King County

Housing Finance Program

2020 Capital Funding for Affordable Housing Projects

PROJECT REVIEW MEMO

I. OVERVIEW

1A. PROJECT INFO

Sponsor/owner..... **Parkview Services**

Development consultant..... **-**

Project name..... **Parkview Homes XV - Kenmore**

Project location..... **19016 73rd Ave NE, Kenmore, WA 98028**

Project type..... ☒ **Rental** ☐**TOD** ☐ **PSH** ☐**HO** ☐ **DPA**

Project activity..... ☐ **New Construction** ☒ **Rehabilitation** ☐ **Acquisition**

Brief description

Parkview Services is requesting $250,000 to rehabilitate their single site residential property located in Kenmore. The 4-bed/2-bath house is part of Parkview's Affordable Housing Program and is currently rented to four individuals with intellectual and developmental disabilities. Units are income restricted (<30% AMI) and limited to individuals with case management contracts through the Developmental Disabilities Administration (DDA).

1B. PROJECT COST

Total development cost (TDC)..... **$804,493**

Total residential development cost..... **$804,943**

Cost per residential unit/square foot..... **$201,235 per unit / $468 per square foot**

Total non-residential development cost..... **N/A**

1C. KING COUNTY REQUEST

King County Funds requested..... **$250,000**

% of TDC/ Cost per unit ..... **31% / $62,500**

KC Loan term/ interest rate ..... **40 years / 1%**

Project applied for funding in prior rounds..... ☒ **YES** ☐ **NO**

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Project previously awarded KC funds..... **$410,500 (Parkview XIV – 2019 Funding Round)**

Does request deviate from HFP guidelines.....☐ **YES** ☒ **NO**

Funding request within HFP guidelines Property is currently being financed through a private lender and that loan will need to be converted to a grant, or a deferred loan, in order for the property to remain affordable at 30% AMI.

II. PROJECT DESCRIPTION

2A. HOUSING MODEL

of residential units/ managers/ total units..... **4 / 0 / 4**

Project total square feet / # of floors..... **1,720 square feet / 1 floor**

Project residential/commercial square feet..... **1,720 / 0**

Unit distribution - Income & AMI

Unit/Income	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	**Total**	Mgr
Beds	4					4	
Total	**4**					4	

Target population

The project will serve individuals with intellectual and developmental disabilities who have also been co-diagnosed with chronic mental illness and who receive 24/7 in-home behavioral/case management services. The project will preserve residency and services to four individuals managed by DDA and Tahoma Hills Supported Living.

2B. CONSTRUCTION TYPE, SITE, & LOCALITY CHARACTERISTICS

Construction begins/ Construction period..... **7/1/2021 , 2 months**

Evergreen Sustainable Design Std. (ESDS) Score..... **18 (single family score met)**

Project intends to meet higher energy standards (Net-Zero, Passive House, etc.) or include energy efficient systems (solar panels, water systems, etc.)?..... ☐ **YES** ☒ **NO**

Development Processes

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Is zoning compatible?.....☒ **YES** ☐ **NO**

Zoning supports the current and future intended property use.

Challenges in development of the site?..... ☐ **YES** ☒ **NO**

Property in generally good condition. Main water line has a failed pressure valve in need of replacement, but majority of rehab activities will be accessibility/energy-efficiency improvements.

Neighborhood

Describe the neighborhood.....☒ **Single Family** ☐**Multifamily** ☐**Commercial** ☐**Mixed-use**

Property located in an existing single-family neighborhood already accustomed to the intended property use (rented to tenants affected by IDD/CMI). No plans to change front-facing appearance/aesthetic of property, which is indistinguishable from any property in the neighborhood.

Transit Oriented Development Eligible project?..... ☐ **YES** ☒ **NO**

- ○ ½ mile to high capacity transit?..... ☐ **YES** ☒ **NO**
- ○ Multi-modal?..... ☐ **YES** ☒ **NO**
- ○ Walk/transit score..... **31 / 41**
- ○ Close proximity to community resources and/or services? ☐ **YES** ☒ **NO**

Nonresidential

Proposed commercial spaces?..... ☐ **YES** ☒ **NO**

Parking requirements?..... ☒ **YES** ☐ **NO**

Property meets parking requirements (2 parking stalls).

