King County

Housing Finance Program

2020 Capital Funding for Affordable Housing Projects

PROJECT REVIEW MEMO

I. OVERVIEW

1A. PROJECT INFO

Sponsor/owner..... Downtown Emergency Service Center

Development consultant..... Dominium

Project name..... DESC Burien

Project location..... 801 SW 150th St., Burien, WA 98166

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

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

Brief description

Acquisition of a site in downtown Burien that will be developed into a 95-unit Permanent Supportive Housing (PSH) project for homeless individuals. The site has an existing commercial building that will be demolished.

1B. PROJECT COST

Total development cost (TDC)..... $30,246,658

Total residential development cost..... $30,246,658

Cost per residential unit/ per square foot ..... $318,386 per unit / $483.per square foot

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

1C. KING COUNTY REQUEST

King County Funds requested..... $7,547,068

% of TDC/ Cost per unit ..... 25%/ $79,443 per unit

KC Loan term/ interest rate ..... 50 years / 1% deferred

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

Project previously awarded KC funds..... No

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

II. PROJECT DESCRIPTION

2A. HOUSING MODEL

of residential units/ managers/ total units..... 95 residential units/ 0 manager/ 95 total units

Project total square feet / # of floors..... 62,612 square feet, 6 stories

Project residential sf/commercial sf ..... 62,612 square feet/ No commercial,

Unit distribution - Income & AMI

Unit/Income	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	**Total**	Mgr/ CAU
Studio	48		47			95	
Total	**48**		**47**			95	**0**

Average unit sizes ..... Approximately 350 square feet per unit

Other type of unit. ..... 10 units that meet ADA and 504 accessibility requirements at approximately 365 square feet.

Target population

Chronically homeless – DESC Burien will serve 95 chronically homeless and highly vulnerable individuals. Per DESC's application, the population of this project is expected to be similar to other PSH projects in their portfolio. They expect that nearly all residents will have substance use or mental health disorders. Additionally, many tenants are expected to be elderly, HIV-positive, medically frail, physically disabled, developmentally disabled, or some combination of the above.

This DESC project also has 15 units set-aside for homeless veterans.

2B. CONSTRUCTION TYPE, SITE, & LOCALITY CHARACTERISTICS

Construction type..... ☐ **Wood Frame** ☐ **Steel Construction** ☒ **Combo**

Construction begins/ Construction period..... 10/1/21; expect 14 months for construction

Evergreen Sustainable Design Std. (ESDS) Score..... 57

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

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Development Processes

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

Project is competing in City of Burien's new Affordable Housing Demonstration Program which allows projects to effectively rezone the project site in exchange for a 50-year affordability period. The project must apply for the program, be reviewed by City staff in order to ensure the project meets the intent of neighborhood design guidelines, participate in two neighborhood meetings, and meet the final approval of the City Planning Commission and City Council in order to be granted a departure from the below referenced zoning requirements. DESC anticipates 4 to 6 months to get through the process, which began in October 2020.

City of Burien staff view the project favorably and a City Council vote could happen as early as December 2020, but it is more likely in the first quarter of 2021.

The current zoning requirements that this project is seeking a variance from include:

- BMC 19.15.025.1.F: Maximum Building Height. The base building height in this zone is three stories per Figure 19.15.025-1. The proposed project will be six stories.
- BMC 19.17.010.2.B: Private and Common Recreation Space in the Downtown Commercial Zone. Multi-family projects within Burien are required to provide 85 square feet of common recreation space per studio dwelling unit. For 95 units, that would equal 8,075 square feet. A minimum of 10% of that area must be provided as common indoor space.
- BMC 19.17.010.2.B: Private and Common Recreation Space in the Downtown Commercial Zone. A minimum of 30% of the dwelling units in multi-family projects within Downtown Burien are required to provide outdoor private recreation space. Outdoor private space must be a minimum of 48 square feet and a minimum depth or width of 5 feet. The private outdoor space must also be directly accessible from the dwelling unit. Additionally, the remaining 70% of units must provide alternative private recreation space in the form of Juliette balconies, decks, balconies, or patios that have a minimum depth of 12 inches and a minimum length of 6 feet.
- BMC 19.47.110.2.B.i: Upper Story Setback. Buildings 4-stories or higher must step back upper stories by at least 10 feet measured from the façade of the third floor facing the street.

