King County

Housing Finance Program

2020 Capital Funding for Affordable Housing Projects

PROJECT REVIEW MEMO

I. OVERVIEW

1A. PROJECT INFO

Sponsor/owner	**Plymouth Housing**
Development consultant	**Horizon Housing Alliance**
Project name	**Eastgate Permanent Supportive Housing**
Project location	**13620 SE Eastgate Way, Bellevue**

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

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

Brief description

The proposal is to construct a four-story building on vacant county-owned land to provide 92 units of permanent supportive (PSH) housing for homeless individuals.

Eastgate PSH is one phase of a three-phase Master Development Plan that includes a Homeless Men's Shelter the County funded last year, and a general affordable housing project by Horizon Housing Alliance and Inland Group, which also applied in the 2020 funding round.

1B. PROJECT COST

Total development cost (TDC)	**$27,909,454**
Total residential development cost	**$27,909,454**
Cost per residential unit/ per square foot	**$303,363 /unit & $540 /square foot**
Total non-residential development cost	NA

1C. KING COUNTY REQUEST

King County Funds requested	**$5,703,705**
% of TDC/ Cost per unit	**20 percent TDC / $61,997 Cost per unit**
KC Loan term/ interest rate	**50 years / 1 percent deferred**

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

DRAFT

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

II. PROJECT DESCRIPTION

2A. HOUSING MODEL

of residential units/ managers/ total units..... **92/ 3/ 95**

Project total square feet / # of floors..... **51,694 sf / Four Floors**

Project residential sf/commercial sf ..... **NA**

Unit distribution - Income & AMI

Unit/Income	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	Total	Mgr/ CAU
Studio	92					92	**3**
Total	**92**					92	**3**

Average unit sizes ..... Studio 375 average square feet

Other type of unit. ..... NA

Target population

General Permanent Supportive Housing (PSH) for homeless individuals and 25 units set aside for those with Chronic Mental Illness. In addition, funding will require 30% of the homeless units (28) serve individuals experiencing chronic homelessness.

2B. CONSTRUCTION TYPE, SITE, & LOCALITY CHARACTERISTICS

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

Construction begins/ Construction period..... **10/2021 / 14 months**

Evergreen Sustainable Design Std. (ESDS) Score..... **52**

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

DRAFT

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

The project is the second in a three-phase development that requires completion of a Master Development Plan (MDP) process. The master developer, Inland Group, will lead the MDP permitting process, including State Environmental Policy Act (SEPA) public notices in late 2020 or early 2021.

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

The City of Bellevue has estimated this Master Development Plan process to take approximately nine months. Additional environmental conditions noted on the next page.

Neighborhood

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

The area includes commercial and light industrial buildings and offices and a King County transfer station. Additional commercial development and a community college are to the east. The South side of the site abuts SE Eastgate Way, then I-90.

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

- ○ ½ mile to high capacity transit?..... ☒ **YES** ☐ **NO**
- ○ Multi-modal?..... ☐ **YES** ☒ **NO**
- ○ Walk/transit score..... **35 Walk Score / 53 Transit Score**
- ○ Close proximity to community resources and/or services? ☒ **YES** ☐ **NO**

The project is located one tenth of one mile from the 212 and 241 bus stops and one quarter mile from the Eastgate Park and Ride and less than one mile from the Factoria Mall.

Nonresidential

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

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

Parking will be shared with the Eastgate Shelter which will be constructed as part of the same master development plan. The parking study for both buildings requires 63 stalls based on the daytime peak parking demand calculations. The proposed parking plan includes 65 stalls.

Environmental

DRAFT

Environmental/site concerns

Environmental conditions including documented soil and groundwater contamination, including petroleum hydrocarbons and volatile organic hydrocarbons (VOCs) in addition to the presence of unstructured fill material at the site, reportedly ranging in depths from 25-30 feet and consisting of concrete, asphalt, and other unknown debris must be mitigated for approval of the State Department of Ecology. Geotechnical reports identified a slope and landside hazard that has resulted in groundwater seepage. Plymouth will pursue methods to regrade and stabilize the slope.

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

King County owns the parcel. The Facilities and Maintenance Division (FMD) and Inland are currently negotiating the sales price taking into consideration the remediation expense. Any amendment to the purchase and sale agreement will go to King County Council for approval.

Development Incentives & Restrictions

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

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

The nonconforming use and scope of the proposed PSH, Homeless Shelter and Affordable Housing requires a Master Plan Development.

2C. ROLES & RESPONSIBILITIES

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

Eastgate is one phase of a three-phase Master Development Plan. Site consultants, architects and general contractor were selected prior to Plymouth's involvement. Inland Group, the master developer, has a construction division, Inland Construction, that has experience with affordable housing and shelter developments.

General contractor selection process

Plymouth Housing and Horizon Housing Alliance will work with Inland Construction, the General Contractor. Plymouth and Horizon will require Inland Construction to solicit bids for sub-contractors in an open and competitive manner. This will be done through regional plan centers, website, and bid advertisements. Plymouth will require their General Contractor to secure a three-bid minimum for each trade on the project and to select the most competitive price in relation to the quality of work and construction schedule.

