkland, which was completed on time and delivered under budget. Francis Village was completed on time and delivered under budget by Imagine Housing. Imagine acted as sponsor and developer for this project. Andrew's Glen was completed in 2011 on time and under budget. Athene, developed by Red Vines 1, is on track for completion by the end of 2017. To date, Red Vines 1/Imagine Housing has a 100% success rate in securing project based Section 8 subsidies. 30Bellevue will soon be closing and soon begin construction. Construction pricing significatlyincreased in the final construction bid, but RedVines 1 was able to close that gap through many cost saving methods.

b. Pipeline and Development Capacity

Currently, Imagine Housing has three projects in the works: Athene, senior housing, is soon to be completed; 30Bellevue, an affordable housing project with 50% homeless households, is expected to close and begin construction at the end of November, and Esterra Park, which is currently seeking funding from multiple funders.

Imagine Housing's development team for Block B6 has multiple years' experience in developing affordable housing, and seems well able to complete and service this type of project.

c. Organizational Financial Soundness

Imagine Housing's financial are relatively typical of non-profit real estate development organization, where ratios are affected by the development cycle. Notably,

- Total assets decreased from 2015 to 2016 due to the assignment of land from Imagine Housing to Athene LLC for the construction of a 91-unit senior building.

- Current ratio was 1.29 in 2014, 0.39 in 2015, and 2.03 in 2016. The low current ratio in 2015 was because loans for land purchased in 2012 were classified as current liabilities in 2015 when funding was approved for Athene, which is currently under construction. These acquisition loans were paid off in August 2016 with new construction financing. The current ratio in 2015 without taking these loans into consideration would have been 1.96.

d. Equity and Social Justice

This year, the County is using a tool called the "Continuum on Becoming an Anti-Racist, Multicultural Organization" as a yardstick against which to measure how effectively the applicant organization incorporates Equity and Social Justice into its work. Essentially, the Continuum describes how an organization may evolve from an exclusionary institution (where racial and cultural differences are seen as defects) into a changing organization that is tolerant of racial and cultural differences, and ultimately become an anti-racist and multicultural organization that views racial and cultural differences as assets. Going beyond an examination of the organization's cultural competence in providing housing and services to clients, this tool calls for an evaluation of the organization's governance and working culture.

The Continuum identifies that an organization is undergoing symbolic change into a compliance organization when it

- Makes official policy pronouncements regarding multicultural diversity
- Sees itself as "non-racist" institution with open doors to people of color
- Carries out intentional inclusiveness efforts, recruiting "someone of color" on committees or office staff
- Has an expanding view of diversity to include other socially oppressed groups

Per these characteristics, the applicant may be considered a "compliance organization" in this Continuum because 1) recognizing the need for cultural competence, Imagine Housing has formed a Cultural Competency Committee, which is tasked with awareness raising and policy review with an equity lens for the organization; 2) the Imagine team has updated and improved hiring practices; 3) the organization is improving its services to include translations for people with limited English proficiency, and 4) the organization has made a commitment about diversifying its board, staff, and volunteers.

VII. Review Summary

Imagine Housing is requesting funding to develop the affordable portion of Esterra Park Block 6B. Block 6B at Esterra Park is a planned new construction project with 256 units, including a mix 4% and 9% LIHTC in 124 units that will be restricted to households earning between 30% - 60% AMI. This project will provide an integrated mix of affordable, workforce, and market rate housing combined with an onsite 11,540 square foot YMCA Licensed Child Care center. The project is also well-located and will be part of a vibrant re-development of property near high-capacity transit.

The 4% project is a candidate for King County's TOD funds, and the 9% project with its inclusion of set-aside units for homeless families, is a candidate for general King County funds. As submitted, both projects are subject to some risks: the uncertainty of wage rates could mean a significant increase to the development budget; both projects also rely on the State Housing Trust Fund, which, as of this report’s writing, is unavailable. However, both projects meet the priorities of public funders and overall, the project has received significant local investment of resources. Based on the sources of available capital funds from King County, should King County award funds to the project, the public funders should collaborate on balancing capital sources in both the 4% and 9% projects to achieve efficient use of funds. For example, King County might choose to invest TOD funds over the requested amounts and relieve asks to other public funders on that project, in exchange for additional support from other public funders on the 9% project and reducing the County’s participation there. If such a re-balancing occurs, then the operating and support services request will also have to be adjusted accordingly.

Project Name: **Esterra Park Block 6B 4% and 9%**

UNIT MIX AND AFFORDABILITY

	HFP-funded Units									
Affordable at	30%	40%	50%	60%	Mgr	Mgr	80%	>80%	Total	4% Project
Studios	3		15	12					30	
1 Bedroom	1		5	30					36	
2 Bedroom	8		1	3					12	
3 Bedroom										
Total	12		21	45					78	

	HFP-funded Units									
Affordable at	30%	40%	50%	60%	Mgr	Mgr	80%	>80%	Total	9% Project
Studios	7	3		2					12	
1 Bedroom	7	4		5				6	22	
2 Bedroom	6	4		3					13	
3 Bedroom	3	1		1					5	
Total	23	12		11				6	52	

PROJECT FINANCING

Permanent Sources of Funds

Source	**Amount**	**Terms**	**Status** (Proposed, Application Made, Committed)	
Tax Exempt Perm Debt - 4%	$ 6,177,295	4.65%, 17-yr term, amort. over 30 years	Proposed	4% Project
4% LIHTC Equity	$ 7,469,429	.95 pricing	Proposed	
Deferred Dev Fee - 4%	$ 750,000	2%, 15-yr term, cash flow pymts, deferred	Committed	
Sponsor Loan - 4%	$ 200,000	3%, 17 years cash flow pymts	Committed	
Commerce, HTF	$ 800,000	1%, 50 years cash flow pymts	Proposed	
ARCH	$ 354,571	1%, 50 years cash flow pymts	Proposed	
ARCH	$ 250,000	1%, 50 years cash flow pymts	Committed	
City of Redmond	$ 3,500,000	1%, 50 years cash flow pymts	Committed	
King County TOD	$ 4,500,001	1%, 50 yrs., simple interest payments required	This Application	
Total 4% Project Sources	$ 24,001,296			

Taxable Perm Loan - 9%	$ 3,970,272	5.25%, 17-yr term, amort. over 30 years	Proposed	9% Project
Commerce HFT - 9%	$ 900,000	1%, 50-yr	Proposed	
Deferred Dev Fee - 9%	$ 554,733	0% 10-yr term, cash flow pymts	Proposed	
Sponsor Loan - 9%	$ 300,000	3%, 17-yr term, cashflow pymts	Proposed	
9% LIHTC Equity	$ 9,158,209	$.95 pricing	Proposed	
ARCH	$ 629,320	1.0%, 50-yr term, cashflow pymts	Proposed	
ARCH	$ 250,000	1.0%, 50-yr term, cashflow pymts	Committed	
City of Redmond	$ 500,000	1.0%, 50-yr term, cashflow pymts	Committed	
HFP Capital	**1,499,999**	1%, 50 yrs. Deferred payment	This Application	
Total 9% Project Sources	$ 17,762,533			

Permanent Sources of Funds - Non-Residential 9%

Taxable Perm Loan	$ 3,406,112	5.5%, 17-yr term, 30-yr Amortization, cashflow pymts	Proposed
YMCA	$ 600,000		Proposed

Esterra Park Block 6B - 4%

RESIDENTIAL DEVELOPMENT BUDGET

	Residential Costs	Per Unit	Per Sq. Ft.
Acquisition:	$ 3,420,977	$ 43,858.68	$ 44
Construction Costs:	15,352,123	$ 196,822.09	196
Professional Fees:	2,335,674	$ 29,944.54	30
Other Development Costs:	2,892,522	$ 37,083.62	37
Total Residential Development Costs:	$ 24,001,296	$ 307,709	$ 306

Square feet of parcel to be acquired:	57,371
Per square foot acquisition:	$ 59
Residential square feet to be constructed:	78,470
Nonresidential square feet to be constructed:	-
Total square feet to be constructed:	78,470

PROPOSED RENTS

# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
3	30% Studios	$ 447	57.00	504	30%	16,092
15	50% Studios	$ 783	57.00	840	50%	140,940
12	60% Studios	$ 951	57.00	1,008	60%	136,944
1	30% 1 BR	$ 483	57.00	540	30%	5,796
5	50% 1 BR	$ 843	57.00	900	50%	50,580
30	60% 1 BR	$ 960	57.00	1,017	60%	345,600
8	30% 2 BR	$ 200	73.00	273	30%	19,200
1	50% 2 BR	$ 1,007	73.00	1,080	50%	12,084
3	60% 2 BR	$ 1,223	73.00	1,296	60%	44,028
78						$ 771,264

Esterra Park Block 6B - 9%

RESIDENTIAL DEVELOPMENT BUDGET

	Residential	Per Unit	Per Sq. Ft.	Commercial	Per Sq. Ft.
Acquisition:	$ 2,283,984	$ 43,922.77	$ 38	$ 5,000	$ 0.43
Construction Costs:	11,618,495	$ 223,432.60	195	3,038,071	$ 263.20
Professional Fees:	1,948,356	$ 37,468.38	33	301,235	$ 26.10
Other Development Costs:	1,911,698	$ 36,763.42	32	661,806	$ 57.33
Total Residential Development Costs:	$ 17,762,533	$ 341,587	$ 298	$ 4,006,112	$ 347

Square feet of parcel to be acquired:	57,371
Per square foot acquisition:	$ 40
Residential square feet to be constructed:	59,604
Nonresidential square feet to be constructed:	11,543
Total square feet to be constructed:	71,147

PROPOSED RENTS

# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
7	30% Studio	$ 200	57.00	257	30%	16,800
3	40% Studio	$ 615	57.00	672	40%	22,140
2	60% Studio	$ 951	57.00	1,008	60%	22,824
2	30% 1 BR	$ 200	57.00	257	30%	4,800
5	30% 1 BR	$ 483	57.00	540	30%	28,980
4	40% 1 BR	$ 663	57.00	720	40%	31,824
5	60% 1 BR	$ 960	57.00	1,017	60%	57,600
1	30% 2 BR	$ 200	73.00	273	30%	2,400
5	30% 2 BR	$ 200	73.00	273	30%	12,000
4	40% 2 BR	$ 200	73.00	273	40%	9,600
3	60% 2 BR	$ 1,223	73.00	1,296	60%	44,028
3	30% 3 BR	$ 200	90.00	290	30%	7,200
1	40% 3 BR	$ 200	90.00	290	40%	2,400
1	60% 3 BR	$ 1,407	90.00	1,497	60%	16,884
6	Market Rate	$ 1,392	-	1,392	Market Rate	100,224
52						$ 379,704

