King County

Housing Finance Program

2020 Capital Funding for Affordable Housing Projects

PROJECT REVIEW MEMO

I. OVERVIEW

1A. PROJECT INFO

Sponsor/owner	**YWCA Seattle | King | Snohomish**
Development consultant	**Brawner and Company**
Project name	**Fifth and Seneca Building**
Project location	**Seattle, WA**

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

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

Brief description

Redevelop the existing three-story YWCA property into an eight-story building to create 114 studio and one-bedroom units affordable to individuals with incomes at or below 50% of the Area Median Income (AMI).

1B. PROJECT COST

Total development cost (TDC)	**$75,894,370**
Total residential development cost	**$75,894,370 (Includes $22.4M of acquisition cost)**
Cost per residential unit/ per square foot	**$665,740 cost per unit / $1,323/sf**
Total non-residential development cost	N/A

1C. KING COUNTY REQUEST

King County Funds requested	**$1,000,000**
% of TDC/ Cost per unit	**1.3% TDC / $8,771 Cost per unit**
KC Loan term/ interest rate	**1% deferred / 50 years**

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

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Project previously awarded KC funds..... **N/A**

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

II. PROJECT DESCRIPTION

2A. HOUSING MODEL

of residential units/ managers/ total units..... **114**

Project total square feet / # of floors..... **97, 716 Square Feet / 8 Floors**

Project residential sf/commercial sf ..... **57,360 Residential / 40,356 Office/Community Area**

Unit distribution - Income & AMI

Unit/Income	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	**Total**	Mgr/ CAU
Studio			100			100	
1 Bedroom			**14**			14	
2 Bedroom							
3 Bedroom							
4 Bedroom							
Total			**114**			114	

Average unit sizes ..... Studios at 320 sq. ft. / 1-bedroom at 464 sq. ft.

Other type of unit. ..... 23 units for individuals with disabilities.

Target population

The project will primarily serve individuals with incomes at or below 50% AMI but will set aside 20 percent of units for individuals with disabilities.

2B. CONSTRUCTION TYPE, SITE, & LOCALITY CHARACTERISTICS

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

Construction begins/ Construction period..... **4/8/2021 / 22 months**

Evergreen Sustainable Design Std. (ESDS) Score..... **62**

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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 site is zoned as DOC1 U/450/U and meets the proposed projects zoning.

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

The current building was built in 1914 and requires numerous systems upgrades to better serve its tenants. The project will convert temporary SRO units into permanent housing options that are studios and one-bedrooms. Recommended capitalization of replacement reserves $265,350 and recommended annual contribution to replacement reserves is $42,700.

Neighborhood

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

The project site is located in the downtown Seattle District. Surrounding buildings are mostly hi-rise buildings. Project site is located near important services for the YWCA clients.

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

- ○ ½ mile to high capacity transit?..... ☒ **YES** ☐ **NO**
- ○ Multi-modal?..... ☒ **YES** ☐ **NO**
- ○ Walk/transit score..... **99**
- ○ Close proximity to community resources and/or services? ☒ **YES** ☐ **NO**

The project is located in Downtown Seattle with access to commercial, retail, business, bus, light rail and medical services within walking distance.

Nonresidential

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

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

The project site does not require parking and will not include parking.

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Environmental

Environmental/site concerns

Minor Environmental concerns identified in the Phase I Environmental assessment include Asbestos, lead based paint and mold, all of which will be abated/disposed of during construction.

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

Development Incentives & Restrictions

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

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

The building was listed on the National Register of Historic Places in 2006 and further received City of Seattle Landmark Status in September 2010 giving the City of Seattle's Landmark Board jurisdiction over the exterior of the building as defined in the Controls and Incentives document dated May 3, 2012. The project will also seek Historic Tax Credits, which will require a National Park Service (NPS) Parts II and III application. NPS and the Washington State Department of Archaeology and Historic Preservation (DAHP) review the interior and exterior historically significant elements of the building. All disciplines will be required to comply with the Secretary of the Interior Standards for Rehabilitation. The floor plans included with this application take these standards into account. Once the scope of work has been finalized, the development team will present the proposed scope to the historic preservation board for compliance and any necessary scope alterations to remain in compliance.

2C. ROLES & RESPONSIBILITIES

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

Brawner and Company is the project's development consultant.

General contractor selection process

The YWCA and Brawner and Company used the Design-Build procurement method and a qualification-based RFP selection process with a fee proposal to select construction contractors.

Who will manage construction?

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Construction management is performed by YWCA's financing and development consultant, Brawner and Company. Brawner has a long and successful history as a development consultant for affordable housing.

