King County

Housing Finance Program

2020 Capital Funding – Affordable Housing RFP

PROJECT REVIEW MEMO

I. OVERVIEW

1A. PROJECT INFO

Sponsor/Owner	**King County Housing Authority (KCHA)**
Development consultant	**NA**
Project name	**Rainier View Mobile Home Park**
Project location	**32621 1st Avenue, Black Diamond**
Project type	☐ **Rental** ☐**TOD** ☐ **PSH** ☒**HO** ☐ **DPA**
Project activity	☒ **New Construction** ☐ **Rehabilitation** ☐ **Acquisition**

Brief description

Complete infrastructure development to provide 17 additional mobile homes to an existing mobile home park in the City of Black Diamond, with 15 of the new homes sold to households earning 80% or less of the area median income.

1B. PROJECT COST

Total development cost (TDC)	**$3,523,127**
Total residential development cost	**$3,523,127**
Cost per residential unit/ per square foot	**$207,243 cost per unit / $192 cost per sq. ft.**
Total non-residential development cost	NA

1C. KING COUNTY REQUEST

King County Funds requested	**$580,619**
% of TDC/ Cost per unit	**16% of TDC / $38,708 cost per unit.**
KC Loan term/ interest rate	**50 years deferred.**
Project applied for funding in prior rounds	☒ **YES** ☐ **NO**
Project previously awarded KC funds	**Existing Mobile Home Park**

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

II. PROJECT DESCRIPTION

2A. HOUSING MODEL

of residential units/ managers/ total units..... Mobile Homes

Project total square feet/ # of floors..... **18,360**

Project residential/commercial square feet..... **NA**

Unit distribution - Income & AMI

Unit/Income	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	**Total**	Market Rate
Studio							
1 Bedroom							
2 Bedroom					**15**	15	**2**
3 Bedroom							
4 Bedroom							
Total					**15**	17	**2**

Average unit sizes/other type of units. ..... Mobile Homes averaging 1,080 square feet.

Target population

Seniors with incomes at or below 80 percent median income. All homebuyers must have at least one household member who is 55 or older.

2B. CONSTRUCTION TYPE, SITE, & LOCALITY CHARACTERISTICS

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

Construction begins/ Construction period..... **4/1/2021 / 18 months.**

Evergreen Sustainable Design Std. (ESDS) Score..... 51

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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**

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

Neighborhood

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

Rainier View is in Black Diamond's downtown area, with good pedestrian access to the shops and services available in Black Diamond.

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

- ○ ½ mile to high capacity transit?..... ☐ **YES** ☒ **NO**
- ○ Multi-modal?..... ☐ **YES** ☒ **NO**
- ○ Walk/transit score..... **35**
- ○ Close proximity to community resources and/or services? ☒ **YES** ☐ **NO**

The expansion will extend the existing park to the north and to the east. Rainier View is in Black Diamond's downtown area, with good pedestrian access to the shops and services available in Black Diamond. This includes restaurants, convenience stores, civic clubs, coffee houses, hair stylists, post office, police station, schools, churches and parks. King County Metro Route 907 provides hourly service on weekdays from Black Diamond to Maple Valley and the Renton Transit Center.

Nonresidential

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

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

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Unclear as the city has not yet responded to KCHA's proposal for limited parking but KCHA has a contingency plan in the event they do not receive the parking scheme requested.

Environmental

Environmental/site concerns

No environmental issues were identified in the Phase I ESA.

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**

2C. ROLES & RESPONSIBILITIES

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

General contractor selection process

KCHA's practice is to publicly advertise the procurement of contractors and use a competitive bid process.

Who will manage construction?

KCHA's construction manager Hugh Watkinson who has worked on multifamily construction with KCHA since 2005.

Who will manage property after construction?

KCHA – the owner and manager of the Rainier View Mobile Home Park .

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III. FINANCING & MARKET ANALYSIS

3A. SOURCES & USES

Permanent Residential Sources of funding

Source	Proposed Amount	Committed Amount	TOTAL
King County	$580,619		$580,619
KCHA		$2,052,036	$2,052,036
State Housing Trust Fund	$490,472		$490,472
TOTAL	$980,619	$2,052,036	$3,523,127

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

Permanent Residential Uses of funding

Type	Amount	Comments
Acquisition Costs	$2,297,226	Includes Manufactured Homes
Construction/ Rehab Costs	$796,018	
Soft Costs	$178,300	
Financing Costs	$8,000	
Soft Costs	$243,584	
Capitalized Reserves		
Other Development Costs	$243,584	
TOTAL	$3,253,127	

3B. COST EFFECTIVENESS

Appraisal, Acquisition, & Construction

Appraised value/date/tax assessor value..... $2,170,000

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

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Developer fee..... $8,823

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

TDC is very low compared to other projects.

Third-Party Construction Consultant Report

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

NA the project involves the purchase of manufactured homes.

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

Competitiveness of projects as compared to other-like projects

No other like projects were presented but overall costs appear reasonable.

