King County

Housing Finance Program

2020 Capital Funding for Affordable Housing Projects

PROJECT REVIEW MEMO

I. OVERVIEW

1A. PROJECT INFO

Sponsor/owner	Habitat for Humanity Seattle-King County (HFHSKC) Community Housing Development Organization
Development consultant	N/A
Project name	Burien Home Ownership
Project location	515 & 511 S. 136th Street Burien, WA

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

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

Brief description

Phased affordable housing development with a total of forty affordable units (3 bedroom / 1.5 bath) across nine structures with forty-three onsite parking spaces. Twenty units are planned for this phase of the project, however some of the acquisition and infrastructure costs for phase two are included in this development budget.

1B. PROJECT COST

Total development cost (TDC)	$9,684,525
Total residential development cost	$9,684,525
Cost per residential unit/ per square foot	$358,976.25 per unit / $387.38 per sqft
Total non-residential development cost	N/A

1C. KING COUNTY REQUEST

King County Funds requested	$3,000,000
% of TDC/ Cost per unit	31%
KC Loan term/ interest rate	50 years / 1% deferred

DRAFT

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

Project previously awarded KC funds..... No

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

II. PROJECT DESCRIPTION

2A. HOUSING MODEL

of residential units/ managers/ total units..... 20 units in Phase I

Project total square feet / # of floors..... 25,000 square feet

Project residential sf/commercial sf ..... N/A

Unit distribution - Income & AMI

Unit/Income	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	**Total**	Mgr/ CAU
Studio							
1 Bedroom							
2 Bedroom							
3 Bedroom					**20**		
4 Bedroom							
Total					**20**		

Average unit sizes ..... 1,250 sq ft per unit

Other type of unit. ..... N/A

Target population

80% AMI cap, but MOU with the City of Burien requires average project incomes of 50% AMI.

2B. CONSTRUCTION TYPE, SITE, & LOCALITY CHARACTERISTICS

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

Construction begins/ Construction period..... Begins 9/27/21 / period approximately 18 months

Evergreen Sustainable Design Std. (ESDS) Score..... 59

DRAFT

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

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

The project has received the following zoning variances through Burien's Affordable Housing Demonstration Program.

- **Minimum lot area per dwelling unit (BMC 19.15.005) –** The minimum lot area per unit for the site is 7,200 s.f., which is approximately 6 single family lots per acre. The project proposes a density close to 12 single family lots fully developed per acre, inclusive of accessory dwelling units, to the maximum allowed by Burien's Zoning Code.

- **Front setback from SW 136th Street (BMC 19.15.005) –** The setback for the zone is 20 feet. A front setback reduction to 15- feet 3- inches will enable the project to maintain setbacks from single family lots to the east and to accommodate required critical area buffers at the south of the property.

- **Minimum parking spaces required (BMC 19.15.010.2)** – The zoning code requires 1.8 stalls per apartment dwelling unit, and 2 spaces per townhouse unit which would require between 72 and 80 parking spaces. The parking memorandum by JTE suggests that the project provide 52 parking spaces. The project will provide one space per unit plus three guest parking stalls. Additionally, 12 on-street parking spaces within the SW 136th Street right-of-way will assist the project to meet parking requirements. This results in 55 spaces being available for the project.

- **Multi-family common recreation space (BMC 19.17.010) –** The project proposes 5,000 square feet of common recreation space with 50% to be allocated as play space. The code requires 8,000 square feet of common recreation space (200 square feet per dwelling unit x 40 units). Together with the critical area buffer, the total open space would exceed the requirement of BMC 19.17.020.1. While the code does not give credit for common recreation space located within critical area buffers, Habitat has agreed to improve the buffer for the purposes of improving the ecological function of the wetland and to provide public access to the buffer for educational purposes by constructing a trail through the open space/buffer area to access Miller Creek.

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

There are wetlands on the project site, Wetland A and Wetland B. Wetland A requires a 105-foot buffer, while Wetland B is considered small enough that it can be offset by the purchase of 1.44 mitigation credits. Additionally, there also needs to be a 100-foot buffer for Miller Creek, which runs through the south end of the property. There are also 21 significant trees, those have already been incorporated into project design.