Environmental

Environmental/site concerns

Lead-based paint detected on interior doors and trim work. Elevated spore counts detected in bathrooms.

Proposed feasible mitigation measures (in budget) to address issues? ..... ☒ **YES** ☐ **NO** ☐ **N/A**

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All building materials containing lead-based paint will be removed/replaced during rehab. Rehabilitation activities proposed as components of this project will address the ventilation issues present, and any deteriorated wood will be replaced.

Development Incentives & Restrictions

Development incentive programs in project location?..... ☐ **YES** ☒ **NO**

Restrictions in development?..... ☐ **YES** ☒ **NO**

2C. ROLES & RESPONSIBILITIES

Project development consultant? .....☐ **YES** ☒ **NO**

General contractor selection process

Parkview uses a Request for Qualifications (RFQ) process for selecting a remodeling contractor. Both a RFQ notice and a set of questions are sent to potential contractors for consideration and submittal. The responses are reviewed and scored. Based on the overall scoring, either a contractor is selected, or interviews are scheduled to further inform the selection. The selected contractor is given the opportunity to price the scope of work, negotiate any differences with Parkview, and with agreement sign a contract.

Who will manage construction?

Environmental Works identified as project architect but general contractor will be identified after project is funded (RFQ process).

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III. FINANCING & MARKET ANALYSIS

3A. SOURCES & USES

Permanent Residential Sources of funding

Source	Proposed Amount	Committed Amount	TOTAL
King County	$250,000		$250,000
State Housing Trust Fund	$487,443		$487,433
Parkview Services		$67,500	$67,500
TOTAL	**$737,443**	**$67,500**	**$804,943**

Permanent Residential Uses of funding

Type	Amount	Comments
Acquisition Costs	$401,389	
Construction/ Rehab Costs	$280,704	
Soft Costs	$84,744	
Financing Costs	$9,750	
Capitalized Reserves	$10,000	
Other Development Costs	$18,356	
TOTAL	**$804,943**	

3B. COST EFFECTIVENESS

Appraisal, Acquisition, & Construction

Appraised value/date/tax assessor value..... **$451,000, 1/29/2019**

Appraisal value greater than (or equal to) acquisition costs?..... ☒ **YES** ☐ **NO**

Developer fee..... **$73,744 / 9.16%**

Third-Party Construction Consultant Report

Notable departures in construction costs with comparable projects?..... ☐ **YES** ☒ **NO**

Suggestions to revisions in project design or project team?..... ☐ **YES** ☒ **NO**

Appropriateness of contingency

The provided budget includes a hard cost and design contingency in the amount of $41,544 or 21% of the total hard cost budget, held in design contingency. Contingency deemed as adequate.

Will federal wages be triggered?..... ☐ **YES** ☒ **NO**

3C. MARKET DEMAND

Market study required .....☐ **YES** ☒ **NO**

This property already has four tenants receiving services though DDA referral.

3D. FINANCING

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How will construction be financed?..... ☐ **Construction Loan** ☐ **LIHTC** ☐**Bonds** ☒ **Other**

Preliminary letters of interest provided? .....☐ **YES** ☒ **NO**

LIHTC Project

Proposed use of LIHTC?..... ☐ **YES** ☒ **NO**

Is project subject to WSHFC TDC limits?..... ☐ **YES** ☒ **NO**

The WSHFC TDC limit for a four-bedroom property is $429,834. The project's TDC is $527,443 (after subtracting land value and capitalized reserves) which exceeds the TDC limit by $97,609. All rehab items in the project budget are either called for in the Capital Needs Assessment or are required for long-term accessibility by the population served in project.

Debt & Contributions

Amount of private permanent debt proposed **$0**

Is debt coverage sufficient?..... ☒ **YES** ☐ **NO** ☐ **N/A**

Could project leverage other financial resources not yet identified? ..... ☒ **YES** ☐ **NO**

This project is in an area eligible to apply for ARCH's Housing Trust Fund.

