King County

Housing Finance Program

2020 Capital Funding for Affordable Housing Projects

PROJECT REVIEW MEMO

I. OVERVIEW

1A. PROJECT INFO

Sponsor/owner	**FAME Housing Association**
Development consultant	**Ally Community Development**
Project name	**Bryant Manor**
Project location	**1801 E. Yesler Way, Seattle WA 98122**
Project type	☒ **Rental** ☐**TOD** ☐ **PSH** ☐**HO** ☐ **DPA**
Project activity	☒ **New Construction** ☒ **Rehabilitation** ☐ **Acquisition**

Brief description

The Bryant Manor project is divided into 2 phases – Phase 1 (this application) involves the demolition of 28 units of housing and the development of 97 units in their place. Phase 2 will replace 30 units of existing housing with 149 units for a total of 246 units completed. The project aims to combat gentrification in Seattle's Central District by providing affordable housing to residents with historic ties to the neighborhood (predominantly Black & immigrant families).

1B. PROJECT COST

Total development cost (TDC)	**$58,129,244**
Total residential development cost	**$54,977,932**
Cost per residential square foot	**$534**
Total non-residential development cost	**$3,151,312**

1C. KING COUNTY REQUEST

King County Funds requested	**$1,000,000**
% of TDC/ Cost per unit	**1.8% / $10,417**
KC Loan term/ interest rate	**50 years, 1%**

DRAFT

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

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

II. PROJECT DESCRIPTION

2A. HOUSING MODEL

of residential units/ managers/ total units..... **96 / 1 / 97**

Project total square feet / # of floors..... **108,039 sq. feet / 7 floors**

Project residential/commercial square feet..... **102,944 sq. feet / 5,095 sq. feet**

Unit distribution - Income & AMI

Unit/Income	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	**Total**	Mgr
1 Bedroom			38			38	
2 Bedroom	22		2			24	1
3 Bedroom	16		4			20	
4 Bedroom	11		3			14	
Total	**49**		**47**			**96**	**1**

Average unit sizes ..... **1BR – 555 / 2BR – 781 / 3BR – 1032 / 4BR - 1300**

Other type of unit. ..... **20 units – Households with disabled family member.**

Target population

The primary goal of the project is to expand affordable, family-sized housing in the historically African American Central District of Seattle (30 – 50% AMI range). 20 units will house households with a disabled family member (with a physical or mental impairment that substantially limits one or more of the major life activities).

2B. CONSTRUCTION TYPE, SITE, & LOCALITY CHARACTERISTICS

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

Construction begins/ Construction period..... **July 2021 / 21 months**

Evergreen Sustainable Design Std. (ESDS) Score..... **68**

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 site's MR zoning is an island, the only MR parcel surrounded by less dense zones LR3 and NC1-55; the site is also adjacent to a large, well-used city park. Maximizing the allowable density on site was not the appropriate solution given the design (use of courtyard to connect phase 1 & 2 buildings – if maximized, out of scale and no relief in building massing).

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

The property is eligible for historic designation. However, DAHP will not prevent the property from being redeveloped, they will just require some type of mitigation. The City of Seattle has requested a historic review because the buildings are over 45 years old, but since they will not be 50 years old when demolished, the buildings are highly unlikely to be designated a landmark.

Neighborhood

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

The site is in the heart of the Central District, a neighborhood that has gone from over 70% African American in the 1970s to less than 18% in 2019. The site has access to several neighborhood amenities and access to three bus stops.

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

- ○ ½ mile to high capacity transit?..... ☐ **YES** ☒ **NO**
- ○ Multi-modal?..... ☒ **YES** ☐ **NO**
- ○ Walk/transit score..... **92 / 78**
- ○ Close proximity to community resources and/or services? ☒ **YES** ☐ **NO**

Nonresidential

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

The first floor will have 1,875 square feet of commercial space that aims to help revitalize the commercial corridor on Yesler. The space is being targeted to small, minority businesses (tenant not yet selected). FAME plans to separate out the ownership of the commercial space as a condominium and retain ownership.