Neighborhood

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

DRAFT

This is a new construction development; the property location is 515 & 511 136th Street in Burien. The property is directly adjacent to Route 509 and single-family subdivisions surround the area.

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

- ○ ½ mile to high capacity transit?..... ☒ **YES** ☐ **NO**
- ○ Multi-modal?..... ☐ **YES** ☒ **NO**
- ○ Walk/transit score..... 66 walk score, 42 transit score
- ○ Close proximity to community resources and/or services? ☐ **YES** ☒ **NO**

There is a single bus stop one-third of a mile away, but all other bus stops are more than a half-mile away.

Nonresidential

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

N/A

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

Zoning would normally require 2 parking spots per dwelling; however Habitat has requested a departure down to 1 parking space per unit, plus 3 guest parking stalls (1.08 stall per unit), resulting in 43 spaces when Phases I and II are finished.

Environmental

Environmental/site concerns

Two wetlands, Wetland A and Wetland B, are located within the subject property. Both wetlands are Category III wetlands with five habitat points. The City of Burien requires a standard 105-foot buffer for Wetland A and Wetland B. Miller Creek, which runs through the south end of the property, is a Type F stream. The City of Burien requires a 100-foot buffer for Miller Creek.

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

The project will require 1.44 mitigation credits from King County MRP. At a cost of $50,000 per credit plus the land use fee, the total cost would be approximately $74,000. $74,000 included as line item under mitigation fees on tab 6A and 6B of the development budget.

Development Incentives & Restrictions

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

DRAFT

There are no direct development incentives, though this project received zoning variances using Burien's Affordable Housing Demonstration Program, in exchange for averaging homebuyer incomes at 50% AMI.

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

Between the wetland mitigation and the Burien Affordable Housing Demonstration program, the options are constrained, but not truly restricted.

2C. ROLES & RESPONSIBILITIES

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

N/A

General contractor selection process

No GC for this project. Participating homebuyers are required to put in 250 hours of "sweat equity" in the development (not just their home to-be) and other individuals participate as volunteers.

Who will manage construction?

Nolan Corlett, Director of Construction for HFHSKC will be working as the general contractor.

III. FINANCING & MARKET ANALYSIS

3A. SOURCES & USES

Permanent Residential Sources of funding

Source	Proposed Amount	Committed Amount	TOTAL
King County	$3,000,000		$3,000,000
HFHSKC Match & Fund for Humanity	$0	$4,084,525	$4,084,525
WA Housing Trust Fund	$1,000,000		$1,000,000
New Market Tax Credits – Habitat for Humanity International (HFHI)	$1,000,000		$1,000,000

DRAFT

Self-Help Homeownership Opportunity (SHOP)	$600,000		$600,000
TOTAL	$5,600,000	$4,084,525	$9,684,525

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

N/A

Permanent Residential Uses of funding

Type	Amount	Comments
Acquisition Costs	$2,010,000	
Construction/ Rehab Costs	$6,934,000	The requested funds from HTF and KC will allow Habitat to build the homes. The mortgages will finance the project at the end, and any remainder and subsidy needed will be covered by the Habitat Fund for Humanity.
Soft Costs	$238,525	
Financing Costs	0	
Capitalized Reserves	0	
Other Development Costs	$502,000	
TOTAL	$9,684,525	

DRAFT

3B. COST EFFECTIVENESS

Appraisal, Acquisition, & Construction

Appraised value/date/tax assessor value..... None submitted, PSA for $2,000,000

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

Developer fee..... N/A

No developer fee is included in this project

Third-Party Construction Consultant Report

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

As a homeownership project, this application was not submitted to a third-party reviewer for comment.

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

N/A

Competitiveness of projects as compared to other-like projects

N/A

Appropriateness of contingency

N/A

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

N/A

3C. MARKET DEMAND

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

Date conducted..... N/A

Capture rate/ Lease-up rate ..... N/A

Notable findings

The Homeownership CFA says that a market study is only needed for subdivision projects

3D. FINANCING

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

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

LIHTC Project

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

Anticipated 4%/9% round application... N/A

Projected LIHTC pricing ..... N/A

4%/ 9%LIHTC self-score..... N/A

DRAFT

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

There will be no permanent debt, construction loans, or LIHTC associated with this project.