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

No challenges other than navigating the new Affordable Housing Demonstration Program. Burien City Council could require some modifications that would increase project cost, but DESC said they would work through those challenges if they arise.

Neighborhood

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

The project site is in a block marking the transition from a mostly single-family residential neighborhood to a more commercial corridor and Burien's downtown. The high walk score of 93 indicates that the daily errands will not require the use of a vehicle, meaning most essential services are within a reasonable walk of this location.

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

- ○ ½ mile to high capacity transit?..... ☒ **YES** ☐ **NO**
- ○ Multi-modal?..... ☐ **YES** ☒ **NO**
- ○ Walk/transit score..... Walk score 93, transit score 54
- ○ Close proximity to community resources and/or services? ☒ **YES** ☐ **NO**

The 120 Bus has a stop less than a quarter mile away. This route is slated to turn in to the Rapid Ride H line in 2021, with more frequent and later service planned. Additionally, there is a bus stop with 6 different routes, including Rapid Ride F line, less than a half mile away on 4th Ave NW. Within a half-mile of the project site are several groceries, pharmacies, clinics, and parks.

Nonresidential

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

N/A

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

DESC is planning on providing 4 parking spaces at this project, which is in line with other projects in their portfolio.

Environmental

Environmental/site concerns

Phase 1 ESA report found that one of the tenant spaces in the existing building on site was utilized as a dry-cleaning business from 1987-1996. Also, two adjoining properties, one to the southwest and one to the west, were historically used by a gasoline service station and a dry-cleaning business, respectively. Asbestos was also found in the black mastic of the tiling on 4 of the common area restrooms of the current building on site.

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

Adapt Engineering is finalizing a Phase II ESA, but DESC expects to mitigate any potential contaminated soils within the current design parameters which call for over excavation to reach more buildable soils. DESC says several of their current sites have had similar issues and their project team is experienced with the necessary mitigation. The cost of asbestos abatement is built into the demolition estimate and will be completed prior to the existing building being torn down.

Development Incentives & Restrictions

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

N/A

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

Building to the height and density proposed in this application would normally require several features that would add significant cost to the project. However, Burien's Affordable Housing Demonstration Program would allow this project to move forward as planned after a process with city staff and a vote by the City Council. The exact timing of that vote is uncertain but is most likely to happen in Q1 2021. Assuming a successful outcome with the City Council, the project would need to work through an administrative design review process, but a conversation with Burien staff indicated this is necessary for any project in the downtown core and they should be able to find compromises on any sticking points.

2C. ROLES & RESPONSIBILITIES

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

Dominium Consulting was founded in 1972 and is the second largest affordable housing development and management company in the nation. After doing their due diligence, DESC signed a consulting agreement with Dominium in early 2019, who offered their services pro bono on this project in exchange for public relation activities at a future date. DESC is handling the "on the ground" portion of development, with Dominium developing costs and financial modeling based off feedback from DESC. Dominium will negotiate all partnership agreements and loan documents (with DESC approval).

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General contractor selection process

DESC will prequalify a general contractor through a public Request for Qualifications solicitation process. Firms interested in submitting qualifications will be asked to provide examples of similar clients, similar types of development, compliance with public funding contract requirements and other qualifications specific to construction of supportive housing. In addition, DESC will consider the ability of the GC team to work collaboratively with the owner's team and experience working with nonprofit clients on similar projects in King County. Price will be a factor in the prequalification process.

Respondents will be asked to furnish business terms to aid DESC in determining the best GC for the project. When the best-qualified GC firm is identified, the selected firm will be notified, and the process will be documented in a memorandum for review by public funders. It is DESC's intention to pursue a design services agreement (preconstruction agreement) with the selected GC, for the duration of the design phase. This early involvement reduces the potential for costly change orders related to building systems during construction.

The GC will be asked to recommend subcontractors familiar with DESC and the types of systems DESC prefers, so that they may advise the design team on specific systems or construction methods. A benefit of this process is that the systems designs will be developed with both DESC team input and the expertise of specialized trades, resulting in systems that meet the cost, operational, and durability needs of the project.

Who will manage construction?

Dominium Consulting will provide construction management services pro-bono.