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

DRAFT

No parking in Phase I. Phase II will create 60 stalls of underground parking for 246 households.

Environmental

Environmental/site concerns

The original Phase 1 prepared in February 2018, recommended a Phase 2 be completed based on the presence of 14 nearby historic auto service and cleaner sites at the same or higher gradient than Bryant Manor and within 300 feet of the site. The environmental consultant recommended soil vapor sampling for the presence of PCE and TCE (dry cleaning solvent) vapors. The September 11, 2020 Phase 1 update does not recommend a Phase 2. It does however report that the results of the original Phase 2, (which was not given to FAME Housing at the time) and showed the presence of petroleum-related vapors in 3 of the 6 test locations at the property line on Yesler Way.

In addition, there are asbestos-containing popcorn ceilings in all existing units (estimated 20,850 square feet).

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

Consultant recommended a management plan for possible soil vapor contamination on the site, including testing of any soil leaving the site during excavation. The likely source of any contamination was a gas station that had been located on the adjacent Pratt Park site before it was purchased by the City. Given that the source of any potential contamination was off-site, the property owner is not required to identify or remove all contaminated soil, just that which is being removed from the site as part of development activities.

$104,250 in budget for asbestos abatement.

Development Incentives & Restrictions

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

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

2C. ROLES & RESPONSIBILITIES

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

DRAFT

FAME initially engaged Catholic Housing Services as their development consultant and secured an award from Seattle in 2018 to begin their master use permitting process. In February 2020, the agencies split and FAME selected Ally Community Development who has partnered with Ginger Segel of GSC to serve as development consultants.

FAME has Environmental Works to complete all Capital Needs Assessments of their buildings since 2014.Environmental Works has shepherded the project through the City's design review process and had an intake appointment for building permits on October 11th.

Ally reviewed all feasibility elements for the project, facilitated deeper analysis of the high construction costs by bringing in a new GC to estimate the project construction costs, and completed a new RFP process for potential lenders.

General contractor selection process

FAME held RFQ processes in both 2019 and 2020 to select a GC for preconstruction services.

FAME's general policy on vendor selection is to receive at least two bids and select the most cost-efficient vendor.

Who will manage construction?

Compass Construction was selected to manage construction.

Compass is currently in the process of getting competitive bids for the mechanical, electric and plumbing trades because a portion of these trades will be done through a partial design build process. The other subs will be select through competitive bidding in February 2021.

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
City of Seattle	$2,686,195	$2,428,527	$5,114,722
State Housing Trust Fund	$3,000,000	-	$3,000,000
Sponsor Loan	-	$7,238,688	$7,238,688
Key Bank	$24,052,000	-	$24,052,000
4% Equity	$14,572,522	-	$14,572,522

DRAFT

TOTAL	**$45,310,717**	**$9,667,215**	**$54,977,932**

Permanent Residential Uses of funding

Type	Amount	Comments
Acquisition Costs	$9,083,328	
Construction/ Rehab Costs	$36,835,854	
Soft Costs	$4,107,393	
Pre-development/Bridge Financing	$210,357	
Construction Financing	$1,260,955	
Permanent Financing	$536,899	
Capitalized Reserves	$1,002,951	
Other Development Costs	$1,694,060	
Bond Related Costs	$246,134	
TOTAL	$54,977,932	

DRAFT

3B. COST EFFECTIVENESS

Appraisal, Acquisition, & Construction

Appraised value/date/tax assessor value..... **$9,590,000 / 9/24/2018**

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

Developer fee..... **2% / $1,292,058**

Developer has secured site control for the project, appraised land cost incorporated in budget.

Third-Party Construction Consultant Report

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

The third-party report for this project has not yet been received. Davis-Bacon Commercial Prevailing Wage Rates increases construction costs by 17%, according to Compass Construction.

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

Revision discussion.

Appropriateness of contingency

Appr. of project.

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

Davis-Bacon (Non-Residential) wages triggered, submitted budgets incorporate federal wages.