Appropriateness of contingency

Ten percent contingency appears adequate and may be a little high given the scope of the project.

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

3C. MARKET DEMAND

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

Date conducted..... 9/16/2020

Capture rate/absorption rate ..... **8% /10 units per month**

Notable findings and Lease-up rate

Market study comparable - Cedarbrook Manufactured Housing Community in Black Diamond, has pad rents of $695 a month, which is 60% higher than the rents charged at Rainier View. The average space rent for all private parks surveyed in South King County is $760. There are currently no vacancies at either Rainier View or Cedarbrook.

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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...

Projected LIHTC pricing.....

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

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

Debt & Contributions

Amount of private debt proposed.....

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

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

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

Sponsor contribution comments.

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

IV. PROJECT SERVICES & OPERATIONS

4A. OPERATING PRO FORMA

Annual operating expense total/ per unit ..... NA since this is Homeownership

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

Homebuyer Affordability Worksheet confirms monthly payments are affordable to Households earning 80% of AMI.

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

Expected vacancy rate

Expense comparison

Replacement & operating reserve payments

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

4B. PROPERTY MANAGEMENT

Property Management Plan

KCHA has owns and manages this property.

4C. SERVICE MODEL & FUNDING ANALYSIS

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

Subsidized Units/ Funding per subsidized unit... **NA**

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**

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4D. REFERRALS

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

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

Referrals/marketing

Rainier View Mobile Home Park maintains a waitlist. Currently there are 21 households on the waitlist. When additional homes become available, KCHA places advertisements in local newspapers and on KCHA's website and MHVillage.com, a website specializing in mobile home sales. All homebuyers must have at least one household member who is 55 or older. Potential buyers will be screened for suitability, including income and background, when they reach the top of the waitlist.

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

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

No services available.

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 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

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

☐ All-County South pool

☐ All-County North/East pool

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

☐ 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**

HOME funding is allowed to be used in mobile home parks.

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

VI. SPONSOR CAPACITY

6A. PORTFOLIO & PERFORMANCE

of sponsor projects in King County portfolio.... **32**

KC - Sponsor Projects (sample)	
Project Name	**Brief Description**
Highland Village	Purchase and rehabilitate 75 units affordable to households at 60% AMI.
The Trailhead	Construct 155 units of housing affordable to households at 40% and 60% AMI.
Pacific Court	Purchase and rehabilitate 32 units to provide permanent affordable housing.

How have these KC projects performed?

KCHA has consistently performed well throughout their portfolio.

6B. PIPELINE & DEVELOPMENT CAPACITY

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

# of projects under construction..... **2**

Projects under construction		
Project Name	**Location**	**Brief description**
Abbey Ridge	King County	Affordable TOD
Woodland North Apartments	King County	Affordable Housing

# of projects under development..... **2**

How is the sponsor staffed to handle multiple projects?

Backup documentation shows two projects currently under development. Abby Ridge and Woodland North Apartments. These acquisition/rehabilitation activities are within the capacity of KCHA.

6C. SPONSOR FINANCIAL SOUNDNESS

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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**

Other notable audit findings.

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**

King County Fiscal Team found no significant concerns.

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VII. EQUITY & SOCIAL JUSTICE

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

KCHA's expansion of Rainier View Mobile Home Park will help the community of Black Diamond address its shortage of affordable home ownership options for low income elderly households by creating new permanent affordable lots. Black Diamond is a small city of approximately 4,500, with slightly over one-third of all adults holding college degrees, and median household income of almost $95,000.

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

At the beginning of 2019, based on feedback at all-staff meetings and employee surveys, KCHA formed an internal Racial Equity Diversity and Inclusion (REDI) team made up of employees and leadership. As part of the Northwest chapter of GARE (the Government Alliance on Race and Equity), KCHA had all members of the REDI team complete a 9-month hands-on training to prepare them to combat structural racism and promote equity in the workplace. This executive-sponsored group has a charter to shape organizational culture and practices in ways that will directly impact KCHA work in future months.

What is the diversity of the board and senior leadership?

KCHA has five Commissioners on its Board, including one African American, one senior, two women and three men.

VIII. SUMMARY AND RECOMMENDATION

Staff recommends funding this project, if funds for homeownership are available.

As proposed, KCHA will develop necessary infrastructure to support 17 mobile homes at Rainier View Mobile Home Park - an existing mobile home park owned by KCHA and located in the City of Black Diamond. Fifteen of the new homes will be sold to households earning 80% or less of the area median income. This project is well within the capacity of KCHA.

KCHA is providing $2,052,000 in no-interest bridge financing to purchase and subsequently sell the homes as well as KCHA is paying for $172,000 in infrastructure and development costs for the two market rate units.

KCHA states it needs public funds to pay for infrastructure on the affordable units because they cannot afford to put more than the $172,000 of infrastructure costs into the project and without public funds would have to seek bridge financing with the result being interest payments being passed on to the homeowners thus making the units unaffordable.

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