III. FINANCING & MARKET ANALYSIS

3A. SOURCES & USES

Permanent Residential Sources of funding

Source	Proposed Amount	Committed Amount	TOTAL
King County	$7,547,068		$7,547,068
State Housing Trust Fund	$3,000,000		$3,000,000
9% Equity	$19,699,590		$19,699,590
TOTAL	$30,246,658		$30,246,658

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

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N/A

Permanent Residential Uses of funding

Type	Amount	Comments
Acquisition Costs	$1,915,000	Includes $15k of closing costs
Construction/ Rehab Costs	$21,350,803	
Soft Costs	$3,486,963	
Financing Costs	$1,144,820	Includes construction and permanent financing costs
Capitalized Reserves	$1,481,193	
Other Development Costs	$867,879	
TOTAL	$30,246,658	

3B. COST EFFECTIVENESS

Appraisal, Acquisition, & Construction

Appraised value/date/tax assessor value..... $1,900,000

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

Developer fee..... $2,120,590

7% of Total Development Costs (TDC)

Third-Party Construction Consultant Report

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

Proposed construction costs are less ($21.3M vs $23.7M) than the residential portion of Hobson Place II, a DESC PSH project with 91 units approved in the 2019 cycle. Hillmann Consulting, the third-party reviewer, stated that proposed construction costs are slightly higher than the general range of anticipated costs for a project of this scope.

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

N/A

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Appropriateness of contingency

The hard cost contingency estimate from DESC's cost estimator, Excel, of 1%, (or $166,803), is considered low by Hillmann, who suggests it should be in the 5 to 10% range. However, the overall project development budget has a contingency line item of $907,921, or 5% of TDC. DESC also said Excel's recent work on Hobson Place Phase I & II means that they are familiar with DESC and their standards and preferences, which allowed Excel to have more certainty in some of their assumptions and a correspondingly lower contactor contingency.

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

DESC has already built Davis-Bacon wages and other federal requirements into the budget for this project.

3C. MARKET DEMAND

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

Date conducted..... 9/15/20

Capture rate/ Lease-up rate ..... 2% / 25 unit per month lease up rate

Notable findings

Chronically mentally ill/homeless & veterans units capture rate is 2.3%, LIHTC at 4.2%,

3D. FINANCING

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**

Anticipated 9% round application... Intend to apply November 2020

Projected LIHTC pricing $0.92

9% LIHTC self-score..... 184

Were Letters of Interest provided? How does pricing and self-score compare to comparable projects?

No Letters of Interest provided, but DESC is expecting one from Enterprise and will share it when available. The self-score is competitive with other 9% projects reviewed by King County staff in this round, which ranged from 182 to 188.

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

Using the LIHTC calculation, land acquisition of $1,900,000 and capitalized reserves of $1,481,193 are omitted when considering TDC for LIHTC basis. With those two categories excluded, TDC drops to $26,865,464, below the limits for a project of this type.

Debt & Contributions

Amount of private permanent debt proposed ..... N/A

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

N/A

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

As a PSH project, the operating pro forma does not carry the cash flow to make permanent debt payments.

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

N/A

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

N/A

IV. PROJECT SERVICES & OPERATIONS

4A. OPERATING PRO FORMA

Annual operating expense total/ per unit... $1,163,112 annually/ $12,243 per unit

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

Utilities costs will be paid by DESC. Resident paid portion of rents will be $100/month.

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

DESC has requested 95 vouchers and KCHA has indicated their interest in providing vouchers at that level. The monthly voucher payment would be $1,120 per unit.

Expected vacancy rate

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5%, per the market study

Expense comparison

Total operating expenses are 12% higher than historical median operating expenses seen in PSH projects of this size. This is primarily due to the "other" cost category of $3,576 per unit annually. This cost category contains the federally approved 15% indirect overhead expenses billed to government funders.

Replacement & operating reserve payments

DESC contributes to replacement reserves at a higher rate based on their experience providing services to this target population. No operating reserve contributions are built into the operating pro forma, instead they are relying on service subsidy.

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

4B. PROPERTY MANAGEMENT

Property Management Plan

DESC will be both property management and service provider and will have an integrated staffed model and coordination. Facility management is centralized across DESC's portfolio of projects. Project to be staffed 24/7 with DESC is projecting 5.75 operating FTEs and 16 service FTEs (see Resident Services section for more information on service staffing). Janitors are part of the housing project's supervisory structure and are overseen by the project manager to ensure day-to-day upkeep.