3C. MARKET DEMAND

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

Date conducted..... **7/24/2018**

Capture rate/absorption rate..... **1% / 20 units per month**

Notable findings

The report finds that there is significant need and demand to justify the development and that the project should be very competitive in the market.

Based on the analysis presented in the report, the project would need to capture less than 1% of existing demand to achieve stabilized occupancy. This indicates a large renter market for the project.

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% round application..... **1/15/2021**

Projected LIHTC pricing **$0.87**

4% LIHTC self-score..... **103**

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

DRAFT

The project team has worked extensively to reduce the cost as low as possible. Unfortunately, a combination of triggering commercial Davis Bacon wage rates, large family units, and accommodations needed for an infill urban site have driven the cost up beyond the TDC limits. The project team has met with the WSHFC and the current budget has been reduced approximately 16% in response to their request to lower the project's bond allocation need.

Debt & Contributions

Amount of private permanent debt proposed **$24,052,000**

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

There is a sufficient margin of safety. -Before the sponsor loan payments, there is over $600K of cash flow in year 15. Cash flow has a positive trend over time.

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

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

Sponsor loan of $7,238,688.

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

IV. PROJECT SERVICES & OPERATIONS

4A. OPERATING PRO FORMA

Annual operating expense total/ per unit... **$8,184**

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

Project uses maximum allowed rent + utility allowances for AMI.

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

The project will preserve and transfer 58 existing units covered by Section 8 HAP contracts which bring in roughly $1.5 million in federal funding annually. The income restrictions of the HAP contract are as follows: 43 families at or below 30% of AMI, 14 families between 30 – 50% of AMI, and one family above 80% of AMI.

Expected vacancy rate

5% residential vacancy rate (commercial vacancy not listed).

DRAFT

Expense comparison

Project operating expenses are similar to and aligned with those within the King County portfolio.

Replacement & operating reserve payments

Replacement reserves similar to and aligned with those within the King County portfolio. No operating reserve.

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

4B. PROPERTY MANAGEMENT

Property Management Plan

The Michael's Organization (TMO) has a regional property manager that supervises the staff of FAME's housing. TMO will staff FAME's three projects (Bryant Manor Phase I, Texada, and Imperial) with six full-time employees, a Community Manager, Assistance Manager and Office Assistant, along with a Maintenance Manager and two Maintenance Technicians. TMO will also have a Resident Services Coordinator, working with individual residents to meet goals as well as creating enrichment programs for all of the residents. The PM plan appears appropriate for targeted population.

4C. SERVICE MODEL & FUNDING ANALYSIS

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

Subsidized Units/ Funding per subsidized unit... **58 units / $1,552,392**

Service Funding			
Funder	**Fund Type**	**Amount**	**Awarded?**
HUD HAP Contracts	Rent Subsidy	$1,552,32	Awarded

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

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

The project will preserve and transfer 58 existing units covered by Section 8 HAP contracts which bring in roughly $1.5 million in federal funding annually.

4D. REFERRALS

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

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

DRAFT

Referrals/marketing

The current residents will all be invited to return to Bryant Manor after construction is completed. The twenty-eight households living in buildings that will be demolished to make way for the new building's construction may elect to return or to live elsewhere in the community.

For the units not filled by existing Bryant Manor tenants, ninety days before anticipated certificate of occupancy, FAME will release a Notice of Housing Availability announcing the day that FAME will begin to accept applications. All applications received on the first day will be ordered randomly on the waiting list. After the first day, applications will be time and date stamped and considered in the order received.

The Community Manager and Assistant Manager will review the applications in order, screening residents for income eligibility, families with children, and household size. TMO will apply the City of Seattle's approved neighborhood preference policy, giving preference to low income residents of the neighborhood since before 2010.

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

Community meeting room with an adjacent kitchen and an outdoor courtyard gathering space including a children's play area and community gardening beds.

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

The project will have a Resident Services Coordinator to link residents to area services and to coordinate enrichment programming that will include financial literacy, nutrition and health, homework club and student support, and other topics.

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 appears to be compatible with the following source:

RAHP – Households with incomes at or below 50%, households with a member who has special needs.