DRAFT

Who will manage construction?

Horizon will take the lead on setting project milestones and conducting coordination meetings between the architect, consultants, and contractors, as Horizon is involved in the larger Eastgate campus development of which Eastgate PSH is one part. Having the same site consultants working on each phase of the development avoids replication and creates a synergistic development plan and schedule. As the selected Architect, Hoist LLC team members will provide the design, permitting oversight, and construction management of the project. John Torrence of Plymouth will work with Horizon on the financing closing and serve as owner's representative from closing through completion.

III. FINANCING & MARKET ANALYSIS

3A. SOURCES & USES

Permanent Residential Sources of funding

Source	Proposed Amount	Committed Amount	TOTAL
King County	$5,703,358		$5,703,358
Permanent Loan			
State Housing Trust Fund	$2,000,000		$2,000,000
City/ ARCH	$500,000		$500,000
9% Equity	$19,703,538		$19,703,358
Deferred Developer Fee		$2,211	$2,211
TOTAL	$27,907,243	$2,211	$27,909,454

DRAFT

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

N/A

Permanent Residential Uses of funding

Type	Amount	Comments
Acquisition Costs	$2,300,000	
Construction/ Rehab Costs	$19,003,073	

Soft Costs	$2,954,750	
Financing Costs	$1,070,233	
Capitalized Reserves	$1,191,398	
Other Development Costs	$1,390,000	
TOTAL	$27,909,454	

3B. COST EFFECTIVENESS

Appraisal, Acquisition, & Construction

Appraised value/date/tax assessor value..... $21,000,000 (entire MDP site – Eastgate share is $2,300,000) – Dated 11/2019

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

Developer fee..... $2,400,000

$2,211 of the Developer Fee is loaned back to the project. This amount is the 0.01% ownership interest Plymouth is bringing to the project.

Third-Party Construction Consultant Report

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

Hillmann Consulting found the total proposed budget appears to be within the reasonable range of anticipated costs in the subject locale for a project of this scope.

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

N/A

Appropriateness of contingency

Conforms to standard of 10 percent for new construction.

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

The project-based Section 8 vouchers will trigger Davis-Bacon.

3C. MARKET DEMAND

DRAFT

Market study required .....☐ YES ☒ NO

Date conducted..... N/A

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

Notable findings

N/A

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 9% round application... **11/2020**

Projected LIHTC pricing ..... **$.92**

9%LIHTC self-score..... **188**

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

Pricing is reasonable for the project type and location per the letter of interest provided by NEF. The self-score is very competitive compared to other 9% projects reviewed by King County staff in this round, which ranged from 182 to 188.

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

The project is currently below the cost limits for the number of units.

Debt & Contributions

Amount of private permanent debt proposed **$0**

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

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

The proposed project leverages a good mix of state, local and county funds.

DRAFT

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

$2,211 in deferred developer fee.

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

N/A

IV. PROJECT SERVICES & OPERATIONS

4A. OPERATING PRO FORMA

Annual operating expense total/ per unit... **$1,511,552 total & $15,911 /unit**

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

The project has requested vouchers to subsidize 100% of rents.

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

Plymouth has requested 92 vouchers. KCHA is likely to award this level on the condition that the project serve 30% chronically homeless.

Expected vacancy rate

Five percent.

Expense comparison

Operating Costs are about $5,000 greater than the average cost, mostly due to on-site management costs at $8,800 per unit.

Replacement & operating reserve payments

Replacement reserves at $500 per unit are higher than the $386 per unit average. Operating reserves conform to the standard six months of operating costs.

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

4B. PROPERTY MANAGEMENT

Property Management Plan

DRAFT

Plymouth will manage the property, and be responsible for the qualification of tenants, staffing the building, supporting tenants, providing maintenance, and completing funder reports. There will be 9 FTE Property Management staff at the project including a Building Manager, a Building Coordinator, and 6 Building Assistants The building manager will have overall responsibility for building management, security, unit turns, and light maintenance. The building coordinator and building assistants will work staggered hours and monitor building security and safety into the evening, and back-up responsibility for leasing, rent collection and tenant income-recertification.

4C. SERVICE MODEL & FUNDING ANALYSIS

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

Subsidized Units/ Funding per subsidized unit... **92 subsidized units/ $7,268.36 per unit**

Service Funding			
Funder	**Fund Type**	**Amount**	**Awarded?**
King County ORS		$355,000	Proposed
Cash Flow		$149,689	Committed
Foundational Community Supports (FCS)		$164,000	Proposed
Total		$688,869	

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

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

Service funding levels are feasible for the general homeless population as proposed. County's services team reviewed ORS request and is likely to award $250,000 annual funding for five years. Project should be competitive leveraging Foundational Community Supports funding.

4D. REFERRALS

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

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

Plymouth has an established track record working with CEA. **All homeless housing units are required to go through CEA.**

Referrals/marketing

DRAFT

Plymouth currently expects that all units will be filled through the operation of CEA in King County. Agencies working in Eastside communities can assess potential clients for prioritization through CEA.