Sponsor contributions? ..... ☒ **YES** ☐ **NO**

Sponsor committing $67,500 (~8% of project cost).

Proposed fundraising? ..... ☐ **YES** ☒ **NO**

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IV. PROJECT SERVICES & OPERATIONS

4A. OPERATING PRO FORMA

Annual operating expense total/ per unit... **$2,137 / $534.25**

Rent & utility allowance schedule within AMI limits? ..... ☒ **YES** ☐ **NO**

Parkview sets rent at 30% of AMI minus a utility allowance. Rents are determined based on each tenant's income. Utility allowance amounts are determined from local utility company estimates for the appropriate number of bedrooms within the home.

Proposed project-based or tenant-based rent subsidies? ..... ☐ **YES** ☒ **NO**

No project-based subsidies, properties in PS portfolio are income restricted to individuals earning 30% or less of AMI and who have contracts with and case management through the Developmental Disabilities Administration (DDA).

Expected vacancy rate

Vacancy rates are functionally not applicable as DSHS DDA will provide payments to Parkview in order to hold the unit available until a new tenant placement can be approved.

Expense comparison

Project expenses similar those of past Parkview projects.

Replacement & operating reserve payments

The replacement reserve budget will be forward loaded at development to cover all anticipated replacement reserve needs identified in the first 5 plus years.

If TOD project, are TOD loan repayment terms included in proforma? ..... ☐ **YES** ☐ **NO** ☒ **N/A**

4B. PROPERTY MANAGEMENT

Property Management Plan

Parkview's property management plan focuses on providing a decent, safe place for tenants to live while ensuring the long-term financial viability of the houses and compliance with the contract conditions of the funders. The property management plan includes the process for filling vacancies exclusively through referrals from the Developmental Disabilities Administration.

4C. SERVICE MODEL & FUNDING ANALYSIS

Project seeking operating or service subsidies? ..... ☐ **YES** ☒ **NO**

Project competitive for ORS funding? ..... ☐ **YES** ☐ **NO** ☒ **N/A**

Parkview Services will act as owner, property manager and landlord, and will continue to partner with Tahoma Hills who has a direct care provision contract with the tenants and with DSHS DDA.

Current tenants will be relocated during the short rehab period of two months (relocation costs to be covered by DSHS DDA).

4D. REFERRALS

Permanent supportive housing for homeless? .....☐ **YES** ☒ **NO**

Coordinated Entry for All (CEA) participation for ALL homeless units?.....☐ **YES** ☐ **NO** ☒ **N/A**

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Referrals/marketing

Tenants for this project were selected by DDA. Parkview has an ongoing Referral Agreement in place with DDA whereby they will refer all prospective tenants as vacancies occur who have a dual diagnosis of a Chronic Mental Illness (CMI) and Intellectual and Developmental Disabilities (IDDs).

Community Spaces.....☐ **YES** ☒ **NO**

Resident Services..... ☐ **Referral Services** ☐ **Counseling** ☐**Medical Services** ☒**Other**

Parkview does not directly provide supportive services; Parkview partners with third-party supportive care providers who provide in-home supportive care to for tenants. Tenants contract directly with the third-party provider and Parkview acts as owner/developer and landlord.

V. FUNDING PRIORITIES

5A. FUNDING PRIORITIES

Which source(s) of King County funds is the project compatible with?

☐ **2331 Document Recording Fee** ☒ **RAHP** ☒ **HOME** ☐ **VSHSL** ☒ **MIDD 2** ☐ **TOD**

The project is compatible with the following King County funds: **RAHP –** Households with incomes at or below 50% AMI, households who are homeless or have special needs. **HOME** – Households with incomes at or below 60% (serve special needs populations) **MIDD 2 –** Households with mental illness and/or substance abuse issues with incomes at or below 30% AMI, experiencing homelessness or being referred directly from an institution or hospital setting.