Project Name: **Esterra Park Block 6B 4% and 9%**

PROJECT BUDGET

		Total	Residential - 4%	Residential - 9%
Acquisition Costs				
Land		$ 5,684,961	$ 3,410,977	$ 2,273,984
Closing, Title & Recording Costs		25,000	10,000	10,000
Subtotal		**$ 5,709,961**	**$ 3,420,977**	**$ 2,283,984**
Construction				
Demolition		$ -	$ -	$ -
New Building		18,874,077	9,670,341	7,313,730
Contractor Profit		988,760	508,880	385,339
Contractor Overhead		2,307,108	1,187,387	899,124
Construction Contingency	9%	1,627,589	837,663	634,302
Site Work and Infrastructure		1,736,001	915,661	615,050
Off-Site Infrastructure		118,082	-	88,532
Sales Taxes		2,708,543	1,393,992	1,055,571
Bond Premium		241,697	124,393	94,194
Equipment and Furnishings		117,049	50,000	30,000
Other Construction Costs: Escalation @5%		1,289,783	663,806	502,653
Other Construction Costs:		-	-	-
Subtotal		**$ 30,008,689**	**$ 15,352,123**	**$ 11,618,495**
Soft Costs:				
Appraisal		$ 27,000	$ 9,000	$ 9,000
Market Study		24,000	8,000	8,000
Architect		622,758	285,840	219,635
Engineer		388,677	191,953	147,494
Environmental Assessment		6,273	3,412	2,694
Geotechnical Study		5,599	2,765	2,125
Boundary & Topographic Survey		9,332	4,609	3,541
Legal Fees		35,000	15,000	15,000
Developer Fee		3,279,733	1,775,000	1,504,733
Project Management/Development Consultant Fees		55,000	4,000	1,000
Other: Consultants		9,798	4,839	3,718
Other: **Soft Cost Contingency**		118,362	29,413	29,999
Other:Traffic		3,733	1,843	1,417
Subtotal		**$ 4,585,265**	**$ 2,335,674**	**$ 1,948,356**
Pre-Development / Bridge Financing				
Bridge Loan Fees		$ 12,500	$ 7,200	$ 4,200
Bridge Loan Interest		36,000	21,000	12,000
Subtotal		**$ 48,500**	**$ 28,200**	**$ 16,200**
Construction Financing				
Construction Loan Fees		$ 385,770	$ 195,000	$ 143,520
Construction Loan Expenses		25,000	10,000	10,000
Construction Loan Legal		85,000	45,000	30,000
Construction Period Interest		1,032,000	495,000	423,000
Lease-up Period Interest		488,000	215,000	160,000
Subtotal		**$ 2,015,770**	**$ 960,000**	**$ 766,520**
Permanent Financing				
Permanent Loan Fees		$ 278,655	$ 175,247	$ 54,790
Permanent Loan Expenses		20,000	12,000	6,000
Permanent Loan Legal		60,000	40,000	10,000
LIHTC Fees		120,367	54,833	65,534
LIHTC Legal		90,000	50,000	40,000
LIHTC Owners Title Policy		15,000	10,000	5,000
State HTF Fees		34,000	16,000	18,000
Other:		-	-	-
Subtotal		**$ 618,022**	**$ 358,080**	**$ 199,324**
Capitalized Reserves				
Operating Reserves		$ 328,876	$ 183,545	$ 145,331
Replacement Reserves		145,500	27,300	18,200
Other: Lease Up Reserves		381,854	154,381	106,271
Subtotal		**$ 856,230**	**$ 365,226**	**$ 269,802**
Other Development Costs				
Real Estate Tax		$ 43,824	$ 38,071	$ 5,753
Insurance		285,642	147,010	111,320
Relocation		-	-	-
Bidding Costs		4,666	2,304	1,771
Permits, Fees & Hookups		586,365	310,265	224,764
Impact/Mitigation Fees		615,307	366,366	244,244
Development Period Utilities		13,500	7,000	5,000
LIHTC Non Profit Donation		45,000	20,000	25,000
Accounting/Audit		33,200	20,000	12,000
Marketing/Leasing Expenses		65,000	45,000	20,000
Carrying Costs at Rent up		45,000	35,000	10,000
Subtotal		**$ 1,737,504**	**$ 991,016**	**$ 659,852**
Bond Related Costs of Issuance				
Issuer Fees & Related Expenses		$ 100,000	$ 100,000	$ -
Bond Counsel		$ 50,000	$ 50,000	$ -
Trustee Fees & Expenses		$ 15,000	$ 15,000	$ -
Underwriter Fees & Counsel		$ -	$ -	$ -
Placement Agent Fees & Counsel		$ -	$ -	$ -
Borrower's Counsel - Bond Related		$ 25,000	$ 25,000	$ -
Rating Agency		$ -	$ -	$ -
Insurance		$ -	$ -	$ -
Subtotal		**$ 190,000**	**$ 190,000**	**$ -**
Total Project Cost		**$ 45,769,941**	**$ 24,001,296**	**$ 17,762,533**
Summary of Financing Resources				
Tax Exempt Perm Debt - 4%		$ 6,177,295	$ 6,177,295	$ -
4% LIHTC Equity		$ 7,469,429	7,469,429	$ 0
Deferred Dev Fee - 4%		$ 750,000	750,000	$ -
Sponsor Loan - 4%		$ 200,000	200,000	$ -
Commerce, HTF		$ 800,000	800,000	$ -
ARCH Proposed		$ 354,571	354,571	$ -
ARCH Committed		$ 250,000	250,000	$ -
City of Redmond		$ 3,500,000	3,500,000	$ -
King County TOD		$ 4,500,001	4,500,000	$ 1
4% Project Subtotal		$ 24,001,296	$ 24,001,295	$ 1
Taxable Perm Loan - 9%		$ 3,970,272	$ -	$ 3,970,272
Commerce HFT - 9%		$ 900,000	$ -	900,000
Deferred Dev Fee - 9%		$ 554,733	$ -	554,733
Sponsor Loan - 9%		$ 300,000	$ -	300,000
9% LIHTC Equity		$ 9,158,209	$ -	9,158,209
ARCH - Proposed		$ 629,320	$ -	629,320
ARCH - Committed		$ 250,000	$ -	250,000
City of Redmond		$ 500,000	$ -	500,000
HFP Capital		$ 1,499,999	$ -	1,499,999
9% Project Subtotal		$ 17,762,533	$ -	$ 17,762,533
Non-Residential Financing Resources				
Taxable Perm Loan		$ 3,406,112	$ -	-
YMCA		$ 600,000	$ -	-
Non-Residential Subtotal		$ 4,006,112	$ -	$ -
Total Project Resources		**$ 45,769,941**	**$ 24,001,295**	**$ 17,762,533**

Esterra Park Block 6B - 4%

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME		
Rents	$ 771,264	
Laundry	23,400	
Interest/Fees	-	
Operating Subsidy 2	169,632	
Service Subsidies		
Total Residential Income	964,296	
Residential Vacancy	(48,215)	5.0% of Residential Income
Total Non-Residential Income	-	
Non-Residential Vacancy		10.0% of Non-Residential Income
Effective Gross Income	**916,081**	
EXPENSES		
Management - On-site	99,403	
Management - Off-site	42,120	
Accounting	11,700	
Legal Services	7,800	
Insurance	27,300	
Real Estate Taxes	19,036	
Marketing	7,800	
Security		
Maintenance and janitorial	15,600	
Decorating/Turnover	23,400	
Contract Repairs	23,400	
Landscaping	15,600	
Pest Control	3,900	
Fire Safety	2,340	
Elevator	6,240	
Water & Sewer	50,700	
Garbage Removal	14,040	
Electric	15,600	
Oil/Gas/Other	6,240	
Telephone	3,900	
Other	4,395	
Total Operating Expenses	**400,514**	$5,135 per unit
Replacement Reserves	**27,300**	$350 per unit
Operating Reserve		
Total Operating Expenses & Reserves	**427,814**	
Total Services Expenses	**31,049**	$398 per unit
Total Expenses	**458,863**	$5,883 per unit
Total Annual Service Funding	**31,049**	
Net Operating Income	**$ 488,267**	
Debt Service		
Tax Exempt Perm Debt - 4%	(385,954)	
LP Mgmt Fee	(7,500)	
IH Sponsor Loan	(6,000)	
Deferred Developer Fee	(87,765)	
King County TOD		Imagine requests $0 repayment in Year 1
Net Cash Flow	**$1,049**	

Tukwila Apartments - 9%

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME		
Rents	$ 379,704	
Laundry	10,400	
Unrestricted Income Units Parking	2,700	
Rental Subsidy Income	187,560	
ORS Operating Subsidy	71,064	
Total Residential Income	651,428	
Residential Vacancy	(32,571)	5.0% of Residential Income
Total Non-Residential Income	-	
Non-Residential Vacancy		
Effective Gross Income	**618,857**	
EXPENSES		
Management - On-site	67,392	
Management - Off-site	28,080	
Accounting	10,400	
Legal Services	2,600	
Insurance	18,200	
Real Estate Taxes	5,753	
Marketing	2,600	
Security		
Maintenance and janitorial	11,180	
Decorating/Turnover	10,400	
Contract Repairs	15,600	
Landscaping	10,400	
Pest Control	1,040	
Fire Safety	2,080	
Elevator	6,240	
Water & Sewer	33,800	
Garbage Removal	10,400	
Electric	8,320	
Oil/Gas/Other	4,160	
Telephone	3,120	
Other	4,046	
Total Operating Expenses	**255,811**	$4,919 per unit
Replacement Reserves	**18,200**	$350 per unit
Operating Reserve		
Total Operating Expenses & Reserves	**274,011**	
Total Services Expenses	**89,315**	$1,718 per unit
Total Expenses	**363,326**	$6,987 per unit
Total Annual Service Funding	**89,315**	
Net Operating Income	**$ 344,846**	
Debt Service		
Taxable Perm Loan - 9%	(265,678)	
LP Mgmt Fee	(5,000)	
GP Asst Mgmt Fee		
Deferred Developer Fee	(34,852)	
IH Sponsor Loan	(9,000)	
King County TOD	$ -	
Net Cash Flow	**$ 30,315**	

Esterra Park Block 6B - 4%

SERVICES REVENUE AND EXPENSES

REVENUE

Income from Operations	$	1,049
King County Service Funding		30,000
Total Service Revenue	**$**	**31,049**

EXPENSES

Total Personnel	$	21,825
Local Travel / Mileage	$	312
Equipment	$	500
Supplies	$	2,500
Telecommunications	$	156
Printing / Duplication	$	207
Mail / Postage		
Cash Assistance to Families	$	936
Other - Training	$	750
Other - Project Admin Costs	$	3,863
Total Services Expenses	**$**	**31,049**

Net Services Revenue (Expenses)	$	-

Esterra Park block 6B- 9%

<u>SERVICES REVENUE AND EXPENSES</u>

REVENUE

Income from Operations	$	39,315
King County Service Funding		50,000
Total Service Revenue	**$**	**89,315**

EXPENSES

Total Personnel	$	77,400
Local Travel / Mileage	$	888
Equipment	$	500
Supplies	$	3,000
Telecommunications	$	444
Printing / Duplication	$	306
Mail / Postage		
Cash Assistance to Families	$	2,664
Other - Training	$	250
Other - Project Admin Costs	$	3,863
Total Services Expenses	**$**	**89,315**

Net Services Revenue (Expenses)	$	-

Cash Flow Projection

Project: **Esterra Park Block 6B - 4%**

Assumptions:

Annual increase in rental income:	2.5%	**Project vacancy/credit loss rate (residential):**	5.0%	2.5%
Annual increase in operating expenses:	3.5%	**Project vacancy/credit loss rate (non-residential):**	10.0%	1%

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
OPERATING INCOME															
Residential Rents	$771,264	790,546	810,309	830,567	851,331	872,614	894,430	916,791	939,710	963,203	987,283	1,011,965	1,037,264	1,063,196	1,089,776
Other Operating Revenues	$23,400	23,985	24,585	25,199	25,829	26,475	27,137	27,815	28,511	29,223	29,954	30,703	31,470	32,257	33,064
Operating Subsidies	169,632	173,873	178,220	182,675	187,242	191,923	196,721	201,639	206,680	211,847	217,143	222,572	228,136	233,840	239,686
Total Annual Service Funding	$30,000	30,750	31,519	32,307	33,114	33,942	34,791	35,661	36,552	37,466	38,403	39,363	40,347	41,355	42,389
Total Residential Income	$964,296	$988,403	$1,013,113	$1,038,441	$1,064,402	$1,091,012	$1,118,288	$1,146,245	$1,174,901	$1,204,274	$1,234,380	$1,265,240	$1,296,871	$1,329,293	$1,362,525
Residential Vacancy	(48,215)	(49,420)	(50,656)	(51,922)	(53,220)	(54,551)	(55,914)	(57,312)	(58,745)	(60,214)	(61,719)	(63,262)	(64,844)	(66,465)	(68,126)
EFFECTIVE GROSS INCOME	**916,081**	**938,983**	**962,458**	**986,519**	**1,011,182**	**1,036,462**	**1,062,373**	**1,088,933**	**1,116,156**	**1,144,060**	**1,172,661**	**1,201,978**	**1,232,027**	**1,262,828**	**1,294,399**
Operating Expenses															
Management - On-site	99,403	102,882	106,483	110,210	114,067	118,060	122,192	126,469	130,895	135,476	140,218	145,126	150,205	155,462	160,903
Management - Off-site	42,120	43,594	45,120	46,699	48,334	50,025	51,776	53,588	55,464	57,405	59,414	61,494	63,646	65,874	68,179
Accounting	11,700	12,110	12,533	12,972	13,426	13,896	14,382	14,886	15,407	15,946	16,504	17,082	17,680	18,298	18,939
Legal Services	7,800	8,073	8,356	8,648	8,951	9,264	9,588	9,924	10,271	10,631	11,003	11,388	11,786	12,199	12,626
Insurance	27,300	28,256	29,244	30,268	31,327	32,424	33,559	34,733	35,949	37,207	38,509	39,857	41,252	42,696	44,190
Real Estate Taxes	19,036	19,226	19,419	19,613	19,809	20,007	20,207	20,409	20,613	20,819	21,028	21,238	**87,625**	**88,501**	**89,386**
Marketing	7,800	8,073	8,356	8,648	8,951	9,264	9,588	9,924	10,271	10,631	11,003	11,388	11,786	12,199	12,626
Security															
Maintenance and janitorial	15,600	16,146	16,711	17,296	17,901	18,528	19,176	19,848	20,542	21,261	22,005	22,776	23,573	24,398	25,252
Decorating/Turnover	23,400	24,219	25,067	25,944	26,852	27,792	28,765	29,771	30,813	31,892	33,008	34,163	35,359	36,597	37,877
Contract Repairs	23,400	24,219	25,067	25,944	26,852	27,792	28,765	29,771	30,813	31,892	33,008	34,163	35,359	36,597	37,877
Landscaping	15,600	16,146	16,711	17,296	17,901	18,528	19,176	19,848	20,542	21,261	22,005	22,776	23,573	24,398	25,252
Pest Control	3,900	4,037	4,178	4,324	4,475	4,632	4,794	4,962	5,136	5,315	5,501	5,694	5,893	6,099	6,313
Fire Safety	2,340	2,422	2,507	2,594	2,685	2,779	2,876	2,977	3,081	3,189	3,301	3,416	3,536	3,660	3,788
Elevator	6,240	6,458	6,684	6,918	7,161	7,411	7,671	7,939	8,217	8,504	8,802	9,110	9,429	9,759	10,101
Water & Sewer	50,700	52,475	54,311	56,212	58,179	60,216	62,323	64,505	66,762	69,099	71,517	74,020	76,611	79,293	82,068
Garbage Removal	14,040	14,531	15,040	15,566	16,111	16,675	17,259	17,863	18,488	19,135	19,805	20,498	21,215	21,958	22,726
Electric	15,600	16,146	16,711	17,296	17,901	18,528	19,176	19,848	20,542	21,261	22,005	22,776	23,573	24,398	25,252
Oil/Gas/Other	6,240	6,458	6,684	6,918	7,161	7,411	7,671	7,939	8,217	8,504	8,802	9,110	9,429	9,759	10,101
Telephone	3,900	4,037	4,178	4,324	4,475	4,632	4,794	4,962	5,136	5,315	5,501	5,694	5,893	6,099	6,313
Other	4,395	4,549	4,708	4,873	5,043	5,220	5,403	5,592	5,787	5,990	6,200	6,417	6,641	6,874	7,114
TOTAL OPERATING EXPENSES	**400,514**	**414,056**	**428,068**	**442,565**	**457,564**	**473,083**	**489,141**	**505,756**	**522,947**	**540,735**	**559,140**	**578,184**	**664,065**	**685,116**	**706,883**
REPLACEMENT RESERVES	27,300	28,256	29,244	30,268	31,327	32,424	33,559	34,733	35,949	37,207	38,509	39,857	41,252	42,696	44,190
OPERATING RESERVES															
TOTAL OPERATING EXPENSES & RESERVES	427,814	442,312	457,312	472,833	488,891	505,507	522,700	540,489	558,896	577,942	597,650	618,042	705,317	727,812	751,073
TOTAL SERVICES EXPENSES	31,049	31,825	32,621	33,436	34,272	35,129	36,007	36,908	37,830	38,776	39,745	40,739	41,757	42,801	43,871
NET OPERATING INCOME	**487,218**	**495,596**	**504,044**	**512,557**	**521,133**	**529,768**	**538,457**	**547,197**	**555,982**	**564,808**	**573,669**	**582,560**	**525,300**	**533,570**	**541,843**
Debt Service															
Tax Exempt Perm Debt - 4%	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)	(385,954)
King County TOD		(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)
DEBT SERVICE COVERAGE	**1.26**	**1.15**	**1.17**	**1.19**	**1.21**	**1.23**	**1.25**	**1.27**	**1.29**	**1.31**	**1.33**	**1.35**	**1.22**	**1.24**	**1.26**
Cash Flow Payments															
LP Mgmt Fee	(7,500)	(7,763)	(8,034)	(8,315)	(8,606)	(8,908)	(9,219)	(9,542)	(9,876)	(10,222)	(10,579)	(10,950)	(11,333)	(11,730)	(12,140)
IH Sponsor Loan	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(36,000)	(76,900)	(71,827)	(78,728)	(79,765)	(80,778)
Deferred Developer Fee	(87,765)	(50,880)	(59,056)	(67,288)	(75,573)	(83,907)	(92,284)	(100,701)	(109,152)	(23,391)					
NET CASH FLOW	**($0)**									**$64,241**	**$55,236**	**$68,830**	**$4,285**	**$11,121**	**$17,972**