III. FINANCING & MARKET ANALYSIS

3A. SOURCES & USES

Permanent Residential Sources of funding

Source	Proposed Amount	Committed Amount	TOTAL
King County	$1,000,000		$1,000,000
Tax Exempt Bonds	$3,475,000		$3,475,000
State Housing Trust Fund	$3,000,000		$3,000,000
City of Seattle	$6,500,000		$6,500,000
FHLB/ Other	$1,000,000		$1,000,000
4% Equity	$22,092,566		$22,092,566
YWCA Sponsor Loan		$29,594,303	$29,594,303
Historic Tax Credit Equity	$9,232,501		$9,232,501
TOTAL	$46,300,067	$29,594,303	$75,894,370

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

Permanent Residential Uses of funding

Type	Amount	Comments
Acquisition Costs	$22,400,000	
Construction/ Rehab Costs	$38,560,387	
Soft Costs	$8,908,938	
Financing Costs	$2,346,792	

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Capitalized Reserves	$553,256	
Other Development Costs	$3,124,997	
TOTAL	$75,894,370	

3B. COST EFFECTIVENESS

Appraisal, Acquisition, & Construction

Appraised value/date/tax assessor value..... $22,400,000 / September, 2020

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

Developer fee..... $5,345,620

The budget includes $5,345,620 for developer's fee that is 7% of TDC plus $1,440,100 for the Developer's consultant fee, 2% of TDC. Developer's fee and Developer's consultant fee is under 10% of TDC which includes the acquisition costs of $22.4M which is being donated to the project.

Third-Party Construction Consultant Report

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

Third-party review expected week of 11/23/20.

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

Competitiveness of projects as compared to other-like projects

Appropriateness of contingency

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

3C. MARKET DEMAND

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

Date conducted..... **9/8/2020**

Capture rate/ Lease-up rate ..... **Capture rate 43 / Lease-up rate 7**

Notable findings

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 4%/9% round application... **4% / January round**

Projected LIHTC pricing $0.95

4%/ 9%LIHTC self-score..... **96**

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

A letter of interest from Boston Capital confirms pricing. Projected self-score of 96 points appears to be very competitive for an award, based on most recent 4% round.

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

The project is 35% over TDC utilizing 2021 TDC limits. YWCA will be submitting a TDC waiver in the coming weeks. YWCA and feels confident it will be approved based on the unique nature of the gut rehab, historic, and City imposed seismic requirements which drive the majority of costs.

Debt & Contributions

Amount of private permanent debt proposed **$5,475,000**

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

Hard debt includes $3,475,000 of the permanent bank loan, and $3,000,000 State Housing Trust Fund. Hard debt coverage ratio is 1.37 in year 1 which seems very high but is needed in order to allow the project to serve individuals with incomes below the targeted 50 percent AMI.

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

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The project leverages state, local, county, and federal funds.

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

YWCA is donating the appraised value of the land.

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

IV. PROJECT SERVICES & OPERATIONS

4A. OPERATING PRO FORMA

Annual operating expense total/ per unit... **$713,823 For the first full year / $6,262**

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

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

The project currently has a HAP contract through 2042.

Expected vacancy rate

Four percent.

Expense comparison

Project expenses are about 16 percent lower than other PSH housing projects.

Replacement & operating reserve payments

Operating reserve capitalized at six months expenses is standard. Replacement reserves at $375 per unit are about $25 per unit higher.

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

4B. PROPERTY MANAGEMENT

Property Management Plan

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YWCA currently owns and operates the building and will continue to do so after renovation. YWCA proposes a sound plan to manage the property including: Compliance and Centralized Application Specialists for screening housing applications and qualifying all residents; Facilities Technician to maintain the central building systems and manage all long-term maintenance and capital facilities improvements; General Maintenance Technicians for day to day maintenance issues including janitorial/custodian duties; and off-site financial management.

4C. SERVICE MODEL & FUNDING ANALYSIS

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

Subsidized Units/ Funding per subsidized unit... **$222,200**

Service Funding			
Funder	**Fund Type**	**Amount**	**Awarded?**
YWCA	YWCA Grant Funding	$222,200	Awarded
Total		$222,200	

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

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

4D. REFERRALS

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

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

The YWCA will serve 57 homeless individuals, and only half will go through the Coordinated Entry system. The YWCA prefers the flexibility of leasing a certain number of units to homeless individuals that align with the agency's mission and objectives as well as a location to place residents from other YWCA programs. Setting aside only a portion of units for Coordinated Entry provides flexibility for the YWCA to serve homeless clientele from other programs

Referrals/marketing

The YWCA uses a centralized application process for all of its King County housing properties. Prospective residents can call one phone number and find out what properties they would be eligible for. They are then placed on the list for that (those) properties). Wait lists are kept for each property, including Seneca. The Centralized Applications Specialist works with the applicants until they are approved for move in. Then the property management staff take over to complete the move in process. The specialist reports to the Asset Manager who also oversees compliance as well.