This project meets the following 2020 King County RFP priorities:

Homeless/Extremely Low-Income/Affordable Housing

- ☐ A majority of the units (50% or more) are set-aside for homeless individuals and families, and participate in CEA
- ☒ The proposed project serves special needs population such as (but not limited to) households with a member with mental illness, is disabled and/or developmentally disabled, also experiencing homelessness
- ☒ The proposed project provides access to case management and behavioral health services
- ☒ The proposed project leverages other resources for both the construction and operations of the project, including social services expenses

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System-connected housing

☐ The proposed project will be V**eteran housing**, serving Veterans, Military Service members, and their family members.

☒ The proposed project serves a MIDD-eligible population (individuals/households exiting treatment facilities or other institutionalized settings); the sponsor is or is partnering with a State-licensed certified mental health provider

Transit-Oriented Development

☐ Project leverages present and future public investment in transit infrastructure.

☐ Repurpose under-utilized publicly owned property or other community assets

☐ Utilize alternative housing models and cost saving construction methods

☒ Serve lower income households between 30% to 50% AMI.

☐ Project is within ½ mile of a high capacity transit station, and is eligible for the:

☐ All-County South pool (2016 TOD)

☐ All-County North/East pool (2016 TOD)

☐ Geographic Set-aside (N/E/S/Seattle) (2019 TOD)

☐ Projects funded with 2016 TOD Allocation Plan funding will be required to set aside 10% of the TOD Bond-funded units for tenant referrals from King County or a King County-approved agency operating criminal justice system diversion programs.

Homeownership Development

☐ Projects that expand homeownership opportunities for 1) Veterans and their families or

☒ 2) Vulnerable Populations who can become homeowners, be stably housed, and avoid intergenerational poverty.

5B. Federal HOME funds

HOME funding requested?..... ☐ **YES** ☒ **NO**

Rents and UA within HOME rent/utility allowance limits?..... ..... ☒ **YES** ☐ **NO** ☐ **N/A**

Within HOME maximum per unit subsidy limits?..... ☐ **YES** ☐ **NO** ☒ **N/A**

Is sponsor a Community Housing Development Organization (CHDO)?..... ☐ **YES** ☒ **NO**

No explicit interest in CHDO funds or becoming a CHDO.

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VI. SPONSOR CAPACITY

6A. PORTFOLIO & PERFORMANCE

of sponsor projects in King County portfolio... **3**

KC - Sponsor Projects	
Project Name	**Brief Description**
Parkview XI	Federal Way/Algona - acquisition/rehab project – 6 units – 2015 award
Parkview XII	Kenmore - acquisition/rehab project - 3 units – 2016 award
Parkview XIV	Tukwila – acquisition/rehab project – 8 units – 2019 award

How have these KC projects performed?

Parkview Homes XI and XII were open on-time/on-budget and placed in service 2016/2017, respectively. Parkview XIV is currently in development and projected to open 6/2021. No concerns in performance/compliance reported from Asset Management.

6B. PIPELINE & DEVELOPMENT CAPACITY

Does the sponsor have other projects under construction and/or under development? ... ☒ **YES** ☐ **NO**

# of projects under construction..... **1**

# of projects under development..... **5**

How is the sponsor staffed to handle multiple projects?

Though Parkview's Development and Management Team and Executive Director have a wealth of experience in developing, managing and operating affordable housing for extremely low-income adults with IDDs, the applicant currently has 6 projects in the pipeline. While there isn't a concern on the property management piece (as Parkview currently has 64 properties and 183 tenants), it is slightly unclear whether this is too many projects for a development team of two staff and one executive director.

Barring capacity concerns, Parkview has indicated that their proposed Pierce County project, Parkview XIX, is the priority project for this application round.

6C. SPONSOR FINANCIAL SOUNDNESS

Audit findings, material weaknesses and/or corrective action plan required? ..... ☐ **YES** ☒ **NO**

Sponsor's financial audits consistently clear, steady? ..... ☒ **YES** ☐ **NO**

Operating cash provides appropriate levels of liquidity for operations? ..... ☒ **YES** ☐ **NO**

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Portfolio maintains strong debt ratios? ..... ☐ **YES** ☒ **NO**

Summary of audited info for the past two years (Assets, Liabilities, Net Worth, Liquidity, Debt Ratios)

King County's Fiscal Team found no concerns on the internal control reported in the 2017 – 2018 audit. Parkview has a high debt ratio averaging 80%. The forgivable loans increase the debt ratio, as they are included in the calculation.

