



King County

TOD Preservation and Acquisition Plan

Response to King County Ordinance 18835, Section 101, Proviso P2

**Department of Community and Human Services
March 2019**

SECTION 1: Proviso Requiring TOD Preservation and Acquisition Plan

This report fulfills a Metropolitan King County Council proviso request included in Ordinance 18835, Section 101. Specifically, this TOD Preservation and Acquisition Plan responds to Proviso P2, which requires the plan to include:

A. The spending plan for these moneys including but not limited to:

- 1. The proposed percentage of these moneys to be invested in projects in high opportunity communities, which are defined as communities where households have access to good schools, transportation and economic opportunities to promote upward mobility;*
- 2. The proposed percentage of these moneys to be invested in housing preservation to prevent displacement due to increasing rents; and*
- 3. The proposed geographic distribution of projects to ensure that the plan results in a geographically equitable distribution of projects.*

B. A description of the process by which the King County Housing Authority and King County will identify and review potential projects for preservation or acquisition, including, but not limited to:

- 1. Verification that projects meet the requirements for affordable workforce housing projects, as defined in RCW 67.28.180 and are within one-half mile of a transit station, as defined in RCW 9.91.025;*
- 2. Potential use of other financing tools, including the credit enhancement programs authorized by K.C.C. 24.28, and the ability of projects to leverage other sources of funding; and*
- 3. Fiscal due diligence that will be required prior to funding awards.*

C. A description of the process by which the council will exercise oversight, including but not limited to:

- 1. A description of the process by which the council will be notified of a project award, such as a letter to the chair of the council or other mechanism, and to contain information about the project's location, the number of units, the size of the award from this funding source, the total cost of the project and the residents' income levels;*
- 2. A proposal for regular reports to the council; and*
- 3. A proposal for periodic meetings of the interbranch task force to review progress in identifying projects and making awards.*

The executive should file the TOD preservation and acquisition plan and a motion required by this proviso by March 1, 2019, in the form of a paper original and an electronic copy with the clerk of the council, who shall retain the original and provide an electronic copy to all councilmembers, the council chief of staff, the regional housing coordinator and the lead staff for the health, housing and human services committee, or its successor.

SECTION 2: Coordination with Interbranch Task Force

Per the requirements of Provisos P2, P3, and P4 of Section 101 of the 2019-2020 Biennial Budget, the King County Executive and King County Council created an Interbranch Task Force (IBTF). The TOD Preservation and Acquisition Plan was one focus area of the IBTF and responds to budget Proviso P2.

The IBTF included the King County Executive and the chairs of the King County Council's Budget and Fiscal Management Committee and the Health, Housing, and Human Services Committee as well as the Chair of the King County Regional Affordable Housing Task Force. A staff team comprised of Executive Office, Council central and Council personal staff supported the work of the IBTF and met throughout the IBTF process. The full IBTF convened three times and has agreed to the spending plan and council oversight process, outlined in the sections below.

SECTION 3: Spending Plan and Site Identification

DCHS worked with the King County Housing Authority (KCHA) to identify affordable housing opportunities either at risk of increased rent or redevelopment or in High Opportunity Communities. In response to a request from DCHS to outline program concepts, KCHA provided the following information:

- High Opportunity Communities

In 2012, KCHA's Board of Commissioners adopted a resolution affirming KCHA's commitment to expanding affordable housing opportunities in areas of opportunity. This commitment is consistent with King County's priority to invest money in projects where households have access to good schools, transportation and economic opportunities to promote upward mobility.

- Housing Preservation

KCHA recommends that 100 percent of the available TOD funding for the \$30 million KCHA set-aside be spent in connection with acquisition and preservation of existing multifamily housing. KCHA would plan to acquire larger, 100+ unit, older class "B" apartment complexes in locations meeting the locational requirements of RCW 9.91.025.

- Geographic Distribution

KCHA operates in King County outside the City of Seattle and expects to acquire three apartment properties by leveraging the \$30 million set aside with approximately \$60 million in proceeds from the sale of tax-exempt revenue bonds or low-income housing tax credits. At least one property would be located in south King County and at least one other would be located in north or east King County. The exact percentage invested in each geographic area would be determined by size of the property and acquisition cost.

