King County

Housing Finance Program

2020 Capital Funding – Affordable Housing RFP

PROJECT REVIEW MEMO

I. OVERVIEW

1A. PROJECT INFO

Sponsor/owner	**Community Roots Housing**
Development consultant	**Community Roots Housing (CRH)**
Project name	**YouthCare South Annex**
Project location	**1534 and 1532 Broadway, 909 E Pine Street,**
Project type	☒ **Rental** ☐**TOD** ☒ **PSH** ☐**HO** ☐ **DPA**
Project activity	☒ **New Construction** ☐ **Rehabilitation** ☐ **Acquisition**

Brief description

CRH partnered with YouthCare to acquire this site from Seattle Central College (SCC) and redevelop the South Annex site to serve homeless youth and low-income people in Capitol Hill. CRH will build an 8-story building containing 87 affordable studio apartment units and 27,000 square feet of YouthCare service space. 35 of the units will provide permanent supportive housing for homeless young adults aged 18 – 24.

1B. PROJECT COST

Total development cost (TDC)	**$56,419,162**
Total residential development cost	**$43,285,061**
Cost per residential unit/ per square foot	**$497,529 Cost Per Unit / $774.38 / Cost Per SqFt**
Total non-residential development cost	$13,134,101

1C. KING COUNTY REQUEST

King County Funds requested	**$2,000,000**
% of TDC/ Cost per unit	**11% Residential 29% Commercial**
KC Loan term/ interest rate	**50 year term / 1% Deferred**

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

Project previously awarded KC funds..... **$6,500,000 allocated from 2019/2020 Biennium Budget set aside**

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

$6.5M Award letter requires repayment at 1% simple interest. As proposed the project cannot meet this requirement.

II. PROJECT DESCRIPTION

2A. HOUSING MODEL

of residential units/ managers/ total units..... **87 studio units**

Project total square feet/ # of floors..... **85,762 total square feet / 7 floors**

Project residential sf/ commercial sf... **55,897 residential / 29,866 Commercial**

Unit distribution - Income & AMI

Unit/Income	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	**Total**	Mgr
Studio	43		44			87	
One Bedroom						0	
Two Bedroom						0	
Three Bedroom						0	
Four Bedroom						0	
Total	**43**	**0**	**44**	**0**	**0**	87	**0**

Average unit sizes ..... **All are Studio Units averaging 370 square feet.**

Other type of unit

Target population

The project will serve both people earning 50% of the area median income, with 35 of the units set-aside for young adults aged 18 – 24 in need of permanent supportive housing.

2B. CONSTRUCTION TYPE, SITE, & LOCALITY CHARACTERISTICS

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

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Construction begins/ Construction period..... **3/15/22 / 25 months**

Evergreen Sustainable Design Std. (ESDS) Score..... **82**

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**

The project site located in Capitol Hill a commercial and residential neighborhood consisting of a mix of single-family homes, apartments and retail.

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

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

The site is a short walk to shopping, education, entertainment, parks and recreation services, healthcare services, and multiple forms of transportation infrastructure. In addition, to frequent Metro bus service in all directions, and fixed rail Streetcar service to First Hill, the International District, and Downtown.

Nonresidential

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

27,000 square feet of YouthCare service space

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

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Parking is not required since the project will consist of studio units only.

Environmental

Environmental/site concerns

The Phase 1 environmental report recommended a Phase II report due to concerns regarding previous uses involving USTs and a Hydraulic Lift. The Phase II testing found that total petroleum hydrocarbons, VOCs, PCBs and select metals were not detected above the laboratory method detection level (MDL) and/or the MTCA Method A Cleanup Level.

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**

Community Roots Housing (CRH) is the residential developer and is responsible for the design, development and construction. YouthCare does not have extensive experience with capital projects, they have engaged barrientos RYAN, a project management firm that specializes in developing mixed use and multi-family housing to assist them with the service space component of the project.

General contractor selection process

CRH will solicit proposals from general contractors in the Seattle area. Respondents will be asked about their experience, philosophy, team, OH & P fees, WMBE participation, financial capacity, and relationships with their subcontractors. CRH will then select a GC that is most qualified for the project and will negotiate a contract. CRH will also require the GC to bid the work to their subcontractors so that competitiveness is an explicit element of this work. Should the final cost of the work come back too high, CRH will reserve the right to bid the whole project.

Who will manage construction?

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Community Roots Housing (CRH) for the residential portion and RYAN for the Youth Care service space portion.

Who will manage property after construction?

CRH will manage the residential portion and has extensive experience complying with city, state, federal, and LIHTC income verification processes and regulations. For the 35 young adult units, YouthCare will provide both property management and services.