Cash Flow Projection

Project: **Tukwila Apartments - 9%**

Assumptions:

Annual increase in rental income:	2.5%	**Project vacancy/credit loss rate (residential):**	5.0%				
Annual increase in operating expenses:	3.5%	**Project vacancy/credit loss rate (non-residential):**	10.0%	1%	2.5%	3.5%	3%

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
OPERATING INCOME															
Residential Rents	$379,704	389,197	398,927	408,900	419,122	429,600	440,340	451,349	462,632	474,198	486,053	498,205	510,660	523,426	536,512
Other Operating Revenues	$10,400	10,660	10,927	11,200	11,480	11,767	12,061	12,362	12,671	12,988	13,313	13,646	13,987	14,337	14,695
Unrestricted income units parking	2,700	2,768	2,837	2,908	2,980	3,055	3,131	3,209	3,290	3,372	3,456	3,543	3,631	3,722	3,815
Operating Subsidies	258,624	265,090	271,717	278,510	285,473	292,609	299,925	307,423	315,108	322,986	331,061	339,337	347,821	356,516	365,429
Total Residential Income	$651,428	$667,714	$684,407	$701,517	$719,055	$737,031	$755,457	$774,343	$793,702	$813,544	$833,883	$854,730	$876,098	$898,001	$920,451
Residential Vacancy	(32,571)	(33,386)	(34,220)	(35,076)	(35,953)	(36,852)	(37,773)	(38,717)	(39,685)	(40,677)	(41,694)	(42,736)	(43,805)	(44,900)	(46,023)
Total Annual Service Funding	50,000	51,250	52,531	53,845	55,191	56,570	57,985	59,434	60,920	62,443	64,004	65,604	67,244	68,926	70,649
EFFECTIVE GROSS INCOME	**668,857**	**685,578**	**702,717**	**720,285**	**738,293**	**756,750**	**775,669**	**795,060**	**814,937**	**835,310**	**856,193**	**877,598**	**899,538**	**922,026**	**945,077**
Operating Expenses															
Management - On-site	67,392	69,751	72,192	74,719	77,334	80,041	82,842	85,741	88,742	91,848	95,063	98,390	101,834	105,398	109,087
Management - Off-site	28,080	29,063	30,080	31,133	32,222	33,350	34,517	35,726	36,976	38,270	39,610	40,996	42,431	43,916	45,453
Accounting	10,400	10,764	11,141	11,531	11,934	12,352	12,784	13,232	13,695	14,174	14,670	15,184	15,715	16,265	16,834
Legal Services	2,600	2,691	2,785	2,883	2,984	3,088	3,196	3,308	3,424	3,544	3,668	3,796	3,929	4,066	4,209
Insurance	18,200	18,837	19,496	20,179	20,885	21,616	22,372	23,155	23,966	24,805	25,673	26,571	27,501	28,464	29,460
Real Estate Taxes	5,753	5,811	5,869	5,927	5,987	6,046	6,107	6,168	6,230	6,292	6,355	6,418	**20,033**	**20,233**	**20,436**
Marketing	2,600	2,691	2,785	2,883	2,984	3,088	3,196	3,308	3,424	3,544	3,668	3,796	3,929	4,066	4,209
Security															
Maintenance and janitorial	11,180	11,571	11,976	12,395	12,829	13,278	13,743	14,224	14,722	15,237	15,770	16,322	16,894	17,485	18,097
Decorating/Turnover	10,400	10,764	11,141	11,531	11,934	12,352	12,784	13,232	13,695	14,174	14,670	15,184	15,715	16,265	16,834
Contract Repairs	15,600	16,146	16,711	17,296	17,901	18,528	19,176	19,848	20,542	21,261	22,005	22,776	23,573	24,398	25,252
Landscaping	10,400	10,764	11,141	11,531	11,934	12,352	12,784	13,232	13,695	14,174	14,670	15,184	15,715	16,265	16,834
Pest Control	1,040	1,076	1,114	1,153	1,193	1,235	1,278	1,323	1,369	1,417	1,467	1,518	1,572	1,627	1,683
Fire Safety	2,080	2,153	2,228	2,306	2,387	2,470	2,557	2,646	2,739	2,835	2,934	3,037	3,143	3,253	3,367
Elevator	6,240	6,458	6,684	6,918	7,161	7,411	7,671	7,939	8,217	8,504	8,802	9,110	9,429	9,759	10,101
Water & Sewer	33,800	34,983	36,207	37,475	38,786	40,144	41,549	43,003	44,508	46,066	47,678	49,347	51,074	52,862	54,712
Garbage Removal	10,400	10,764	11,141	11,531	11,934	12,352	12,784	13,232	13,695	14,174	14,670	15,184	15,715	16,265	16,834
Electric	8,320	8,611	8,913	9,225	9,547	9,882	10,227	10,585	10,956	11,339	11,736	12,147	12,572	13,012	13,468
Oil/Gas/Other	4,160	4,306	4,456	4,612	4,774	4,941	5,114	5,293	5,478	5,670	5,868	6,073	6,286	6,506	6,734
Telephone	3,120	3,229	3,342	3,459	3,580	3,706	3,835	3,970	4,108	4,252	4,401	4,555	4,715	4,880	5,050
Other	4,046	4,188	4,334	4,486	4,643	4,805	4,974	5,148	5,328	5,514	5,707	5,907	6,114	6,328	6,549
TOTAL OPERATING EXPENSES	**255,811**	**264,621**	**273,737**	**283,171**	**292,934**	**303,037**	**313,492**	**324,312**	**335,508**	**347,095**	**359,086**	**371,496**	**397,888**	**411,313**	**425,203**
REPLACEMENT RESERVES	18,200	18,837	19,496	20,179	20,885	21,616	22,372	23,155	23,966	24,805	25,673	26,571	27,501	28,464	29,460
OPERATING RESERVES															
TOTAL OPERATING EXPENSES & RESERVES	274,011	283,458	293,233	303,350	313,819	324,653	335,865	347,467	359,474	371,900	384,759	398,067	425,389	439,777	454,663
TOTAL SERVICES EXPENSES	89,315	91,548	93,837	96,182	98,587	101,052	103,578	106,167	108,822	111,542	114,331	117,189	120,119	123,122	126,200
NET OPERATING INCOME	**305,531**	**361,823**	**368,179**	**374,598**	**381,077**	**387,616**	**394,211**	**400,860**	**407,561**	**414,311**	**421,107**	**427,946**	**421,274**	**428,053**	**434,862**
Debt Service															
Taxable Perm Loan - 9%	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)	($265,678)
DEBT SERVICE COVERAGE	**1.15**	**1.36**	**1.39**	**1.41**	**1.43**	**1.46**	**1.48**	**1.51**	**1.53**	**1.56**	**1.59**	**1.61**	**1.59**	**1.61**	**1.64**
Cash flow payments															
LP Mgmt Fee	(5,000)	(5,175)	(5,356)	(5,544)	(5,738)	(5,938)	(6,146)	(6,361)	(6,584)	(6,814)	(7,053)	(7,300)	(7,555)	(7,820)	(8,093)
Deferred Developer Fee	(34,852)	(90,970)	(97,145)	(103,376)	(109,662)	(115,999)	(122,386)	(128,821)	(135,299)	(63,951)					
GP Asst Mgmt Fee										(15,000)	(15,450)	(15,914)	(16,391)	(16,883)	(17,389)
NET CASH FLOW	**$0.36**									**$62,867.12**	**$132,926.17**	**$139,054.78**	**$131,649.96**	**$137,672.58**	**$143,701.80**
IH Sponsor Loan										(62,867)	(132,926)	(139,055)	(131,650)	(137,673)	(143,702)

King County

Housing Finance Program
2017 Capital Funding - Affordable Housing RFP
Underwriting Report

I. Overview

Sponsor/Owner:	Bellwether Housing		
Development Consultant:	None		
Project Name:	Tukwila Apartments – 4% and 9%		
Project Address:	3481 S 152nd Street, Tukwila, 98188		
Total Dev Cost:	$33,764,848		
4% project:	$15,421,211	$275,379	per residential unit
9% project:	$18,343,638	$327,565	per residential unit
KC Funds Requested:			
4% project (TOD $):	$4,398,717 (56 units)	$78,548	per KC-funded unit
9% project:	$1,226,232 (56 units)	$21,897	per KC-funded unit
KC Funds Recommended:			
Did this project apply for funding in prior rounds?	No		
Is this project applying for TOD funds?	Yes		

II. Project Description

a. Housing Model

Bellwether Housing is proposing to construct the Tukwila Apartments, a mixed 4% and 9% Low Income Housing Tax Credit (LIHTC) project in Tukwila that will provide a total of 112 units affordable to households ranging from extremely low-income (30% of area median income) through households earning 60% AMI. The portion of the project that serves households earning 50% AMI (42 units) and 60% AMI (14 units) will utilize 4% LIHTC equity and will be referred to in this report as the 4% project. The 4% project comprises 17 studios, 20 1-bedroom, and 19 2-bedroom units. The 9% portion of the project serves households earning up to 30% (40 units) and 50% (16 units) of area median income (AMI) and comprises 8 studios, 17 1-bedroom, 15 2-bedroom, and 16 3-bedroom apartments. No retail or other commercial use is contemplated at the project.

Bellwether is proposing that 12 of the 56 units in the 9% project be set-aside for households with a member who has a developmental disability, and six of those 12 units to be filled by clients referred from the King County Developmental Disabilities Division (KCDDD). Bellwether operates a support program for residents, where a services coordinator connects tenants to a wide-range of social, educational, financial, and health supports. While Bellwether is proposing a .25 FTE resident services coordinator for the Tukwila Apartments, the project does not intend to serve populations with particular barriers to housing or special needs. The inclusion of 2- and 3-bedroom units (34 2's and 16 3's units across the entire project) reflects the developer's intention to serve larger families with children in South King County at risk of displacement as rents continue to rise in the region.

b. Physical: Project, Site, and Locality Characteristics

Situated on an approximately 56,000 sf site, the 4% and 9% portions of the Tukwila Apartments will be contained in one building with one shared entrance. The proposed building is E-shaped and will rise six stories: five floors of wood construction over one concrete ground level podium and partial underground parking. While the building design has not been finalized, Bellwether has indicated that similar unit types will be stacked by floor plate, and the 4% project is separated from the 9% project by a boundary that divides the building vertically. The units in the 4% project and 9% project align throughout the building such that each floor will include 4% units on one half of the floor plan and 9% units on the other. The units range in size from approximately 450 sf for studios, 540 sf for 1-bedrooms, 840 sf for 2-bedrooms, and 1100 sf for 3-bedrooms.

The proposed project will provide 112 parking stalls at a 1:1 parking ratio (which is a requested reduction); 41 stalls will be located underground and the remainder will be surface and ground level covered parking. Amenities at the project include two courtyards, separated into quiet and active/children's uses; flexible community spaces on the first and an upper floor, and shared laundry facilities on floors 2-6. Bellwether engaged Johnson Braund Architects to develop the preliminary design. As indicated in their application, "Bellwether embraces an integrated design process with early involvement from property management and contractors to inform the design development and projected construction budget."