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

Project is not applying to WSHFC

Debt & Contributions

Amount of private permanent debt proposed $0

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

No private debt proposed

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

N/A

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

Fund for Humanity and HFHSKC's private match will contribute $4,084,525 of funds, or just over 42% of the costs.

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

The funds have been raised for this project. Proceeds from the sale of Phase I homes will be used to help finance Phase II construction. HFHSKC's private match will come from raised funds, but they are not raising funds specifically for this project.

DRAFT

IV. PROJECT SERVICES & OPERATIONS

4A. OPERATING PRO FORMA

Annual operating expense total/ per unit... N/A – homeownership program

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

N/A

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

N/A

Expected vacancy rate

N/A

Expense comparison

N/A

Replacement & operating reserve payments

N/A

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

4B. PROPERTY MANAGEMENT

Property Management Plan

There will be educational programs for residents, including home maintenance classes. The condominium association that will be formed will be responsible for the repair and maintenance of the exterior of the buildings and ongoing landscaping. Agreeing to participate in training sessions on home maintenance and a "willingness to maintain the home" are part of the evaluation criteria in the homebuyer selection process. Additionally, once formed, the Condominium Owners Association will be hiring a professional property manager to help the COA Board make decisions, manage expenses, and maintain operating reserves. The reserves are to pay for the repair and maintenance of exterior building envelope. The monthly fee to residents will be between $200 and $250 in the first year of operations.

4C. SERVICE MODEL & FUNDING ANALYSIS

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

Subsidized Units/ Funding per subsidized unit... N/A

Service Funding			
Funder	**Fund Type**	**Amount**	**Awarded?**
Total		Total here	

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

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

N/A

4D. REFERRALS

DRAFT

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

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

N/A

Referrals/marketing

Habitat receives approximately 110 inquiries per week from families interested in purchasing a Habitat home. Habitat keeps a list of interested parties and the King County subregions they are interested in living in. At time of application, 928 families were interested in purchasing a home in South King County, which includes Burien. Applicants are then evaluated on the basis of: 1) Residency, 2) Need, 3) Ability to Pay, and 4) Willingness to Partner.

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

There will be a Community Center and "Amenity Space" but limited information provided on either other than that they will exist

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

N/A

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**

Applicant recently recertified as a CHDO, the only such applicant in this round of funding

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

DRAFT

☐ 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)

☐ 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**

DRAFT

The $3,000,000 request for 20 units is $150,000 per unit, so regardless of whether it's considered Condo Housing ($280,930) or Cooperative ($275,306.20), this project is within HOME per unit subsidy limits.

If HOME funds are only put into 11 units so as to not trigger Davis-Bacon Wages, this would change the per unit subsidy to $272,727.27, which is below the subsidy limit for either type.

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

HFHSKC recently recertified as a CHDO. Their registration expiries on 9/30/2021.

VI. SPONSOR CAPACITY

6A. PORTFOLIO & PERFORMANCE

of sponsor projects in King County portfolio... **6**

KC - Sponsor Projects (sample)	
Project Name	**Brief Description**
Sammamish Cottages	10 homes, 4 at 50% AMI, 6 at 55% AMI
La Fortuna	11 units of housing for first-time buyers

How have these KC projects performed?

The above reflects projects within the last 5 years. King County Asset Management had no comments on the performance of Habitat for Humanity-SKC projects in the King County portfolio.

6B. PIPELINE & DEVELOPMENT CAPACITY

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

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

Projects under construction		
Project Name	**Location**	**Brief description**
Lake City	Seattle	Phase I expected to be finished late '20/early '21

# of projects under development..... 1

DRAFT

How is the sponsor staffed to handle multiple projects?

HFHSKC has an experienced development staff who is familiar with this method of developing homeownership and what it takes to make this type of project successful.