III. FINANCING & MARKET ANALYSIS

3A. SOURCES & USES

Permanent Residential Sources of funding

Source	Proposed Amount	Committed Amount	TOTAL
King County	$2,000,000	$2,597,164 *(portion of the $6.5M committed with the remainder for the youth facility)*	$4,597,164
Permanent Loan		$2,092,098	$2,092,098
State Housing Trust Fund	$5,000,000	$6,000,000	$11,000,000
City/ ARCH	$9,525,947		$9,525,947
4% OR 9% Equity	$13,505,135		$13,505,135
Deferred Developer Fee		$2,564,717	$2,564,717
Fundraising			
TOTAL	$30.301,082	$13,253,979	$43,285,061

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

27,000 square feet of YouthCare service space, with an estimated cost of $13M. KC's prior award to the project of $6.5M needs to be used on residential portion of project only, but the project shows $3,902,836 on the non-residential side, which is not an allowable use.

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Permanent Residential Uses of funding

Type	Amount	Comments
Acquisition Costs	$6,024,992	$5M below appraised value.
Construction/ Rehab Costs	$26,788,330	
Soft Costs	$5,712,195	
Financing Costs	$2,690,673	
Capitalized Reserves	$468,135	
Other Development Costs	$1,600,736	
TOTAL	$43,285,061	

3B. COST EFFECTIVENESS

Appraisal, Acquisition, & Construction

Appraised value/date/tax assessor value..... $14.600,000 / 2/2019

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

Developer fee..... $4,079,623

$2.5M deferred

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

At this stage, the project is estimated to be higher than the TDC limits, but the applicant believes the cost of the project will come down as the team gets into design and identifies areas for savings.

Third-Party Construction Consultant Report

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

The third party construction report has not yet been received.

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

Unknown at this time.

Appropriateness of contingency

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Unconfirmed at this time.

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

3C. MARKET DEMAND

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

Date conducted.....

Capture rate/absorption rate .....

Notable findings and Lease-up rate

Applicant claims appraisal data has shown no need for a market study due to the level of affordability reached. Staff agrees.

3D. FINANCING (move this section to 3B and move others down)

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% / June, 2021**

Projected LIHTC pricing..... **.95**

4%/ 9%LIHTC self-score..... **91**

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

Seattle Office of Housing requires assuming .95 but CRH believes it may be lower based on conversations with Key Bank. A letter of interest was not provided.

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

The cost waiver will be submitted in Spring of 2021.

Debt & Contributions

Amount of private debt proposed..... **$2,092,098**

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

Debt coverage at 1.15 is sufficient for the first mortgage, but does not allow payment of required debt service on the KC TOD loan.

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

Project includes proposed state, local, county, LIHTC and private debt.

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

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

$5.1M capital campaign for the Youthcare non-housing portion is part of a larger fundraising campaign Youthcare is conducting with a consultant.

IV. PROJECT SERVICES & OPERATIONS

4A. OPERATING PRO FORMA

Annual operating expense total/ per unit ..... **$7,007 / unit**

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

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

Expected vacancy rate

Standard 5%

Expense comparison

Total cost per unit of $7,007 is 11% lower than similar projects.

Replacement & operating reserve payments

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Capitalized operating reserve of six months expenses and replacement reserve at $350/unit meets industry standards.

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

4B. PROPERTY MANAGEMENT

Property Management Plan

CRH will manage the residential portion and has extensive experience complying with city, state, federal, and LIHTC income verification processes and regulations. For the 35 young adult units, YouthCare will provide both property management and services.

4C. SERVICE MODEL & FUNDING ANALYSIS

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

Subsidized Units/ Funding per subsidized unit....

Service Funding			
Funder	**Fund Type**	**Amount**	**Awarded?**
Total		$ 0.00	

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

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

YouthCare will fund services from its existing federal, state, local grants, and private foundation/corporate sources..

4D. REFERRALS

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

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

YouthCare is not participating in the local Coordinated Entry system for the 35 units designated for young adults who have experienced homelessness because they want to focus on serving young adults they believe are not currently prioritized for housing under King County's Coordinated Entry for All (CEA) system, particularly young people of color. While Youthcare acknowledges CEA efforts are underway to address this issue the organization would like to use an alternative pathway to address this issue – Youthcare's own internal referral system from the shelters, transitional living programs, rapid rehousing programs.

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Referrals/marketing

As described above YouthCare plans to use its own referral system where leadership in all housing and services areas work together to ensure that direct-service staff know about the available housing and are encouraged to make referrals. If the program is unable to fill vacant units with participants from other YouthCare programs, the organization will seek referrals from partner agencies that serve a similar population.

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

The project includes a central, interior courtyard café event space, administrative offices, commercial kitchen and storefront space.

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

YouthCare will provide case management and supportive services. Case management services are voluntary. Using a participant-centered and strengths-based approach, Case Managers will help each resident create an Individual Service Plan (ISP) outlining their goals related to maintaining stable housing, continuing their education, finding employment, addressing mental health or substance use concerns, or meeting other needs. Case managers also help residents navigate systems, such as public benefits enrollment, access to identification documents, and justice system navigation.

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**

Proposal does not meet the TOD loan repayment requirement. Project will not participate in CEA.