This project meets the following 2020 King County RFP priorities:

Homeless/Extremely Low-Income/Affordable Housing

DRAFT

☐ 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)

☐ 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**

DRAFT

Rents and UA within HOME rent/utility allowance limits?..... ..... ☐ **YES** ☐ **NO** ☒ **N/A**

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

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

VI. SPONSOR CAPACITY

6A. PORTFOLIO & PERFORMANCE

of sponsor projects in King County portfolio... **0**

KC - Sponsor Projects	
Project Name	**Brief Description**

How have these KC projects performed?

No concerns in performance/compliance reported from Asset Management.

6B. PIPELINE & DEVELOPMENT CAPACITY

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

# of projects under construction..... **0**

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

How is the sponsor staffed to handle multiple projects?

N/A, this is their only active project.

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)

DRAFT

First AME had total assets of $6.5M in 2019 and $4.9M in 2018. Total liabilities were $1.45M in 2019 and $642.6K in 2018. Their Net Position was $5M in 2019 and $4.2M in 2018.

Net income was $811K in 2019 and $912K in 2018.

First AME provided a draft 2019 Audit which would include their first single audit with schedule of federal awards and management letter. The draft indicated no findings.

No findings or concerns.

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 goal of the project is to provide an affordable housing option to families who would otherwise have to leave the neighborhood, or have already left the neighborhood, due to rising rents. FAME will use the City's new neighborhood preference policy to favor applicants who have historic ties to the neighborhood.

The Central District went from over 70% African American in 1970s to less than 18% African American by 2019. The project is a response to this gentrification, offering affordable housing to people otherwise displaced from the neighborhood.

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

FAME mentions a process for resident input on building management & operations - FAME serves very diverse residents and takes input from residents on building management and operations. FAME is including a Resident Services Coordinator in the redevelopment of Bryant Manor to improve access to enrichment programs by helping families navigate the web of services and possible supports available.

What is the diversity of the board and senior leadership?

The Board of Directors has seven members, with 6 men and 1 woman. All are African Americans and have longstanding roots in the community. The Executive Director is an African American man.

DRAFT

VIII. SUMMARY AND RECOMMENDATION

Staff recommends NOT funding the FAME Bryant Manor project at this time due to limited availability of funds for City of Seattle projects. King County would like to fund this project, but the type of funding compatible is limited to one source of funds –RAHP, which is further limited by geographic distribution, with only a portion of these funds available for Seattle projects. Staff has prioritized scarce Seattle funding for another Seattle project this year.

The FAME – Bryant Manor project is a two-phase project that seeks to combat gentrification in Seattle's Central District by providing 246 units of affordable housing (30 – 50% AMI) to residents with historic ties to the neighborhood. Phase I, with a TRDC of roughly $54M, involves the demolition of 28 units of housing and the development of 97 units in their place. The project is setting aside 20 units to house households with a disabled family member and is also preserving 58 HUD HAP contracts which generate nearly $1.5 million in funding.

Though the project team has worked extensively to reduce cost and has utilized several cost reduction strategies (such as CEDC, Seattle building incentives, and even changing contractors), the combination of triggering commercial DBA wage rates, large family units, and other environmental/development issues has driven the cost up beyond TDC limits.

FAME's Board of Directors, which consists of all African Americans with roots in the Central District community, appears genuinely committed to bridging the gaps in inequity that gentrification and displacement have brought to the historically African American neighborhood. FAME intends to utilize the City of Seattle's approved neighborhood preference policy to give preference to low income residents who have lived in the neighborhood since 2010. This knowledge of the neighborhood and challenges in inequity, in addition to what appears to be a very open and transparent input/dialogue process with both community and building residents, exemplifies FAME's commitment to advancing equity & social justice in King County.

Although FAME's ask to King County is only $1 million**,** the projects is competing for extremely competitive and very limited Seattle-based King County funding. Funding awards in the Seattle pool are ultimately tied to timing, alignment with King County priorities, cost efficiency, and leverage of alternative funding sources. King County will continue to work with FAME to refine the project to be competitive in future rounds.

DRAFT