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

New community spaces will include a business center and wellness/fitness space.

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

Residents in the current Permanent Supportive Housing units receive individual case management services from a Resident Life Coach. However, all Seneca residents receive supportive services based on their unique experiences in navigating structural barriers and building towards housing stability and economic independence. This can include providing support, resources, and referrals to employment services, bus tickets and other transportation resources, food bank vouchers, clothing vouchers, applying for cash/food/medical benefits, accessing mental health and other healthcare providers. Seneca Women's residence partners with Integrative Care Outreach to hold a weekly health clinic for residents with naturopathic doctors. Staff also coordinates activities, such as resident meetings, monthly resident meals, game nights, movie nights, and other fun activities to establish rapport and build community amongst residents and staff. These services are funded through a combination of grants of operating revenues and will remain in place and be expanded once the rehabilitation of the building is complete. The YWCA receives HUD Continuum of Care (McKinney) funding for 49 units of permanent supportive housing between the Seneca Women's Residence and Opportunity Place Apartments for individuals who are disabled and who are chronically homeless, per the HUD definition. At Seneca Women's Residence, there are approximately 15-20 units for this program at any given time. These McKinney program residents are paired with a Resident Life Coach and receive individual case management services along with the services that all residents receive, as described above.

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 intends to serve individuals at or below 50% AMI. 23 units will be set aside to serve those with disabilities. 57 units will serve homeless individuals.

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

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☒ 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)

☐ 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**

Project is in Seattle and not eligible for HOME.

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

Project is in Seattle and not eligible for HOME.

VI. SPONSOR CAPACITY

6A. PORTFOLIO & PERFORMANCE

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

KC - Sponsor Projects (sample)	
Project Name	**Brief Description**
Family Village	Provide 145 units of affordable housing in Issaquah.

How have these KC projects performed?

YWCA has consistently provided required reports and is in compliance.

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**
Opportunity Place	Seattle	Create 145 units of PSH.

# of projects under development..... **0**

How is the sponsor staffed to handle multiple projects?

Opportunity Place is nearly complete and there are no other developments in the pipeline.

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 Fiscal Team found no concerns on the internal control reported in years 2017 - 2019.

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?

The resident population of downtown Seattle has exponentially increased, nearly doubling since 2010. As of 2020, more than 96,000 residents live in downtown Seattle, with 20% of residents having lived in the area for over 10 years. Although the majority of downtown Seattle's resident population are white households, over the past decade, the population of Black/African-American communities in downtown Seattle has increased the most, comprising the third highest segment of the neighborhood's resident population as of 2020. Diversity has increased in downtown Seattle since 2010, with communities of color close to outnumbering white residents this year. While median income in the region is over $82,000, 81% of residents in downtown Seattle are renters and nearly half of residents have no personal vehicle for commuting.

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

In 2019, the YWCA went through a strategic planning process that resulted in the development of the YWCA Race and Social Justice Toolkit. This engaged departmental teams in intentional discussion and implementation of goals, timelines, and tangible steps toward these priorities. This year, the program cabinet will assess the outcomes achieved by each department's work plan and develop strategies for more targeted action and impact on an agency and program level. YWCA is committed to a continued process of reflection, analysis, planning, and action in the direction of advancing racial equity and uplifting the needs and experiences of those structurally positioned furthest from opportunity,

What is the diversity of the board and senior leadership?

Thirty-five percent of the organization's board members and 23% of staff members identify as Black/African-American while 56% of board members and 58% of staff members represent POC (people of color communities). Nearly 80% of staff members, 74% of leadership / management staff, and 85% of board members identify female.

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VIII. SUMMARY AND RECOMMENDATION

Staff does not recommend funding for this project at this time due the limited availability of County funds for projects in Seattle.

The project would convert temporary housing (153 units) to permanent housing (114 units), as well as preserve a key historic property in downtown Seattle.

The project is 35% over TDC utilizing 2021 TDC limits. The development team will request a waiver and is confident it will be approved based on the unique nature of the gut rehab, historic, and City imposed seismic requirements which drive the majority of costs

Urgency for County funds is unclear as King County's proposed investment of $1M comprises only 1.3 percent of total project funding. Debt Coverage Ratio of 1.37 is very high and is proposed as a buffer for potential increases in expenses and/or serving individuals with incomes below 50 percent median.

King County will continue to work with YWCA to strengthen their application for future funding rounds.

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