The building will be built to the required Evergreen Sustainable Development Standard (ESDS) version 3.0 and targets achieving 55 optional points over required elements, exceeding the mandatory 50 points for new construction. Some of these planned sustainability features include energy-efficient heating and venting strategies, enhanced building envelope design, energy-efficient lighting and appliances, water conserving fixtures, and photovoltaic panels on the roof. Additionally, the developer and designer intend to follow Universal Design principles to ensure accessibility for tenants who are aging in place, or tenants with disabilities.

Located in Tukwila's Thorndyke neighborhood, the mid-block site is assembled from three parcels with existing tenant-occupied structures. Appropriate relocation costs have been accounted for in the budget. Bellwether has site control via a signed purchase contract for $2.8M, which Bellwether is re-negotiating with the seller to reflect an appraisal that establishes the value at $2.51M based on the yet-to-be-finalized up-zone with affordability restrictions. Bellwether has waived the financing contingency and closing is projected for December 19, 2017. $125,000 in earnest money has been released to the Seller and will be applicable to the purchase price.

The property must be re-zoned through a development agreement with the City of Tukwila in order to achieve the necessary height, density, open space, and parking zoning designations for the project to proceed as currently conceived. The development agreement with Tukwila is negotiated by City planning staff and requires a public process and City Council approval. The development agreement will be presented to the Community Development and Neighborhoods Committee of City Council on November 27, 2017; if approved by the Committee, then the development agreement will come before full Council for the public hearing and possible final approval action on December 11, 2017. According to Bellwether and corroborated by Tukwila staff, the portion of the development agreement most likely to stir controversy at the public hearing will be the request to reduce the site's parking requirement to 1:1. The approval of the development agreement, and the certainty of allowances being sought – building height limits raised to 70 feet; parking requirements reduced to 1:1; open space reduction to 10% of the residential area; unit size reduction of studios to 400 square feet, and the application of Multi-Family Tax Exemption to the subject location – will be required for this project to be feasible.

The proposed Tukwila Apartments project is near schools and groceries. The site is located 0.3 miles from the Tukwila International Boulevard light rail station and transit center, which can be accessed via an estimated 7-minute walk along S. 152nd Street and Tukwila International Boulevard and across Southcenter Boulevard. Staff from King County Metro supplied a positive assessment of the site's location, citing its proximity to the current RapidRide bus line A and to Sound Transit light rail's Tukwila International Boulevard station, as well as planned future Bus Rapid Transit investments by Sound Transit in 2025 and additional Metro investments in bus service by 2040. In all, future ridership near Tukwila Apartment's location is projected to be 22,490 daily riders.

Tukwila is undergoing rapid transformation and planning efforts have to accommodate growth spurred by the economic displacement of lower-income households from the City of Seattle, out-migration of immigrant and refugee families from the center city to suburbs, and development pressure created by transit investments. Tukwila is updating its Comprehensive Plan and has engaged consultants and the community in strategizing how best to respond to the need for affordable housing in South King County. Tukwila planning staff (who provided input in the review of this application) noted that the pending development agreement for this project will serve as the case study for a future code revision to accommodate up-zones for affordable housing near transit.

c. Roles and Responsibilities

Bellwether is the non-profit developer of the project. As two separate LIHTC projects, two distinct ownership entities will be formed to own the 4% and 9% projects, currently proposed to be limited liability partnerships, with the general partner (Bellwether) having .01% ownership and the limited partner (the tax credit investor) owning 99.99% of the project. These ownership structures are typical in tax credit projects. Bellwether will also serve as the property manager once the building is constructed and occupied.

Bellwether states in its applications that it follows a competitive request for proposal process when selecting the general contractor and other consultant and professional services for the project. Johnson Braund, the architects, were selected through a competitive process in the fall of 2016. The RAFN Company supplied the third-party cost estimate in these applications. If awarded funds, Bellwether will seek approval from King County on a competitive process to select a general contractor.

Although no services are planned (other than Bellwether's self-funded resident services program) at the project, Bellwether states in the applications that it is open to receiving referrals from trusted community organizations such as Refugee Women's Alliance, the YWCA, and Asian Counseling and Referral Services. Additionally, the six DD-set aside units will be modeled on the existing referral relationship with King County DDD in place at three other Bellwether properties. If awarded funds, King County will work with Bellwether to determine how best to set aside units in the Tukwila Apartments for households with a member who is "systems-connected," such as someone exiting incarceration or hospitalization.

III. Development Budget Analysis

a. Sources and Uses

The 4% project. At a total development cost of $15.4M for 17 studios, 20 1- and 19 2-bedroom units (and over 58,000 square feet to be constructed), the 4% project's development budget is approximately $275,000 per unit, or $469 per square foot. Non-King County sources are anticipated to be $4.15M in tax-exempt bonds, $5.77M in 4% LIHTC equity, $300,000 in a sponsor loan, and $800,000 in deferred developer fee. The request for King County TOD funds is $4,398,717, which is approximately 29% of the projected costs, and is within the Housing Finance Program guidelines that prefers limiting KC contributions to less than half of project costs. This scenario results in a leverage of approximately $2.5 of other dollars for every $1 in King County funds. Given the typical range of need for public funds outside of tax credit equity and bond financing on 4% projects, the proposed King County participation is reasonable.

The 9% project. At a total development cost of $18.3M for 8 studios, 17 1-bedrooms, 15 2-bedroom, and 16 3-bedroom units (and over 73,000 square feet to be constructed), the 9% project's development budget is almost $328,000 per unit, or about $447 per square foot. Non-King County sources are anticipated to be 9% LIHTC equity at $11.7M, private debt at $2.23M, the Washington State Housing Trust Fund at $2.5M, $200,000 in sponsor loans, and $450,000 in deferred developer fee. The request for King County affordable/ELI housing funds is $1,226,232, which is approximately 7% of the project costs, and is well within the Housing Finance Program guidelines limit. This funding scenario results in a leverage of approximately $14 of other dollars to every $1 of King County funds.

Combined 4-9 Project Uses. Because the Tukwila Apartments project is to be built as one building under one construction contract, the uses between the two projects have been split on a square footage pro rata share for the most part, with the 4% project bearing 44% of costs and the 9% project at 56%. The split is most recognizable in the unit count tally, where all of the 3-bedroom units are allocated to the 9% project. Items in the development budget that deviate from the 44%-56% split are logical and include calculations that are manifestly different in either side of the project, such as fees associated with different funding sources, or the operating reserves that are calculated based on four months of debt service and operating costs. Overall, the largest use is in hard construction costs, which as a category constitutes about 68% of the combined total development costs of the 4% and 9% projects.

b. Cost Effectiveness

The land value as submitted in the applications for the Tukwila Apartments was noted during this review. As discussed earlier in this report, the project is entirely dependent on an up-zone of the property which Bellwether must achieve through a development agreement with the City of Tukwila. In the appraisal, the land value of the three parcels as-is, *without* the upzone, is $710,000, compared to a $2.51M value if up-zoned with affordability encumbrances at 80% AMI. There is a timing issue as the City of Tukwila will only sign the development agreement when Bellwether is the owner of the site, meaning that the final sale price will have to be agreed-to before the development agreement is formally enacted. Bellwether has verified that its acquisition lenders, the Washington State Housing Finance Commission's Land Acquisition Program and the REDI fund, which is underwritten by Enterprise, are agreeable with proceeding with the appraised land value as upzoned. The acquisition lenders' condition is that Tukwila's final signature must be the only item that would be required to activate the development agreement after the public hearing and after final action is adopted.

According to a preliminary project evaluation report from Falkin Associates (who is contracted by King County to perform a construction costs and feasibility analysis of projects at the application stage), the cost estimate supplied with the application is adequate to support the proposed scope of work. The Falkin report did not note any extraordinary overages or under-budgeting, and did not indicate that any cost savings measures can be made at this time. Given that no significant environmental issues were noted in the Environmental Site Assessment (and a Phase II was not recommended), remediation costs as budgeted are acceptable. The construction contract contemplate labor at State residential prevailing wage, which is appropriate given the sources currently contemplated. Construction contingency is budgeted at 5%, which is acceptable. Other line items in the construction costs category fall within expected levels and are relatively unremarkable.

Bellwether is including a combined developer fee that is 9% of project costs, of which 37% will be deferred on the 4% project and 30% will be deferred on the 9% project; this deferral schedule nets Bellwether a cash fee of approximately $2M combined across the 4% and 9% projects when the project is occupied and operational.

c. Financing: Construction and Permanent

As discussed above, Bellwether anticipates acquiring the site with the WSHFC LAP loan and REDI funds. Construction loans totaling approximately $12.8M are anticipated at 3% interest for a term of 28 months. Bellwether has included letters of interest from US Bank and Key Bank.

Regarding permanent financing on the 4% project, tax credit equity pricing is assumed at $1.03. Tax-exempt bond debt is modeled at 4.95% amortizing over 35 years with a 17-year loan term. On the 9% project, tax credit equity pricing is assumed at $1.00. Permanent debt on the 9% project is modeled at 6.00% amortizing over 35 years with a 17-year loan term. Bellwether noted that these assumptions were made with an anticipated late 2018 financing close date, and is therefore more conservative than current rates. It is unclear how the current tax reform proposals might immediately impact tax credit equity pricing, but as submitted, the pricing assumptions are potentially optimistic and may require slight downward adjustment to less than $1.00.

Notably, the State Housing Trust Fund is listed as a source in the 9% project. With the uncertainty around a capital budget in 2018 as election results come in and political events play out at the State, the $2.5M request to the Department of Commerce is a large gap in the 9% project budget and is unlikely to be mitigated via any cost savings measures.

In terms of competitiveness for credits in the King County pool, the 9% project is scoring at 161. Comparatively, permanent supportive housing projects serving high-need homeless populations will score most competitively in the range of 170s. Therefore, the ability for the Tukwila Apartments to compete for 9% credits in 2018 will depend largely on the number of permanent supportive housing projects with 75% homeless set-aside units will be applying for credits in the same round. As the Finance Commission contemplates how to best align 4% and 9% credit awards for mixed projects, the competitiveness of the 9% project will be key to the project proceeding in 2018.

IV. Project Services and Operations

a. Operating Pro Forma

<u>The 4% project.</u> Bellwether is showing a relatively straightforward operating pro forma for the Tukwila Apartments, with rents, laundry charges, and interest and fees making up the approximately $620,000 in annual revenues. Operating expenses run at over $282,000 per year, which comes to about $5,050 per unit in Year 1 and is in line with similar projects. In addition, Bellwether is showing a $350 per unit per year replacement reserves deposit, which is also typical of new construction projects. Vacancy and other inflation factors are typical. Debt service of the tax-exempt bonds at approximately $249,807 year yields a debt coverage ratio (DCR) of 1.15 in the first year. The scenario does not include the 1% simple interest payment terms of the King County TOD funds. Bellwether argues that it cannot raise rents due to the need to maintain the unit mix in the 4% project to qualify for the State's property tax exemption, which requires 75%of a project to be affordable at 50% AMI. To achieve the typical lender DCR of 1.15 in Year 1, Bellwether is instead proposing to repay the County's simple interest payment out of cash flow through Year 17, until the permanent debt is refinanced and after which the project will make 1% simple interest hard payments. Additionally, in order to be able to pay of the deferred fee in 15 years, Bellwether is proposing to lower the fee to $600,000 (from the initially submitted $800,000). This change affects the tax credit equity calculation and Bellwether is investigating how the County's Credit Enhancement Program might potentially improve the project's bank lenders' interest rates and fees.

<u>The 9% project.</u> The 9% project's pro forma is also straightforward, with rents, laundry charges, and interest and fees making up the project's revenues. No rental subsidies are proposed. Operating expenses run at approximately $273,000 per year, slightly less than projected at the

4% project due to differences in fees associated with the project's financing. Bellwether is showing a modest $16,320 payment to cover the costs of the .25 FTE resident services coordinator. Again, deposits to reserves, vacancy and other inflation factors are typical. Debt service of the private debt at $152,765 yields a 1.15 DCR. As payments on King County's non-TOD funds are typically deferred for 50 years, there are no other hard debt payments on the 9% project. Bellwether is proposing a cash flow payment repay its deferred developer fee in 15 years.

b. Property Management

Bellwether will manage the proposed project and proposes a typical staffing plan to provide building security, rent collection, janitorial work, minor building repairs, and lease enforcement. Together, on-site and off-site management expenses are projected to be similar in both the 4% and 9% buildings, and are within expected levels for a building with 112 units.

c. Service Model and Funding Analysis

Bellwether will fund the modest .25FTE resident services coordinator position in the 9% project out of project revenues. At the low level service intensity proposed, the services funding plan is adequate. However, if King County awards funds and works with Bellwether to set aside "systems-connected" units in the project, sources for support services to ensure success in maintaining housing may be needed.

King County staff is supportive of the six additional units set-aside for people who are developmentally disabled based on the current referral model that Bellwether has in place. The location of this proposed project in South King County is especially appealing due to the need for DD units south of Seattle. Households referred from KCDDD will already be connected to services and other resources, and Bellwether's resident services program provides an additional level of support that helps KCDDD clients succeed in housing.

d. Referrals and Marketing Plan

Bellwether affirms that it maintains policies of non-discrimination and will broadly advertise and market the project. Bellwether does not maintain a waiting list. As noted previously in the report, Bellwether is also open to developing referral sources with trusted community organizations.