4C. SERVICE MODEL & FUNDING ANALYSIS

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

Subsidized Units/ Funding per subsidized unit... 95 subsidized units/ $10,956 per unit per year

Service Funding			
Funder	**Fund Type**	**Amount**	**Awarded?**
King County ORS		$977,836	Proposed
McKinney			Proposed
FCS		$63,000	Proposed
Total		**$1,040,836**	

Requests for service funding feasible? ..... ☒ **YES** ☐ **NO**

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

There was some difficulty in forecasting the exact service funding by the three categories above, as DESC cannot predict how many total tenants will move in with Medicaid benefits in place, how many will accept Foundational Community Support (FCS) services, and how long it might take to work with other tenants to get Medicaid benefits in place. The numbers above reflect the applicant's projections; however King County's Homeless Housing Programs team believes DESC's FCS amount is underestimated, and that the project could leverage at least $164,300 per year in FCS.

County's services team reviewed ORS request and is likely to award $250,000 annual services funding for five years.

4D. REFERRALS

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

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

100% CEA

Referrals/marketing

DESC will fill 100% of units using CEA with no waitlists maintained at this project site.

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

There will be approximately 3000 square feet of first floor common area, including a lounge/recreation space for resident community-building, a multipurpose room for group activities, a private outdoor area, a common kitchen, a dining room, offices dedicated to resident services and tenant restrooms.

Resident Services..... ☒ **Referral Services** ☒ **Counseling** ☐**Medical Services** ☒**Financial Assistance**

There will be nine Residential Counselors (RCs) and an RC Supervisor will provide milieu support, crisis intervention, meals, and ongoing engagement with the tenants. In addition to the RCs, five Clinical Support Specialists and a Housing Stabilization Specialist will be on-site to provide individualized services to tenants. The Clinical Support Specialists (CSS) make initial and ongoing assessments of residents' skill levels and stability, provide connections to all necessary and appropriate outside service providers, act as case manager and/or coordinate care and services with other DESC or outside case managers. CSS assist and support tenants with the challenges of daily living, including providing nutritional support, reminders for medications and appointments, counseling on personal hygiene, monitoring of visitors, organizing resident apartments and preventing unsafe situations, assisting with communication and inter-resident communication, encouraging social engagement and outings, and a host of other everyday tasks. The Housing Specialist will work ad hoc with tenants determined to have higher needs and whose housing is at risk due to problematic behaviors or institutional stays. This innovative position, in partnership with the existing care team, will create and implement client-centered housing stability plans and assist residents with achieving goals that align with their stability plan.

Overall, there will be 16 service FTEs on-site in year one, plus on-call counselors at 1.35 FTE.

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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**

This project's development budget was built assuming federal wages and requirements, making Federal HOME funds a good fit. The application assumed 15 units set-aside for veterans as well, and DESC's client base overlaps significantly with the MIDD eligible population. The project is within a half mile of several high-frequency bus routes, making TOD funding an option, however the project cashflow would not be able to accommodate the annual simple interest payments.

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

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)

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☐ 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**

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

The maximum 2020 HOME subsidy limit for studios is $153,314 per unit.

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

N/A

VI. SPONSOR CAPACITY

6A. PORTFOLIO & PERFORMANCE

# of sponsor projects in King County portfolio... Three active projects

KC - Sponsor Projects	
Project Name	**Brief Description**
Clement Place	100 studio units with supportive services chronic for persons with mental illness, substance abuse disorders, and physical disabilities
The Estelle	91 formerly homeless individuals living with chronic mental illness and other debilitating conditions
Interbay Place	97 units affordable supportive housing

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How have these KC projects performed?

DESC generally provides required reports on time and their projects are generally in good financial condition.

6B. PIPELINE & DEVELOPMENT CAPACITY

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

# of projects under construction..... Three

Projects under construction		
Project Name	**Location**	**Brief description**
Hobson Place 2	Seattle	Awarded $1,295,000 of MIDD funds in 2019
Morrison Hotel Renovation	Seattle	190 unit PSH project
Kerner-Scott House	Seattle	25 bed overnight women's shelter

# of projects under development..... Three

How is the sponsor staffed to handle multiple projects?

DESC has a strong track record developing and operating PSH projects, with an experienced in-house development team and well-regarded consultants.