In addition to audit reports, were unaudited financial statements also reviewed? ☒ **YES** ☐ **NO**

If unaudited financial statements were reviewed, did they show the same trends as audits? ☒ **YES** ☐ **NO**

If Audits were not available, were unaudited financial statements reviewed? ☒ **N/A** ☐ **YES** ☐ **NO**

If more than one applicant submitted financial statements for review, summarize the second applicant's financial statements below. ☒ **N/A**

VII. EQUITY & SOCIAL JUSTICE

How will this project impact the target population of residents and the surrounding community?

Parkview's proposal will address housing inequities for extremely low-income people with Intellectual and Developmental Disabilities (IDDs) by breaking traditional barriers to permanent housing with supported living services. Parkview's model of shared housing enables extremely low-income people with disabilities to live comfortably in a community that otherwise would be unaffordable to them. Historically, the home has been utilized for decades as a shared-housing home for people with IDDs and Parkview does not anticipate many challenges from the surrounding community.

Does the applicant have a plan for reviewing structures, policies, and programs with an equity and social justice lens? ☒ **YES** ☐ **NO**

Parkview projects prioritize accepting tenant referrals from DSHS Developmental Disabilities Administration (DDA). The DDA is committed to ensuring diversity, equity, and inclusion, as exemplified through its effort to adapt existing crisis support programs to bridge gaps in inequity. Their commitment to social justice directly influences the lens of Parkview Services as it relates to tenant selection. While Parkview has not shared any explicit plans for review of structural or internal policies and programs, Parkview has shared some efforts to expand opportunities to WMBE contractors and appears genuinely committed to bridging gaps in inequity for extremely low-income people with Intellectual and Developmental Disabilities (IDDs)

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What is the diversity of the board and senior leadership?

Parkview's Board of Directors and senior leadership is comprised of approximately 50% men and 50% women with a majority identifying as White. Many of the board members are deeply connected to the IDD community and several of their organization leaders have social services backgrounds and have served people with IDDs in direct care roles.

VIII. SUMMARY AND RECOMMENDATION

While this project meets King County's priorities, there is significant demand for the limited dollars that could serve this project this year. In order to prioritize funding larger PSH projects in the County this year, staff recommends not funding this project at this time.

In addition, the project may be able to secure full funding from the State Housing Trust fund to move forward this year without a County award.

How well the proposed housing model meets the County's priorities established in the RFP – Parkview Services – Parkview XV (Kenmore) is requesting $250,000 to rehabilitate their single-scattered site residential property located in Kenmore. The 4-bed/2-bath project intends to serve individuals with intellectual and developmental disabilities who have also been co-diagnosed with chronic mental illness and who receive 24/7 in-home behavioral/case management services. With a goal of providing low-income housing to individuals in East King County, the project will preserve residency/services to four individuals managed by DSHS Development Disabilities Administration (DDA)/Tahoma Hills Supported Living.

Organizational capacity, financial and experience/pipeline – While Parkview has exemplified their wealth of experience in managing and operating several affordable housing properties (64 properties and 183 tenants), there is some concern that having 6 projects in development and 1 project under construction may be pushing the limit for a team of 3.

Readiness –Barring capacity concerns, Parkview has indicated that their proposed Pierce County project, Parkview XIX, is the priority project for this application funding round. If capacity concerns are addressed and funds remain, the Parkview project could be recommended for funding. Parkview Services owns the home and would be ready to start rehab in July 2021, after temporarily relocating tenants.

Additional considerations –Though Parkview's efforts to apply an equity and social justice lens to tenant selection is somewhat constrained by public funder requirements/policies (DDA serving as their referral agency), Parkview is genuinely committed to bridging gaps in inequity for extremely low-income people with Intellectual and Development Disabilities (IDD).

Given Parkview Services' history of performance, compliance, and success, along with an explicit mentioning of a higher project priority, the project should be considered for award if funds are available (once higher priority KC projects have been awarded).

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