V. Market Demand Analysis and Compatibility with Funding Priorities

a. Market Demand

The market study submitted in the applications was performed by Wilcox LaMotte. Overall, the study finds that there is demand for rent-restricted units in the Tukwila area. Notably, there have not been tax credit allocations in South King County in the past two years. There is also comparatively little new development in the Riverton/Tukwila subarea. In terms of market-rate units, the Riverton/Tukwila submarket has a current vacancy rate of 2.0% per Dupre+Scott data presented in the market study. However, Wilcox LaMotte also cautions that market-rate supply might in the South King County area might begin to outstrip demand as more market units come online due to significant construction activity in the Puget Sound/Central Seattle area. In comparison, to analyze the demand for rent-restricted units, the market study derives a "capture rate," which extrapolates demographic data from a five-mile radius around the proposed project to estimate the number of households who might be income-eligible and might desire the type of units proposed. Wilcox LaMotte estimates that the 5-year projected capture rate of the project to be 1.6%, where the project's 112 units can serve an estimated 6,900 households in a five-mile radius from the project. The study states that generally, "a capture rate… of less than 6.0% is considered desirable." Additionally, the market study assets that projected restricted rents are below the market rents in the area, which contributes to the viability of the project.

b. Funding Priorities

This project meets the following 2017 King County HFP extremely low-income/homeless housing capital priorities:

- ☐ A majority of units are set-aside for homeless individuals and families, and/or serve special needs populations such as households with a member who is mentally ill, disabled, or developmentally disabled, and provides access to case management and/or behavioral health services (2331, RAHP, HOME)
- ☐ Units are set-aside for individuals in households exiting treatment facilities or other institutionalized settings, or are being served by a Program for Assertive Community Treatment (PACT) team (MIDD 2)

This project meets the following 2017 King County HFP transit-oriented development housing capital priorities:

- ☒ Project leverages present and future public investment in transit infrastructure, is within ½ mile of a high capacity transit station, and is eligible for the
  - ☐ All-County Seattle pool
  - ☐ All-County North/East pool
  - ☒ All-County South pool
  - ☐ I-90 Corridor (Issaquah to North Bend pool)

- ☒ Project meets the preference under the TOD Bond Allocation Plan to serve or integrate units serving populations that have been identified as being in particular need, including but not limited to: <u>families</u>, veterans, survivors of domestic violence, people with developmental or other disabilities, households that are at risk of homelessness, or individuals re-entering the community after incarceration

VI. Sponsor Capacity

a. Portfolio and Performance

Bellwether's Genesee Housing, Rose Street Apartments, and Stone Way Apartments are in King County's portfolio. King County asset management staff have not noted any issues with those projects' inspections.

b. Pipeline and Development Capacity

Bellwether's Arbora Court and Anchor Flats developments are under construction. Arbora Court has investment from King County and is a mixed 4%-9% project. Bellwether is also a development consultant and is providing development services to Downtown Emergency Services Center (DESC) and Mt. Baker Housing Association. Overall, Bellwether has over 1900 units placed in services and has provided development services for over 9700 units for other non-profit organizations.

c. Organizational Financial Soundness

The financial trends for Bellwether for the past three years include:

- Operating cash continues to provide appropriate levels of liquidity for the operations of Bellwether and its affiliates.
- Building reserves continue to grow.
- Bellwether's portfolio maintains strong debt ratios. Current and long term debt service fluctuates depending on the stage of development due to short term construction loans.
- Operating revenue and expenses have been increasing every year due to the acquisition and development of new properties.

d. Equity and Social Justice

This year, the County is using a tool called the "Continuum on Becoming an Anti-Racist, Multicultural Organization" as a yardstick against which to measure how effectively the applicant organization incorporates Equity and Social Justice into its work. Essentially, the Continuum describes how an organization may evolve from an exclusionary institution (where racial and cultural differences are seen as defects) into a changing organization that is tolerant of racial and cultural differences, and ultimately become an anti-racist and multicultural organization that views racial and cultural differences as assets. Going beyond an examination of the organization's cultural competence in providing housing and services to clients, this tool calls for an evaluation of the organization's governance and working culture.

The Continuum identifies that an organization is undergoing symbolic change into a compliance organization when it

- Makes official policy pronouncements regarding multicultural diversity
- Sees itself as "non-racist" institution with open doors to people of color
- Carries out intentional inclusiveness efforts, recruiting "someone of color" on committees or office staff
- Has an expanding view of diversity to include other socially oppressed groups

Per these characteristics, Bellwether may be considered a "compliance organization" in this Continuum because it recognizes the need for cultural competence. To that end, Bellwether has formed an Equity Committee whose purpose is to hold the organization accountable to improving cultural competence and "promoting institutional change to achieve diversity, equity, and inclusion among Bellwether Housing staff and residents." Bellwether is also participating in the Housing Development Consortium's Recruiting Diversity Taskforce to ensure that a racially diverse applicant pool is aware of job opportunities at the organization. Bellwether self-reports that 27% of the development team are people of color, 36% are women and 27% identify as LGBTQ; its 16-member board includes 37% women and 19% people of color. Additionally, the organization is intentional in siting their next project in Tukwila, in recognition of the rising rents and imminent displacement of lower-income households of color and the need to create more opportunities to well-located, high-quality affordable housing there.

VII. Review Summary and Funding Conditions

Bellwether has invested significant organizational resources in Tukwila over the last two years and has demonstrated a commitment to completing a new construction affordable housing project in Tukwila. While mixed 4% and 9% projects are still uncommon in King County, the Tukwila Apartments project as submitted by Bellwether Housing is a relatively straightforward proposal, with typical permanent financing structures and uncomplicated revenue projections. The project does not contemplate non-housing uses and does not anticipate rental or services subsidies as submitted. The project will have to achieve the necessary up-zone as contemplated in the development agreement in order to proceed.

The 4% project is a candidate for King County's TOD funds available from the South King County pool. The proposal for a new construction project in South King County is competitive for the County's TOD funds, which is intended to invest in catalytic developments around high-capacity transit stations. Additionally, the project intends to serve lower-income large families, for whom the need for affordable housing is evident. The proposal as submitted also demonstrates favorable leverage for King County funds. However, the competitiveness of the 9% project is questionable in the 2018 LIHTC round. The 9% project is also dependent on a $2.5M request from the State Housing Trust Fund, which is uncertain at this point. The development agreement is not yet finalized, affecting the certainty of the project's feasibility. And finally, the demand for the County's affordable/ELI/homeless funds is high and the availability of such resources is extremely constrained as the Veterans, Seniors and Human Services Levy funds were not included in this round. Permanent supportive housing serving high-needs homeless populations rank higher in priority as compared to non-homeless housing projects. The County might choose to conditionally commit available TOD funds to the 4% project, while continuing to work with Bellwether to refine referral systems for systems-connected units at the project.

Project Name: **Tukwila Apartments - 4% and 9%**

UNIT MIX AND AFFORDABILITY

	HFP-funded Units									
Affordable at	30%	40%	50%	60%	Mgr	Mgr	80%	>80%	Total	4% Project
Studios			17						17	
1 Bedroom			18	2					20	
2 Bedroom			7	12					19	
3 Bedroom										
Total			42	14					56	

	HFP-funded Units									
Affordable at	30%	40%	50%	60%	Mgr	Mgr	80%	>80%	Total	9% Project
Studios	6		2						8	
1 Bedroom	12		5						17	
2 Bedroom	6		9						15	
3 Bedroom	4		12						16	
Total	28		28						56	

PROJECT FINANCING

Permanent Sources of Funds

Source	**Amount**	**Terms**	**Status** (Proposed, Application Made, Committed)	
Tax Exempt Perm Debt - 4%	$ 4,150,967	4.95%, 17-yr term, amort. over 35 years	Proposed	4% Project
4% LIHTC Equity	$ 5,676,679	1.03 pricing	Proposed	
Deferred Dev Fee - 4%	$ 600,000	2%, 15-yr term, cash flow pymts, deferred	Proposed	
Sponsor Loan - 4%	$ 300,000	2%, cash flow pymts, deferred	Proposed	
Source TBD	$ 86,223	TBD	TBD	
King County TOD	$ 4,407,341	1%, 50 yrs., simple interest payments required	This Application	
Total 4% Project Sources	$ 15,221,210			

Bank Loan - 9%	$ 2,232,653	6.0%, 17-yr term, amort. over 35 years	Proposed	9% Project
State Housing Trust Fund - 9%	$ 2,500,000	1%, 50-yr deferred	Proposed	
Deferred Dev Fee - 9%	$ 450,000	2% 15-yr term, cash flow pymts	Proposed	
Sponsor Loan - 9%	$ 200,000	2%, cashflow pymts, deferred	Proposed	
9% LIHTC Equity	$ 11,734,753	$1 pricing	Proposed	
HFP Capital	**1,226,232**	1%, 50 yrs. Deferred payment	This Application	
Total 9% Project Sources	$ 18,343,638			

Project Name: **Tukwila Apartments - 4% and 9%**

PROJECT BUDGET

		Total	Residential - 4%	Residential - 9%
Acquisition Costs				
Land		$ 2,866,000	$ 1,274,315	$ 1,591,685
Closing, Title & Recording Costs		50,000	22,232	27,768
Other: Holding Costs		100,000	44,463	55,537
Subtotal		**$ 3,016,000**	**$ 1,341,010**	**$ 1,674,990**
Construction				
Demolition		$ 149,444	$ 66,443	$ 83,001
Basic Construction Contract		18,242,368	8,111,176	10,131,192
Contractor Profit		413,816	183,983	229,833
Contractor Overhead		413,816	183,983	229,833
Construction Contingency	5%	970,591	431,556	539,035
Site Work and Infrastructure		200,000	88,926	111,074
Environmental Abatement (Building)		25,000	10,839	14,161
Environmental Abatement (Land)		5,000	2,500	2,500
Sales Taxes		2,055,593	913,982	1,141,611
Bond Premium		162,372	72,191	90,181
Equipment and Furnishings		60,000	26,678	33,322
Other Construction Costs: GC Preconstruction & DB Subs		125,000	55,579	69,421
Subtotal		**$ 22,823,000**	**$ 10,147,836**	**$ 12,675,164**
Soft Costs:				
Appraisal		$ 8,000	$ 3,557	$ 4,443
Market Study		4,000	1,779	2,221
Architect		692,887	308,079	384,808
Engineer		296,952	132,034	164,918
Environmental Assessment		10,000	4,446	5,554
Geotechnical Study		25,000	11,116	13,884
Boundary & Topographic Survey		20,000	8,893	11,107
Legal Fees		46,126	20,509	25,617
Developer Fee	9%	3,140,000	1,628,859	1,511,141
Project Management/Development Consultant Fees		160,000	71,141	88,859
Technical Assistance		75,000	33,347	41,653
Other: Soft Cost Contingency		75,000	22,240	52,760
Subtotal		**$ 4,552,965**	**$ 2,246,000**	**$ 2,306,965**
Pre-Development / Bridge Financing				
Bridge Loan Interest		24,300	10,805	13,495
Subtotal		**$ 24,300**	**$ 10,805**	**$ 13,495**
Construction Financing				
Construction Loan Fees		$ 67,427	$ 20,488	$ 46,939
Construction Loan Expenses		8,000	3,557	4,443
Construction Loan Legal		96,125	46,062	50,063
Construction Period Interest		471,250	214,500	256,750
Lease-up Period Interest		253,750	115,500	138,250
Subtotal		**$ 896,552**	**$ 400,107**	**$ 496,445**
Permanent Financing				
Permanent Loan Fees		$ 63,391	$ 40,905	$ 22,486
Permanent Loan Legal		12,750	5,669	7,081
LIHTC Fees		250,239	84,622	165,617
LIHTC Legal		60,000	30,000	30,000
LIHTC Owners Title Policy		50,000	25,000	25,000
State HTF Fees		50,000		50,000
Other: King County TOD Funding Fee		88,010	88,010	
Subtotal		**$ 574,390**	**$ 274,206**	**$ 300,184**
Capitalized Reserves				
Operating Reserves		$ 324,859	$ 177,548	$ 147,311
Other: Lease Up Reserves		90,000	40,017	49,983
Subtotal		**$ 414,859**	**$ 217,565**	**$ 197,294**
Other Development Costs				
Insurance		96,000	42,685	53,315
Relocation		35,000	15,562	19,438
Permits, Fees & Hookups		871,249	387,385	483,864
Impact/Mitigation Fees		85,533	38,031	47,502
LIHTC Non Profit Donation		25,000		25,000
Accounting/Audit		20,000	8,893	11,107
Marketing/Leasing Expenses		20,000	8,893	11,107
Carrying Costs at Rent up		50,000	22,232	27,768
Subtotal		**$ 1,202,782**	**$ 523,681**	**$ 679,101**
Bond Related Costs of Issuance				
Issuer Fees & Related Expenses		$ 20,000	$ 20,000	
Bond Counsel		$ 40,000	$ 40,000	
Subtotal		**$ 60,000**	**$ 60,000**	**$ -**
Total Project Cost		**$ 33,564,848**	**$ 15,221,210**	**$ 18,343,638**
Summary of Financing Resources				
Tax Exempt Perm Debt - 4%		$ 4,150,967	$ 4,150,967	$ -
4% LIHTC Equity		$ 5,676,679	5,676,679	$ -
Deferred Dev Fee - 4%		$ 600,000	600,000	$ -
Sponsor Loan - 4%		$ 300,000	300,000	$ -
Source TBD		$ 86,223	86,223	$ -
King County TOD		$ 4,407,341	4,407,341	$ -
4% Project Subtotal		$ 15,221,210	$ 15,221,210	
Bank Loan - 9%		$ 2,232,653		$ 2,232,653
State Housing Trust Fund - 9%		$ 2,500,000		2,500,000
Deferred Dev Fee - 9%		$ 450,000		450,000
Sponsor Loan - 9%		$ 200,000		200,000
9% LIHTC Equity		$ 11,734,753		11,734,753
HFP Capital		$ 1,226,232		1,226,232
9% Project Subtotal		$ 18,343,638	$ -	$ 18,343,638
Total Project Resources		**$ 33,564,848**	**$ 15,221,210**	**$ 18,343,638**