This project meets the following 2020 King County RFP priorities:

Homeless/Extremely Low-Income/Affordable Housing

☐ Units are set-aside for homeless individuals and families and participate in CEA

☒ The proposed project serves special needs population such as (but not limited to) households with a member with mental illness, is disabled and/or developmentally disabled, also experiencing homelessness

☒ The proposed project provides access to case management and behavioral health services

☒ The proposed project leverages other resources for both the construction and operations of the project, including social services expenses

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System-connected housing

☐ The proposed project will be **veteran housing**, serving veterans who are discharged from in-patient medical or behavioral health treatment systems; the project expects to receive referrals from King County or a King County-approved agency

☐ 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**

NA Project located in Seattle.

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

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NA

VI. SPONSOR CAPACITY

6A. PORTFOLIO & PERFORMANCE

of sponsor projects in King County portfolio.... **1**

KC - Sponsor Projects	
Project Name	**Brief Description**
Station House	110 units, opened in 2020

How have these KC projects performed?

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**
Bonanza	Seattle	87 units

# of projects under development..... Four, including Senior LGBTQ project that was previously awarded and South Annex, an applicant in this round

How is the sponsor staffed to handle multiple projects?

The current pipeline appears to be within the capacity of the Sponsor – especially since RYAN is in charge of developing the non-residential portion of the site.

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**

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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)

Community Roots Housing was formerly Capitol Hill Housing. CRH Total assets were $104.3M in 2019, $88.9M in 2018. Total liabilities were $65.1M in 2019 and $$68.6M in 2018. Their Net Position was $39.2M in 2019 and $20.3M in 2018, an $18.9M increase Net income was $18.9M in 2019, $515.7K in 2018. The positive change in net position and increase in net income is largely attributable to revenue from property sale of $13M. There were no findings or concerns raised in the 2019 audit.

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 target population for YouthCare's Academy program and 35 housing units are young people who have experienced homelessness and housing instability, particularly those who identify as a person of color and/or LGBTQ+. This reflects the disproportionate rates of homelessness experienced by BIPOC and LGBTQ+ young people in the Seattle area. According to the 2020 Point-in-Time count, 57% of young people experiencing homeless in Seattle/King County identify as people of color, with disproportionate representation among Black, Indigenous, and Hispanic/Latinx youth and young adults. There is additional overrepresentation of young people identifying as LGBTQ+, who make up 27% of the youth and young adult homeless population. The YouthCare Academy will actively address the disparities in the system and provide culturally relevant, affirming, and proactive support to young people who are furthest away from equitable access to education and employment opportunities. CRH's housing units will also disproportionately serve the BIPOC population to address historic housing inequities. A majority of CRH's current residents identify as BIPOC, including the third of residents identifying as Black.

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

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In the remainder of 2018, a CRS Task Force administered an all-staff assessment, created recommendations for de-biasing hiring panels, and advocated seeing every open position as an opportunity to interrupt cycles of power. Per the Task Force's suggestion, the all-White executive team attended a two-day Undoing Institutional Racism training provided by the Peoples Institute in Winter of 2019. Throughout 2020 the Task Force has continued to develop and seek feedback on internal policy reforms, including an equitable decision-making framework, racial grievance policy, equitable promotion policy, all-staff racial equity training, and organization racial equity report card.

What is the diversity of the board and senior leadership?

The 15-member CRH Board includes 7 members representing a community of color and 6 members who identify as women. They state a commitment to continually improving representation on their board and ensuring it reflects the communities CRH serves as to better understand their needs. CRH has 18 staff considered senior leadership, which includes 4 staff who identify as people of color and 8 staff who identify as women. This same demographic ratio is represented in the 10 staff considered executive leadership. They acknowledge an underrepresentation of people of color in their senior leadership and admit it has been a persistent point of concern and one of the top priorities of their Racial Equity Task Force. Since last fall, CRH has hired two new women to the senior leadership team; one identifying as a POC and the other White.

VIII. SUMMARY AND RECOMMENDATION

Funding is not recommended for this round due to timing issues and lack of available funding.

This is a well-supported project with over $13M in committed funds including $6.5M from King County that is still in its early development stage. The sponsor partnership of CRH and YouthCare is a solid development and management partnership.

The project meets the priorities of Transit Oriented Development but as proposed cannot generate enough income to meet the county's loan terms which require repayment at 1% simple interest.

The project needs and the county supports legislative action to allow the current county commitment to be used for youth facilities, but this proposed legislation may not be approved until spring of 2021, or later.

The project does not meet WSFC cost limits and will not make case for a waiver until Spring, 2021. CRH expects costs to go down as the design process progresses but admits that project site location in Capitol Hill will cause unavoidable staging issues that will prohibit the efficient use of labor.

The project will not meet the county requirement for participation in Coordinated Entry for all homeless units.

King County staff will continue to work with CR and YouthCare on funding solutions for this important project.

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