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**

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

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

DESC had total assets of $185.4M in 2019 and $170M in 2018. Total liabilities were $113.8M in 2019 and $95M in 2018. Their Net Position was $71.2M in 2019 and $75.4M in 2018

Net income (loss) was $(1.6M) in 2019 and $848K in 2018. Net Cash available for operations was $21.8M

DESC has considerable federal funding and there were no findings or concerns raised in DESC's Single Audit in 2019 or 2018.

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

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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?

People of color are disproportionately represented in DESC's target population of chronically homeless individuals. Therefore, it is expected that this PSH project will house a higher proportion Black and American Indian people than are represented in the City of Burien's population. The applicant hopes that the project will serve as an example of how permanent supportive housing is an affordable, effective, and necessary investment for ending homeless, as well as serving as an example for Burien's Affordable Housing Demonstration program.

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

DESC practices a housing first model, which prioritizes housing the most vulnerable homeless individuals in our community with minimal barriers. Prior to All Home King County's Coordinated Entry for All system, DESC developed the Vulnerability Assessment Tool (VAT), a qualitative instrument designed to help staff determine who is most likely to be taken advantage of and harmed on the streets. In this way, those individuals who were most in need were served first at DESC. Per the applicant, DESC's Vulnerability Assessment Tool has become widely recognized by other homeless service providers regionally and nationally, as a viable instrument for determining placement of chronically homeless people into supportive housing. Since joining the CEA program, DESC has advocated for equity issues and review of the VI-SPDAT, the assessment tool currently in use.

What is the diversity of the board and senior leadership?

Forty-one percent of DESC's Board are people of color and/or women. The fields they represent include banking, law, government operations, law enforcement, information sciences, property development and management, social services, architecture, health care, and communications. Board members include individuals with lived experience of disabling conditions like those experienced by DESC's clients. Four of DESC's seven Senior Directors are women, and two of them are people of color.

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VIII. SUMMARY AND RECOMMENDATION

This is a much-needed project that will serve chronically homeless and expand PSH opportunities outside of the City of Seattle; two of the County's highest priorities in this funding cycle. However, it is uncertain if the Housing Trust Fund will be able to make an award this cycle and despite a relatively high 9% LIHTC score of 185, this project will not be competitive for a tax credit allocation in this year's cycle. With these considerations in mind, staff recommends a partial funding award to demonstrate the County's serious commitment to this project. County staff will work with DESC and Dominium to make the project more competitive in the next funding round.

- **How well the proposed housing model meets the County's priorities established in the RFP –** This is a PSH project that will serve chronically homeless individuals using CEA.

- **Financial feasibility & Leverage of other public and private sources** – The $7,547,068 request is high, but since this project is in Burien and it also applied to the Housing Trust Fund, there are no other public funders to leverage. As a PSH project, it will not have the cashflow to make debt service payments, so private sources are not a viable option.

- **Organizational capacity, financial and experience/pipeline –** DESC is well staffed and has an experienced team. They have submitted three applications to the Department of Commerce and have already been granted a waiver allowing them to apply for a total of $6 million in funding from the Housing Trust Fund, with this project being their second highest priority. Their higher priority project is a shovel ready project funded by the City of Seattle in their summer PSH NOFA. Dominium Consulting is the second largest affordable housing developer in the nation and is providing development consultant and construction project management service pro bono, which has reduced total costs and increased the depth of experience and capacity of the project's team.

- **Readiness** – Projected start date is 10/1/2021, with a 14-month construction period. Exact timing will be dependent on the project making it through the City of Burien's Affordable Housing Demonstration Program without significant delays or mandated redesigns. Based on conversations with city staff and the applicant's responses, the critical Burien City Council vote is expected in the first quarter of January 2021, which would allow the project to meet the projected started date, assuming all requests of public funds are awarded.

Additional considerations – This project would allow DESC to develop a PSH project outside of Seattle, a longstanding organizational priority. The project's location, near Burien's downtown core and close to several bus stops with frequent service, will allow the residents to easily connect to services in their neighborhood or via a direct bus into Seattle. Additionally, the project meets King County Housing Authority's priority of serving chronically homeless, making it likely to receive 95 project-based vouchers. Lastly, the County's homeless services team reviewed the ORS request and is likely to make an annual commitment of ORS for five years.

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