Tukwila Apartments - 4%

RESIDENTIAL DEVELOPMENT BUDGET

	Residential Costs	Per Unit	Per Sq. Ft.
Acquisition:	$ 1,341,010	$ 23,946.61	$ 41
Construction Costs:	10,147,836	$ 181,211.36	309
Professional Fees:	2,246,000	$ 40,107.14	68
Other Development Costs:	1,486,364	$ 26,542.21	45
Total Residential Development Costs:	$ 15,221,210	$ 271,807	$ 463

Square feet of parcel to be acquired:	56,436
Per square foot acquisition:	$ 23
Residential square feet to be constructed:	32,884
Nonresidential square feet to be constructed:	25,727
Total square feet to be constructed:	58,611

PROPOSED RENTS

# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
17	50% Studios	$ 761	79.00	840	50%	155,244
18	50% 1 BR	$ 821	79.00	900	50%	177,336
2	60% 1 BR	$ 1,001	79.00	1,080	60%	24,024
7	50% 2 BR	$ 973	107.00	1,080	50%	81,732
12	60% 2 BR	$ 1,189	107.00	1,296	60%	171,216
56						$ 609,552

Tukwila Apartments - 4%

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME		
Rents	$ 609,552	
Laundry	7,000	
Interest/Fees	4,200	
Operating Subsidy 2		
Service Subsidies	-	
Total Residential Income	620,752	
Residential Vacancy	(31,038)	5.0% of Residential Income
Total Non-Residential Income	-	
Non-Residential Vacancy		10.0% of Non-Residential Income
Effective Gross Income	**589,714**	
EXPENSES		
Management - On-site	74,256	
Management - Off-site	4,896	
Accounting	9,500	
Legal Services	1,330	
Insurance	15,400	
Real Estate Taxes		
Marketing	750	
Security		
Maintenance and janitorial	5,040	
Decorating/Turnover	8,400	
Contract Repairs	5,040	
Landscaping	2,800	
Pest Control	5,600	
Fire Safety	2,800	
Elevator	5,600	
Water & Sewer	35,560	
Garbage Removal	7,840	
Electric	4,480	
Oil/Gas/Other	7,000	
Telephone	4,500	
Other	82,045	
Total Operating Expenses	**282,837**	$5,051 per unit
Replacement Reserves	**19,600**	$350 per unit
Operating Reserve		
Total Operating Expenses & Reserves	**302,437**	
Total Services Expenses		
Total Expenses	**302,437**	$5,401 per unit
Net Operating Income	**$ 287,278**	
Debt Service		
Tax Exempt Perm Debt - 4%	(249,807)	
Deferred Developer Fee	(37,471)	
King County TOD		
Net Cash Flow		

Cash Flow Projection

Project: **Tukwila Apartments - 4%**

Assumptions:			
Annual increase in rental income:	2.5%	Project vacancy/credit loss rate (residential):	5.0%
Annual increase in operating expenses:	3.5%	Project vacancy/credit loss rate (non-residential):	10.0%

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
OPERATING INCOME															
Residential Rents	$609,552	624,791	640,411	656,421	672,831	689,652	706,893	724,566	742,680	761,247	780,278	799,785	819,780	840,274	861,281
Other Operating Revenues	$7,000	7,175	7,354	7,538	7,727	7,920	8,118	8,321	8,529	8,742	8,961	9,185	9,414	9,650	9,891
Operating Subsidies	4,200	4,305	4,413	4,523	4,636	4,752	4,871	4,992	5,117	5,245	5,376	5,511	5,649	5,790	5,934
Service Subsidies															
Total Residential Income	$620,752	636,271	652,178	668,482	685,194	702,324	719,882	737,879	756,326	775,234	794,615	814,480	834,842	855,713	877,106
Residential Vacancy	(31,038)	(31,814)	(32,609)	(33,424)	(34,260)	(35,116)	(35,994)	(36,894)	(37,816)	(38,762)	(39,731)	(40,724)	(41,742)	(42,786)	(43,855)
Total Non-Residential Income															
Non-Residential Vacancy															
EFFECTIVE GROSS INCOME	**589,714**	**604,457**	**619,569**	**635,058**	**650,934**	**667,208**	**683,888**	**700,985**	**718,510**	**736,472**	**754,884**	**773,756**	**793,100**	**812,928**	**833,251**
Operating Expenses															
Management - On-site	74,256	76,855	79,545	82,329	85,210	88,193	91,280	94,474	97,781	101,203	104,745	108,412	112,206	116,133	120,198
Management - Off-site	4,896	5,067	5,245	5,428	5,618	5,815	6,018	6,229	6,447	6,673	6,906	7,148	7,398	7,657	7,925
Accounting	9,500	9,833	10,177	10,533	10,901	11,283	11,678	12,087	12,510	12,948	13,401	13,870	14,355	14,858	15,378
Legal Services	1,330	1,377	1,425	1,475	1,526	1,580	1,635	1,692	1,751	1,813	1,876	1,942	2,010	2,080	2,153
Insurance	15,400	15,939	16,497	17,074	17,672	18,290	18,931	19,593	20,279	20,989	21,723	22,484	23,270	24,085	24,928
Real Estate Taxes															
Marketing	750	776	803	832	861	891	922	954	988	1,022	1,058	1,095	1,133	1,173	1,214
Security															
Maintenance and janitorial	5,040	5,216	5,399	5,588	5,784	5,986	6,195	6,412	6,637	6,869	7,109	7,358	7,616	7,882	8,158
Decorating/Turnover	8,400	8,694	8,998	9,313	9,639	9,977	10,326	10,687	11,061	11,448	11,849	12,264	12,693	13,137	13,597
Contract Repairs	5,040	5,216	5,399	5,588	5,784	5,986	6,195	6,412	6,637	6,869	7,109	7,358	7,616	7,882	8,158
Landscaping	2,800	2,898	2,999	3,104	3,213	3,326	3,442	3,562	3,687	3,816	3,950	4,088	4,231	4,379	4,532
Pest Control	5,600	5,796	5,999	6,209	6,426	6,651	6,884	7,125	7,374	7,632	7,899	8,176	8,462	8,758	9,065
Fire Safety	2,800	2,898	2,999	3,104	3,213	3,326	3,442	3,562	3,687	3,816	3,950	4,088	4,231	4,379	4,532
Elevator	5,600	5,796	5,999	6,209	6,426	6,651	6,884	7,125	7,374	7,632	7,899	8,176	8,462	8,758	9,065
Water & Sewer	35,560	36,805	38,093	39,426	40,806	42,234	43,712	45,242	46,826	48,465	50,161	51,917	53,734	55,614	57,561
Garbage Removal	7,840	8,114	8,398	8,692	8,997	9,311	9,637	9,975	10,324	10,685	11,059	11,446	11,847	12,261	12,691
Electric	4,480	4,637	4,799	4,967	5,141	5,321	5,507	5,700	5,899	6,106	6,319	6,541	6,770	7,007	7,252
Oil/Gas/Other	7,000	7,245	7,499	7,761	8,033	8,314	8,605	8,906	9,218	9,540	9,874	10,220	10,577	10,948	11,331
Telephone	4,500	4,658	4,821	4,989	5,164	5,345	5,532	5,725	5,926	6,133	6,348	6,570	6,800	7,038	7,284
Other	82,045	84,917	87,889	90,965	94,149	97,444	100,854	104,384	108,038	111,819	115,733	119,783	123,976	128,315	132,806
TOTAL OPERATING EXPENSES	**282,837**	**292,736**	**302,982**	**313,586**	**324,562**	**335,922**	**347,679**	**359,848**	**372,442**	**385,478**	**398,969**	**412,933**	**427,386**	**442,344**	**457,827**
REPLACEMENT RESERVES	19,600	20,286	20,996	21,731	22,491	23,279	24,093	24,937	25,809	26,713	27,648	28,615	29,617	30,654	31,726
OPERATING RESERVES															
TOTAL OPERATING EXPENSES & RESERVES	302,437	313,022	323,978	335,317	347,053	359,200	371,772	384,784	398,252	412,190	426,617	441,549	457,003	472,998	489,553
TOTAL SERVICES EXPENSES															
NET OPERATING INCOME	**287,278**	**291,435**	**295,591**	**299,741**	**303,881**	**308,008**	**312,116**	**316,201**	**320,258**	**324,282**	**328,267**	**332,208**	**336,097**	**339,930**	**343,698**
Debt Service															
Tax Exempt Perm Debt - 4%	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)	(249,807)
(HARD) DEBT COVERAGE RATIO	**1.15**	**1.17**	**1.18**	**1.20**	**1.22**	**1.23**	**1.25**	**1.27**	**1.28**	**1.30**	**1.31**	**1.33**	**1.35**	**1.36**	**1.38**
Cash Flow Payments															
King County TOD Simple Interest Payment		(16,651)	(18,313)	(19,973)	(21,630)	(23,280)	(24,924)	(26,558)	(28,180)	(29,790)	(31,384)	(32,960)	(34,516)	(36,049)	(37,556)
Deferred Developer Fee	(37,471)	(24,977)	(27,470)	(29,960)	(32,444)	(34,920)	(37,385)	(39,836)	(42,271)	(44,685)	(47,076)	(49,440)	(51,774)	(54,074)	(56,335)
NET CASH FLOW	**$0**	**($0)**	**$0**	**($0)**	**($0)**	**$0**	**$0**	**($0)**	**$0**	**($0)**	**$0**	**$0**	**$0**	**$0**	**($0)**

Tukwila Apartments - 9%

RESIDENTIAL DEVELOPMENT BUDGET

	Residential	Per Unit	Per Sq. Ft.
Acquisition:	$ 1,674,990	$ 29,910.54	$ 41
Construction Costs:	12,675,164	$ 226,342.21	309
Professional Fees:	2,306,965	$ 41,195.80	56
Other Development Costs:	1,686,519	$ 30,116.41	41
Total Residential Development Costs:	$ 18,343,638	$ 327,565	$ 447

Square feet of parcel to be acquired:	56,436
Per square foot acquisition:	$ 28
Residential square feet to be constructed:	41,080
Nonresidential square feet to be constructed:	32,138
Total square feet to be constructed:	73,218

PROPOSED RENTS

# Units	Unit Type	Tenant Rent	Utility Allowance	Gross Rent	Affordability	Annual Rent
6	30% Studio	$ 426	79.00	505	30%	30,672
12	30% 1 BR	$ 461	79.00	540	30%	66,384
6	30% 2 BR	$ 541	107.00	648	30%	38,952
4	30% 3 BR	$ 616	133.00	749	30%	29,568
2	50% Studio	$ 761	79.00	840	50%	18,264
5	50% 1 BR	$ 821	79.00	900	50%	49,260
9	50% 2 BR	$ 973	107.00	1,080	50%	105,084
12	50% 3 BR	$ 1,115	133.00	1,248	50%	160,560
56						$ 498,744

Tukwila Apartments - 9%

SUMMARY OF ANNUAL OPERATING BUDGET

INCOME		
Rents	$ 498,744	
Laundry	7,000	
Interest/Fees	4,200	
Operating Subsidy 2		
Service Subsidies	-	
Total Residential Income	509,944	
Residential Vacancy	(25,497)	5.0% of Residential Income
Total Non-Residential Income	-	
Non-Residential Vacancy		
Effective Gross Income	**484,447**	
EXPENSES		
Management - On-site	74,256	
Management - Off-site	4,896	
Accounting	9,500	
Legal Services	1,330	
Insurance	15,400	
Real Estate Taxes		
Marketing	600	
Security		
Maintenance and janitorial	5,040	
Decorating/Turnover	8,400	
Contract Repairs	5,040	
Landscaping	2,800	
Pest Control	5,600	
Fire Safety	2,800	
Elevator	5,600	
Water & Sewer	35,560	
Garbage Removal	7,840	
Electric	4,480	
Oil/Gas/Other	7,000	
Telephone	2,250	
Other	74,456	
Total Operating Expenses	**272,848**	$4,872 per unit
Replacement Reserves	**19,600**	$350 per unit
Operating Reserve		
Total Operating Expenses & Reserves	**292,448**	
Total Services Expenses	**16,320**	$291 per unit
Total Expenses	**308,768**	$5,514 per unit
Net Operating Income	**$ 175,679**	
Debt Service		
Bank Loan - 9%	(152,765)	
Deferred Developer Fee	(21,000)	
	$ -	
Net Cash Flow	**$1,914**	