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)

Habitat for Humanity had total assets of $38.4M in 2019 and $40.7M in 2018. Total liabilities were $15M in 2019 and $16M in 2018. Their Net Position was $23.4M in 2019 and $24.6M in 2018 Net income was $14.6M in 2019 and $9.4M in 2018. Habitat for Humanity 2019 Audit included $3.1M in federal awards and there was a significant deficiency in internal control over financial reporting including preparation of the SEFA. Items missing from SEFA causing misstatement of federal awards expended. A corrective action plan was implemented and a new CFO was hired in August 2019. Additionally, a new grant management system was implemented at the organization. The recently completed Fiscal Year 2020 audit found no deficiencies and HFHSKC considers the implementation of the new grant management system a success.

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**

N/A

DRAFT

VII. EQUITY & SOCIAL JUSTICE

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

Habitat SKC serves a higher proportion of minority homeowners (60%) than is represented in the overall population. Of the families who have purchased Habitat homes as first-time homebuyers, 34% are Caucasian, 33% are African American, 13% are Asian, 14% are Latina/o, 3% are members of another minority group, and 3% did not respond.

The project might affect the surrounding community because access to the property will be via a pre-existing residential street that currently terminates but will continue to serve as housing for 40 additional families. Another challenge will be greater density and increased parking but applicant has kept designs in line with the surrounding community design, which is residential 2-3 story units.

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

Applicant pointed to no actual framework, but to regular feedback received from homeowners, local housing agencies, and social service providers. HFHSKC stated: "As part of our outreach process, we can hold information meetings adapted for the needs of an ESL audience. For instance, we held a meeting for 20-25 Burmese families in a Renton church with a large congregation of Burmese and Karen speaking families. Staff members organized the presentation so the two interpreters could effectively translate each section, answering questions as they came up. This same outreach is being offered for Amharic, Vietnamese, and Spanish speaking audiences."

Additionally, HFHSKC provides translation services for those who are hearing and sight impaired. Depending on the language or need, HFHSKC will provide a volunteer translator or pay for a translator, varying on a case-by-case basis depending on the need. They also provide application information for the top five spoken languages in the area they are building.

What is the diversity of the board and senior leadership?

HFHSKC's Board is 27% Female and 73% male. The Board currently has four people of color representing 18% of the board. Habitat has developed a strategic plan to increase the racial diversity of its board and has established two Board positions for Habitat homeowners to ensure the Board understands the diverse needs of the communities they serve.

DRAFT

VIII. SUMMARY AND RECOMMENDATION

Recommendation – Given the high demand for funds and the likelihood that the State Housing Trust Fund may be unable to offer an award this cycle, staff recommends a partial funding award for this project. A partial award will allow the lengthy NEPA review process to begin, which will be required as federal funds are expected be part of this award package. The proposed project expands affordable home ownership opportunities for a population in an area where demand always outpaces supply. It is also provides good value, as HFHSKC is able to match the proposed public sector awards with their internal funding streams and will be able to partially finance the second phase of the project through revenue generated in Phase I.

- **How well the proposed housing model meets the County's priorities established in the RFP –** This project expands affordable homeownership opportunities in South King County. The project will serve up to 80% AMI but will prioritize potential homebuyers who are at 50% AMI. Outside of these AMI targets, the project has no dedicated set-asides for a special population group built into their application.

- **Financial feasibility & Leverage of other public and private sources** – Habitat for Humanity has access to significant fundraising and New Market Tax Credits that are not seen in smaller organizations. The project uses these sources as a match for public funder commitments, rounding out the project budget. Front loading infrastructure and acquisition costs make the first phase of this project more expensive than if costs were split evenly between the two phases, but the phased approach will allow Habitat to use proceeds from the sales of the first twenty units to help finance Phase II construction.

- **Organizational capacity, financial and experience/pipeline –** Habitat for Humanity SKC is an experienced developer and participant in homeownership projects that use a land trust model.

- **Readiness** – The project's readiness will be informed timing of approval from Burien's Affordable Housing Demonstration Program and any changes that may be required as part of that process. However, as there are no LIHTC considerations, site work could begin as soon as permits are received and construction financing closes.

- **Additional considerations** – The presences of wetlands on the site, even with mitigation planned and budgeted for, could make NEPA approval a more time-consuming process than it would be otherwise. Project has a targeted start date of 9/1/21, so the project timeline does leave room for a lengthy review period if required.

DRAFT