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

Eastgate PSH will provide a community room with a kitchenette, a shared laundry room, and outside courtyard for resident use.

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

The property will have 24/7 staffing and four Housing Case Managers who will work with tenants to meet their goals by helping the tenant access medical, dental and mental health care; substance use treatment; veterans' services; legal services; and food banks. They will also help tenants qualify for income support programs (ABD, SSI, VA benefits), and support tenants to improve skills needed to maintain stable housing. The site will include a small health clinic for use by residents only.

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's development budget was built assuming federal wages and requirements, making Federal HOME funds a good fit. The applicant agreed to up to set-aside up to 5 units for veterans, and Plymouth's client base overlaps significantly with the MIDD eligible population. The project is within a half mile of several high-frequency bus routes, making TOD funding an option, however the project cashflow is not able to accommodate the annual simple interest payments.

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

DRAFT

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**

The maximum 2020 HOME subsidy limit for studios is $153,314 per unit.

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

DRAFT

VI. SPONSOR CAPACITY

6A. PORTFOLIO & PERFORMANCE

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

KC - Sponsor Projects	
Project Name	**Brief Description**
Plymouth on Stewart	Create 84 SROs for very low-income individuals.
Scargo	Provide 46 units of permanent supportive housing.
Sylvia Odom's Place	Provide 63 units of permanent housing for formally homeless individuals.
Bob & Marsha Almquist Place	Provide 102 units of permanent supportive housing.
Humphrey House	Provide 81 units of permanent supportive housing.
Plymouth First Hill	Provide 80 units of permanent supportive housing.
Simons Senior Apartments	Provide 90 units of homeless housing for seniors.
Williams Apartments	Provide 81 units of permanent supportive housing.

How have these KC projects performed?

Plymouth generally provides required reports on time and their projects are generally in good financial condition.

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**
Hope House- Volunteers of America	Spokane	60 rental units anticipated Spring 2021

# of projects under development..... Three in pre-development

DRAFT

How is the sponsor staffed to handle multiple projects?

The three pre-development and one construction project timelines seem to be well balanced with completion ranging from 2021 to 2023. This appears to be within the scope of Horizon's capacity.

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)

In 2018 Plymouth has total assets of about $154M and total liabilities of about $83M. Plymouth's Net position was $7M. Net operating income was ($668K) in 2018. Through 6/30/2019 Plymouth total assets of $21M, total liabilities of $99.7M and a net position of $111.4M. During six months of 2019, Plymouth had $33M in net income due to capital campaign revenue of $34.4M. Plymouth had no findings or concerns in 2018 audited statements.

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**

Horizon Housing Alliance had total assets of $167,800, $0 liabilities and net income of $29,000. No audited financial Statements.

VII. EQUITY & SOCIAL JUSTICE

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

DRAFT

Bellevue is a wealthy community, rich in opportunity for residents. Bellevue public schools are consistently ranked amongst the highest in the state. Eastgate PSH contributes to social justice by creating 92 affordable housing units in Bellevue. These units will be the first permanent supportive housing in East King County. Plymouth will maintain open and inclusive practices that intentionally welcome a tenant population that closely reflects the population experiencing literal homelessness – by race, gender, age, veteran status, disability status, and other protected classes. Plymouth's leadership team reviews these metrics on a regular basis, and considers policy changes, both internal and external, that may improve equity wherever possible. 28% of Plymouth' supportive housing tenants are Black/African American and 14% of their tenants are American Indian/Native Alaskan, which reflects the single adult homeless population.

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

Plymouth Housing is committed to doing its work with compassion and respect for the dignity, worth and uniqueness of all people. Plymouth values all members of its community—residents, staff, and board. Plymouth encourages curiosity and promotes interest in learning about the experiences of other people. They commit to supporting ongoing cultural learning and to develop and enhance practices and policies through a lens of cultural awareness and respect for personal experiences related to homelessness, race and ethnicity, poverty and class, disability, age, gender and gender identity, spiritual practices, sexual orientation, language and literacy.

What is the diversity of the board and senior leadership?

Plymouth Housing's board is 65% female, and 35% male. There are 4 people who identify as African American (17%), 2 people who identify as Asian (9%), 1 person who identifies as Native American (4%) and 16 people who identify as White (70%).

VIII. SUMMARY AND RECOMMENDATION

Staff highly recommends funding Plymouth's Eastgate project at the requested amount to provide much needed permanent supportive housing (PSH) for homeless households in East King County. The project meets the County's highest funding priority, is well positioned to receive funding from the State Housing Trust Fund and ARCH, and its 9% tax credit self-score looks competitive for an allocation this year.

Overall, this is a very sound proposal, albeit a very complicated one with many site-related challenges but the development team is solid with the addition of Plymouth's expertise as owner and operator.

King County funding and KCHA vouchers will be conditioned on the applicant serving at least 30% chronically homeless households.

DRAFT