Tukwila Apartments - 9%

SERVICES REVENUE AND EXPENSES

REVENUE		
Income from Operations		
Total Service Revenue	**$**	**-**
EXPENSES		
Total Personnel	$	16,320
Local Travel / Mileage		
Equipment		
Supplies		
Telecommunications		
Printing / Duplication		
Mail / Postage		
Cash Assistance to Families		
Other		
Other		
Total Services Expenses	**$**	**16,320**
Net Services Revenue (Expenses)	$	(16,320)

Cash Flow Projection Project: **Tukwila Apartments - 9%**

Assumptions:

Annual increase in rental income:	2.5%	**Project vacancy/credit loss rate (residential):**	5.0%
Annual increase in operating expenses:	3.5%	**Project vacancy/credit loss rate (non-residential):**	10.0%

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
OPERATING INCOME															
Residential Rents	$498,744	511,213	523,993	537,093	550,520	564,283	578,390	592,850	607,671	622,863	638,434	654,395	670,755	687,524	704,712
Other Operating Revenues	$7,000	7,175	7,354	7,538	7,727	7,920	8,118	8,321	8,529	8,742	8,961	9,185	9,414	9,650	9,891
Operating Subsidies	$4,200	4,305	4,413	4,523	4,636	4,752	4,871	4,992	5,117	5,245	5,376	5,511	5,649	5,790	5,934
Service Subsidies															
Total Residential Income	$509,944	522,693	535,760	549,154	562,883	576,955	591,379	606,163	621,317	636,850	652,771	669,091	685,818	702,963	720,538
Residential Vacancy	(25,497)	(26,135)	(26,788)	(27,458)	(28,144)	(28,848)	(29,569)	(30,308)	(31,066)	(31,843)	(32,639)	(33,455)	(34,291)	(35,148)	(36,027)
Total Non-Residential Income															
Non-Residential Vacancy															
EFFECTIVE GROSS INCOME	**484,447**	**496,558**	**508,972**	**521,696**	**534,739**	**548,107**	**561,810**	**575,855**	**590,251**	**605,008**	**620,133**	**635,636**	**651,527**	**667,815**	**684,511**
Operating Expenses															
Management - On-site	74,256	76,855	79,545	82,329	85,210	88,193	91,280	94,474	97,781	101,203	104,745	108,412	112,206	116,133	120,198
Management - Off-site	4,896	5,067	5,245	5,428	5,618	5,815	6,018	6,229	6,447	6,673	6,906	7,148	7,398	7,657	7,925
Accounting	9,500	9,833	10,177	10,533	10,901	11,283	11,678	12,087	12,510	12,948	13,401	13,870	14,355	14,858	15,378
Legal Services	1,330	1,377	1,425	1,475	1,526	1,580	1,635	1,692	1,751	1,813	1,876	1,942	2,010	2,080	2,153
Insurance	15,400	15,939	16,497	17,074	17,672	18,290	18,931	19,593	20,279	20,989	21,723	22,484	23,270	24,085	24,928
Real Estate Taxes															
Marketing	600	621	643	665	689	713	738	763	790	818	846	876	907	938	971
Security															
Maintenance and janitorial	5,040	5,216	5,399	5,588	5,784	5,986	6,195	6,412	6,637	6,869	7,109	7,358	7,616	7,882	8,158
Decorating/Turnover	8,400	8,694	8,998	9,313	9,639	9,977	10,326	10,687	11,061	11,448	11,849	12,264	12,693	13,137	13,597
Contract Repairs	5,040	5,216	5,399	5,588	5,784	5,986	6,195	6,412	6,637	6,869	7,109	7,358	7,616	7,882	8,158
Landscaping	2,800	2,898	2,999	3,104	3,213	3,326	3,442	3,562	3,687	3,816	3,950	4,088	4,231	4,379	4,532
Pest Control	5,600	5,796	5,999	6,209	6,426	6,651	6,884	7,125	7,374	7,632	7,899	8,176	8,462	8,758	9,065
Fire Safety	2,800	2,898	2,999	3,104	3,213	3,326	3,442	3,562	3,687	3,816	3,950	4,088	4,231	4,379	4,532
Elevator	5,600	5,796	5,999	6,209	6,426	6,651	6,884	7,125	7,374	7,632	7,899	8,176	8,462	8,758	9,065
Water & Sewer	35,560	36,805	38,093	39,426	40,806	42,234	43,712	45,242	46,826	48,465	50,161	51,917	53,734	55,614	57,561
Garbage Removal	7,840	8,114	8,398	8,692	8,997	9,311	9,637	9,975	10,324	10,685	11,059	11,446	11,847	12,261	12,691
Electric	4,480	4,637	4,799	4,967	5,141	5,321	5,507	5,700	5,899	6,106	6,319	6,541	6,770	7,007	7,252
Oil/Gas/Other	7,000	7,245	7,499	7,761	8,033	8,314	8,605	8,906	9,218	9,540	9,874	10,220	10,577	10,948	11,331
Telephone	2,250	2,329	2,410	2,495	2,582	2,672	2,766	2,863	2,963	3,067	3,174	3,285	3,400	3,519	3,642
Other	74,456	77,062	79,759	82,551	85,440	88,430	91,525	94,729	98,044	101,476	105,028	108,704	112,508	116,446	120,522
TOTAL OPERATING EXPENSES	**272,848**	**282,398**	**292,281**	**302,511**	**313,099**	**324,058**	**335,400**	**347,139**	**359,289**	**371,864**	**384,879**	**398,350**	**412,292**	**426,722**	**441,657**
REPLACEMENT RESERVES	19,600	20,286	20,996	21,731	22,491	23,279	24,093	24,937	25,809	26,713	27,648	28,615	29,617	30,654	31,726
OPERATING RESERVES															
TOTAL OPERATING EXPENSES & RESERVES	292,448	302,684	313,277	324,242	335,591	347,336	359,493	372,075	385,098	398,576	412,527	426,965	441,909	457,376	473,384
TOTAL SERVICES EXPENSES	16,320	16,891	17,482	18,094	18,728	19,383	20,061	20,764	21,490	22,242	23,021	23,827	24,661	25,524	26,417
NET OPERATING INCOME	**175,679**	**176,983**	**178,212**	**179,360**	**180,420**	**181,388**	**182,255**	**183,016**	**183,663**	**184,189**	**184,585**	**184,844**	**184,958**	**184,916**	**184,710**
Debt Service															
Bank Loan - 9%	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)	($152,765)
Deferred Developer Fee	($21,000)	($22,000)	($23,000)	($24,000)	($25,000)	($26,000)	($27,000)	($28,000)	($29,000)	($29,500)	($30,000)	($30,500)	($31,000)	($31,000)	($31,000)
NET CASH FLOW	**$1,914**	**$2,218**	**$2,447**	**$2,595**	**$2,655**	**$2,623**	**$2,490**	**$2,251**	**$1,898**	**$1,924**	**$1,820**	**$1,579**	**$1,193**	**$1,151**	**$945**
DEBT SERVICE COVERAGE	**1.15**	**1.16**	**1.17**	**1.17**	**1.18**	**1.19**	**1.19**	**1.20**	**1.20**	**1.21**	**1.21**	**1.21**	**1.21**	**1.21**	**1.21**

King County

Housing Finance Program

2017 Capital Funding - Affordable Housing RFP

Underwriting Report

I. Overview

Sponsor/Owner:	Homestead Community Land Trust		
Development Consultant:	N/A		
Project Name:	Renton Sunset 12		
Project Address:	1132 Edmonds Avenue NE Renton, WA 98056		
Total Dev Cost:	$5,066,602	$422,216	per residential unit
KC Funds Requested:	$500,000	$41,666	per KC-funded unit
KC Funds Recommended:			
Did this project apply for funding in prior rounds?	No		
Is this project applying for TOD funds?			

II. Project Description

a. Housing Model

Homestead Community Land Trust (Homestead) is requesting funding for development of 12 townhomes located in the Sunset area of the Highlands in Renton. The townhomes will be sold to qualified low-income first time homebuyers who earn 60% to 80% of area median income (AMI). The project will consist of eight 3-bedrooms homes and four 4-bedroom homes, each at approximately 1,400 square feet. Each home will have ground level garage parking within the unit. The townhomes are planned as 3-story wood frame construction with exterior and interior finishes similar to typical townhomes being built throughout the region. The property will be donated to Homestead by the Renton Housing Authority (RHA).

The project is located in the neighborhood surrounding the former Sunset Terrace public housing project. Homestead proposes that this project will be a catalyst for additional homeownership and business investment in the Sunset Area.

In the typical community land trust model, owners purchase the residential structure, and the community land trust retains ownership of the land and leases it to the homeowner for a small monthly fee. The buyer will own the home (the improvements) and rights to use the land beneath it via a ground lease with a 99-year term. The homeowners accrue 1.5% equity in their home compounded annually, estimated to be approximately $35,000 for every five years they own the home. They do not have to sell their home if their income increases after purchase. They can own the home for as long as they wish, but they agree to sell their home, whenever they decide to sell it, at the resale restricted price to the next income qualified buyer. With the community land trust retaining ownership of the land beneath the home in the typical model, affordability is stewarded by the community land trust as the speculative value of land is removed from the cost to own a home.

b. Physical: Project, Site, and Locality Characteristics

The proposed design is for new construction of 12 3-story wood-framed townhomes with ground floor built-in garage, as required by Renton zoning code for the CV-zoned site. Proposed construction start date is June of 2018 with completion of the last home in January of 2019. Homestead will be working with the architectural firm Schemata Workshop on this project. Schemata has provided schematic architectural plans for this project.

The project has self-scored 64 points on the Evergreen Sustainable Development Standards checklist, with 50 points being the minimum required for new construction. Homestead is working with King County Green Tools as part of their Regional Code Collaborations in 4 King County cities, of which Renton is one, to achieve Net Zero energy and other green standards on the Renton Sunset 12 project. Net-zero energy, refers to the total amount of energy used by the building on an annual basis is roughly equal to the amount of renewal energy created on the site. Renton Sunset 12 is one of three projects in Renton that are part of the King County Executive's 10 Strategic Climate Action Plan Living Building projects for 2020. Renton Sunset 12 will also participate in the Living Building Challenge (LBC) administered by the International Living Future Institute (ILFI). The Living Building Challenge is a green building certification and sustainable design framework that promotes the most advance advanced measurement of sustainability in the built environment. Net-zero energy is only one component of the living building challenge. Homestead is working closely with King County Green Tools and the ILFI teams to incorporate the LBC requirements into this project. As submitted, Homestead's development budget for Renton Sunset 12 does not include any extra green building costs. Homestead plans to apply for subsidy funding for each extra green building element they include in the project.

The property is a vacant lot located in a residential area consisting of mostly smaller multi-family properties, including other townhomes. The property is accessed from the east by Glennwood Avenue by way of the Renton Housing Authority's existing townhouse project's parking lot. The portion of the site where the townhouses are located is on the eastern end of the property, on a relatively flat area. The existing parcel measures over 74,052 square feet; however, Homestead will be short-platting approximately 26,000 square feet from the east portion of the site on which to locate the 12 townhomes. In the future, RHA plans on developing affordable multifamily rental housing on the west side of the site.

Homestead plans to conduct a Limited Phase 2 Assessment on the property, as the Phase I environmental review noted that the removal of an underground storage tank was not well documented, and as such, considered a recognized environmental concern. This issue does not seem to be of large scale. Once testing is completed, Homestead will provide an estimated cost to remediate the site, if funded.

The Sunset area of the Highlands neighborhood was a low-income neighborhood developed as a World War II Defense Corporation project to provide temporary housing with minimal supporting infrastructure for employees serving in local factories. The neighborhood has been described as a pocket of poverty surrounded by a sea of opportunity. The Sunset neighborhood is the focus of an intensive neighborhood transformation effort that has engaged more than 27 community partners.

This project is sited an easy walk (less than .25 miles) to the new library, new City Park, and the re-developed retail area on Sunset Avenue. The retail on Sunset includes grocery stores, Asian grocery stores, drug stores, convenient stores, restaurants, and other diverse retail. Nearby are The Boeing Company's 737 assembly plant, Renton Technical College, Paccar, and UW Medicine Valley Medical Center among many other retail, office, technology and industrial complexes. The area also has good access and transportation to Seattle, Bellevue, Sea-Tac International Airport, and other major employment opportunities. It is served with bus service, 240 and 105, both on Sunset Avenue on the east of the property and on Edmonds Avenue NE to the west of the property, which both are within a ½ mile of the property. The Renton project is easy walking distance to Metro bus stops which by 2025 are envisioned to be served by 2 Rapid Ride lines and an express service. The Rapid Ride lines will provide connections to Overlake, and the Othello light rail stations. The express service will connect to Issaquah. One of those rapid ride lines will connect to a link light rail station. The project has good access to envisioned frequent, express and local bus service, which provides good connections to employment centers such as Overlake and Issaquah.

Homestead is working with The City of Renton to waive permitting fees, which would net approximately $131,000 in savings to the project. Currently under CV zoning, affordable housing projects must have at least 30 units in order for the City to waive permit fees. In this case, Homestead is requesting that Renton City Council modify its code to allow the fee waiver for ten units of the owner-occupied housing, but with the condition that the incentive applies only if 100% of the units are affordable to household at or below 80% AMI *and* that the units must be developed and held in perpetuity as affordable homeownership with a non-profit community land trust model. Renton City staff is supportive of the request and have agreed to submit it to the Council for its next work docket.

c. Roles and Responsibilities

Homestead is working closely with the Renton Housing Authority on this project. This project utilizes property owned by the Renton Housing that will be conveyed to Homestead for the development. It represents the first time that Renton Housing Authority has made land available for new construction for another entity to build affordable housing – in this case, affordable homeownership to complement RHA's affordable rental portfolio. This project addresses a critical area of King County impacted by the suburbanization of poverty with very little historic affordable homeownership development.

III. Development Budget Analysis

a. Sources and Uses

Renton Sunset 12 is budgeted for a total development cost of $5,066,602, including full permitting fees. The proposed sources for the project include $600,000 from the State Housing Trust Fund, $214,602 of deferred developer fee, a Federal Home Loan Bank grant for $378,000, a SHOP grant for $180,000, and $500,000 from King County. $2,694,000 of take-out financing will come from the homebuyers' mortgages. Chase has committed $500,000 to this project as a grant.

Homestead intends to develop Renton Sunset as a Net Zero project, and is in the process of trying to raise additional funds for the costs necessary to achieve the Net Zero sustainability goal. Estimated costs for achieving Net Zero would equal $316,000 in hard construction costs (attributed to mechanical and engineering costs, Solar, and window and insulation upgrades) and $25,000 in soft costs related to design and inspections. Homestead is current working on identifying additional grant sources for the Net Zero features.

If State HTF funding does not become available, Homestead is still committed to starting this project in 2018 and plans to secure gap financing. This includes the possibility that they would have to reapply to State HTF in 2018. Another option would be to identify corporate, foundation and individual contributors to secure funding through a capital campaign if necessary. A third option, subject to the outcome of the prior two solutions, would be for Homestead to consider reducing the size of the units, reducing some of the features and types of finishes, and reducing some of the green feature or solar ready type features.

b. Cost Effectiveness

According to Falkin Associates' limited project evaluation report, the application's early design concepts and layout, and the estimating pricing, indicate that planning and design ideas are well thought-out for a 12-unit townhome development. The presented budget is within the anticipated cost range. Site work and Infrastructure costs at 10% of the total project costs appears high and should be refined.

Homestead's development budget does not take into account for Davis-Bacon wages. Davis-Bacon requirements are triggered if federal funds are invested in more than 11 units. Triggering Davis bacon would significantly increase construction costs by 15%, which would not be feasible for this project. Homestead would eliminate one unit and proceed with an 11-unit project, but would not be maximizing use of the site. Non-federal sources, such as the County's TOD Bond funds, do not trigger Davis-Bacon requirements based on number of units.

c. Financing: Construction and Permanent

Homestead will use public funding and grants to finance the construction of this project. When units are ready for sale, homebuyers will purchase with individual financing. With public funding in place, Homestead anticipates that the purchase price of each townhome unit will be affordable to households earning 60% to 80% AMI. Bank lenders are familiar with the community land trust model of affordable homeownership and make leasehold mortgages to buyers interested in purchasing a CLT home.

IV. Affordability

Homestead will target people who earn 60% to 80% AMI. Homebuyers will need to make between $45,000 and $64,000 per year and be able to afford a mortgage of $180,000 to $230,000 depending on family size. The development subsidies brought together by Homestead reduce the initial price of each home far below market-rate, putting it within reach of the low-/moderate-income (LMI) buyer. Buyers purchase the home itself and lease the land from Homestead at a small monthly fee. The ground lease homeowners sign secures their agreement to resale restrictions, meaning that when/if the homeowner sells they do so at a formula price that is affordable to the next income-qualified LMI buyer, and the next. This model perpetuates affordability assuring compliance with funder requirements for long-term affordability.

Homestead supports home buyer applicants with counseling to assess their readiness of owning a home, supports the buyer through pre-purchase counseling and education, provides transaction support as they buy their home and provides post-purchase monitoring and support to assure success. Post-purchase education will include education on the use and maintenance of all the energy efficient features and appliances in each of the homes. If such features are a part of the home at sale, Homestead will provide net zero energy equipment operation and maintenance education. Homestead remains in relationship with the homeowners continuously throughout their ownership of the home and support the resale process when they decide to sell their home. As a result, Homestead's foreclosure rate is less than 1%.

V. Homebuyer Outreach

To reach prospective homeowners in this neighborhood who are considered "least likely to apply," Homestead will work with a network of supporting agencies and institutions who have relationships of trust with prospective candidates including those that work with people with disabilities and those for whom English is a second language. Homestead will conduct a series of community outreach events in partnership with these agencies and institutions. They hope to reach prospective homebuyers at least a year in advance of construction completion to allow applicants the opportunity to repair their credit, save for a down payment and take any other necessary steps to qualify for a mortgage. Homestead will support this outreach effort with traditional marketing and communications tools including flyers, Facebook page, information on our website, email newsletters.

VI. Market Demand Analysis and Compatibility with Funding Priorities

a. Market Demand

Homestead currently has an active waiting list of more than 400 prospective homebuyers who have submitted personal information and have been evaluated for compliance with income and asset qualifications. Homestead has conducted analysis of the home buyer's market in the Renton Sunset area and has had discussions with Renton Housing Authority in regards to the home buyer's market around the project. The demand for is strong with evidence of this by data showing reasonable priced homes selling at asking or more and within several weeks of listing.

b. Funding Priorities

This project meets the following 2017 King County HFP transit-oriented development housing capital priorities:

☒ Project leverages present and future public investment in transit infrastructure, is within ½ mile of a high capacity transit station, and is eligible for the
- ☐ All-County Seattle pool
- ☐ All-County North/East pool

☒ All-County South pool
☐ I-90 Corridor (Issaquah to North Bend pool)

☒ Project meets the preference under the TOD Bond Allocation Plan to serve or integrate units serving populations that have been identified as being in particular need, including but not limited to: families, veterans, survivors of domestic violence, people with developmental or other disabilities, households that are at risk of homelessness, or individuals re-entering the community after incarceration

VII. Sponsor Capacity

a. Portfolio and Performance

Homestead currently has one development project within the King County portfolio, Riverton Park. This project received funding from the County in the 2016 funding round. The project is still under pre-development, and is scheduled to close and begin construction in the spring of 2018. Riverton Park is also one of the three Renton projects selected to be one of King County Executive's 10 Strategic Climate Action Plan living building projects for 2020.

In the past, King County has funded the HCLT Advantage Down Payment Assistance Program, provided Homestead CLT with CHDO operating support.

b. Pipeline and Development Capacity

Riverton Park is still in the pre-development phase.

c. Equity and Social Justice

This year, the County is using a tool called the "Continuum on Becoming an Anti-Racist, Multicultural Organization" as a yardstick against which to measure how effectively the applicant organization incorporates Equity and Social Justice into its work. Essentially, the Continuum describes how an organization may evolve from an exclusionary institution (where racial and cultural differences are seen as defects) into a changing organization that is tolerant of racial and cultural differences, and ultimately become an anti-racist and multicultural organization that views racial and cultural differences as assets. Going beyond an examination of the organization's cultural competence in providing housing and services to clients, this tool calls for an evaluation of the organization's governance and working culture.

Homestead engaged a cultural competence consultant in 2016, and has submitted a funding application for a comprehensive cultural competence initiative to begin in late 2017. Because their homeownership program must align with equal opportunity housing standards, they generally do not have cultural deficiencies to correct. Homestead has, however, made an intentional and concerted effort in the last two years to increase the diversity of their Board and staff. They have a very small staff, so increasing the diversity by one person makes a 20% difference. In the last year, they have increased the diversity of their staff 40%, and added Spanish language fluency to their internal capacity.

Homestead's board includes 4 seats for Homestead homeowners, 4 seats for Homestead general members, and 4 seats representing the community at large. In this way, governance of the organization is balanced to represent both the residents and the community as a whole. In terms of ethnic diversity, the Board comprises of three Asian members, one Black, and one Hispanic member, the remainder of 6 members are White. There are currently three women and eight men.

Through these efforts, Homestead CLT might be considered a multi-cultural organization undergoing symbolic change in the Continuum.

VIII. Review Summary

Homestead is proposing a homeownership project to develop 12 affordable townhomes in the Sunset area of the Highlands in Renton. The townhomes will be sold to qualified low-income first time homebuyers who make 60% to 80% AMI. The project benefits from a land contribution from the Renton Housing Authority, and the City of Renton has demonstrated continuing support for Homestead Community Land Trust and its model of perpetually affordable homeownership. The proposal is straightforward and follows the typical single-family CLT ownership model, where homebuyers own the home and rights to the land beneath their home via a 99-year ground lease. The project also plans to adhere to advanced green building and sustainability standards and presents an opportunity to deepen the collaboration between climate change work and affordable housing. The project is well-located near transit and is a candidate for the County's TOD funds. It also has the potential to catalyze homeownership developments in a historically underserved part of the City of Renton. If the County chooses the award funds to the Renton Sunset 12 project, a funding condition should require that Homestead engage in a value engineering process to improve cost effectiveness, and that non-housing sources must be identified to support the planned green building features more advanced than the State's Evergreen Sustainable Development Standards for affordable housing development. If awarded TOD funds, the County would have to work with Homestead on figuring out a repayment of the TOD 1% simple interest payment.

Project Name: **HCLT -Renton Sunset 12**

UNIT MIX AND AFFORDABILITY

	HFP-funded Units								
Affordable at	30%	40%	60%	80%	Mgr	Mgr	80%	>80%	Total
3 Bedroom				8					8
4 Bedroom				4					4
Total				12					12

PROJECT FINANCING

Permanent Sources of Funds

Source	**Amount**	**Terms**	**Status** (Proposed, Application Made, Committed)
State HTF	$ 600,000	Forgivable	Proposed
Chase Grant	$ 500,000	Non-Recoverable	Committed
Deferred Dev. Fee	$ 214,602	Non-Recoverable	Proposed
FHLB	$ 378,000	Non-Recoverable	Proposed
SHOP	$ 180,000	Non-Recoverable	Proposed
Home Buyers Mortgage	2,694,000		Proposed
King County funds	**500,000**	1%, 50 yrs. Deferred payment	This Application
Total Project Sources	$ 5,066,602		

Homestead Community Land Trust - Renton Sunset 12

RESIDENTIAL DEVELOPMENT BUDGET

	Residential Costs	Per Unit	Per Sq. Ft.
Acquisition:	$ 4,500	$ 375	$ 0
Construction Costs:	3,761,719	313,477	221
Professional Fees:	737,503	61,459	43
Other Development Costs:	562,880	46,907	33
Total Residential Development Costs:	$ 5,066,602	$ 422,217	$ 298

Square feet of parcel to be acquired:	N/A
Per square foot acquisition:	
Residential square feet to be constructed:	17,000
Nonresidential square feet to be constructed:	-
Total square feet to be constructed:	17,000

Project Name: **HCLT -Renton Sunset 12**

PROJECT BUDGET

		Total		Residential
Site Control				
Purchase Price	$	-	$	-
Liens		-		
Closing, Title & Recording Costs		4,500		4,500
Other: Property Tax		-		-
Other:		-		
Subtotal	**$**	**4,500**	**$**	**4,500**
Construction				
Demolition	$	-	$	-
New Building		2,575,659		2,575,659
Contractor Profit		84,613		84,613
Contractor Overhead		56,408		56,408
New Construction Contingency		101,000		101,000
Site Work and Infrastructure		494,314		494,314
Off-Site Infrastructure		63,771		63,771
Environmental Abatement (Building)		-		-
Environmental Abatement (Land)		-		-
Sales Taxes		343,038		343,038
Bond Premium		26,916		26,916
Equipment and Furnishings		-		-
Other		16,000		16,000
Subtotal	**$**	**3,761,719**	**$**	**3,761,719**
Other Professional Fees				
Appraisal	$	5,000	$	5,000
Market Study		-		-
Architect		92,000		92,000
Engineer		81,000		81,000
Environmental Assessment		3,500		3,500
Geotechnical Study		7,000		7,000
Boundary & Topographic Survey		11,000		11,000
Legal Fees		5,000		5,000
Developer Fee		336,328		336,328
Project Management/Development Consultant Fees		144,375		144,375
Other Consultants:		13,500		13,500
Soft Cost Contingency:		33,800		33,800
Other		5,000		5,000
Subtotal	**$**	**737,503**	**$**	**737,503**
Financing and Miscellaneous Other Costs				
Real Estate Tax	$	-	$	-
Insurance		20,000		20,000
Relocation		-		-
Bidding Costs		-		-
Permits, Fees & Hookups		229,175		229,175
Impact/Mitigation Fees		-		-
Development Period Utilities		5,400		5,400
Bridge Loan Fees		-		-
Bridge Loan Interest		-		-
Construction Loan Fees		69,450		69,450
Construction Period Interest		122,299		122,299
Contstruction Loan Expense		-		-
Construction Loan Legal		-		-
Accounting/Audit		6,000		6,000
Marketing/Leasing Expenses		73,556		73,556
Carrying Costs at Rent up		15,000		15,000
State HTF Fees		12,000		12,000
King Conty Housing Finance Fees		10,000		10,000
Subtotal	**$**	**562,880**	**$**	**562,880**
Total Project Cost	**$**	**5,066,602**	**$**	**5,066,602**
Summary of Financing Resources				
State HTF	$	600,000	$	600,000
Chase Grant	$	500,000		500,000
Deferred Dev. Fee	$	214,602		214,602
FHLB	$	378,000		378,000
SHOP	$	180,000		180,000
Home Buyers Mortgage	$	2,694,000		2,694,000
King County funds		500,000		500,000
Total Project Resources	**$**	**5,066,602**	**$**	**5,066,602**