As previously discussed, KCHA is always considering potential acquisitions that meet its affordable housing mission. Towards that end, KCHA has already negotiated agreements to purchase three properties that meet all the stipulations noted above. A description of each project follows.

1. Riverstone Apartments (308 units)

- Location: 27314 24th Avenue South, Federal Way

- **Transit Access:** Located across the street from the Star Lake Park and Ride. The park and ride is scheduled to be converted to the 272nd Light Rail Station in 2024.
- **Description:** Built in 1985 and consists of 31 two and three-story buildings with 308 apartments (40 studio units with 1 bath, 80 one-bedroom units with 1 bath, 76 two-bedroom units with 1 bath, 80 two-bedroom units with two baths and 32 three-bedroom units), a leasing office/community building and swimming pool.
- **Status:** KCHA closed on a sale with the current owner for \$70,000,000 on January 31, 2019. KCHA acquired the property using a short-term line of credit. KCHA has indicated that it intends to use the credit enhancement program for this property.
- **Acquisition Purpose: Housing Preservation; Geographic Distribution**
The immediate vicinity of the Riverstone Apartments is expected to receive considerable development pressure due to the planned light rail station, forcing an increase in rents and risk of displacement. Acquisition of the property by KCHA will preserve the units as affordable and provide immediate transit access for lower income households.

2. Kirkland Heights (180 units)

- **Location:** 13310 NE 133rd Street, Kirkland
- **Transit Access:** Served by Metro Route 930, an “All Day Route” that connects with the Kingsgate Park and Ride and Redmond Transit Center every half hour.
- **Description:** Built in 1971, Kirkland Heights consists of 180 total units of family housing, including 106 units supported by Housing and Urban Development (HUD) rental subsidies. The unit mix includes 80 two-bedroom (56 subsidized) 870 sq. ft. units, 80 three-bedroom (44 subsidized) 966 sq. ft. units and 20 four-bedroom/one and one-half bath (6 subsidized) 1,475 sq. ft. units. The complex is comprised of 25 two-story wood frame structures on a 14.02 acre parcel with a 2.5 acre undeveloped lot that could potentially be the site of additional affordable workforce housing.
- **Status:** KCHA has entered into a purchase and sale agreement with the current owner for \$22,164,000 and has completed pre-acquisition due diligence, including title research and a physical condition assessment of the buildings. KCHA analyzed the potential to use the King County Credit Enhancement Program, but does not anticipate using it for this property at this time.
- **Acquisition Purpose: High Opportunity Community; Housing Preservation.**
With access to high performing schools, transportation and a diverse set of employers, the City of Kirkland provides multiple opportunities for lower income households. In addition, acquisition of this property will prevent the expiration of existing HUD rental subsidies and the dislocation of a significant number of existing households.

3. Juanita View (94 units)

- Location: 11800 101st Place NE, Kirkland
- Transit Access: Juanita View is served by Metro 255, Metro 244 and Metro 236, which provide frequent bus service to the Totem Lake and Kirkland Transit Centers.
- Description: Built in 1971, Juanita View consists of 94 units of family housing, including 51 supported by HUD rental subsidies. The unit mix includes 10 one-bedroom (9 subsidized) 523 sq. ft. units, 60 two-bedroom (28 subsidized) 728 sq. ft. units, and 24 three-bedroom (14 subsidized) 965 sq. ft. units. The complex is comprised of 13 two-story wood frame structures on a 4.86-acre parcel.
- Status: KCHA has entered into a purchase and sale agreement with the current owner for \$11,574,500 and has completed pre-acquisition due diligence, including title research and a physical condition assessment of the buildings. KCHA analyzed the potential to use the King County Credit Enhancement Program, but does not anticipate using it for this property at this time.
- Acquisition Purpose: High Opportunity Community; Affordable Housing Preservation. Acquisition of this property will prevent the expiration of existing HUD rental subsidies and the dislocation of a significant number of existing households. With access to high performing schools, transportation and a diverse set of employers, the City of Kirkland provides multiple opportunities for lower income households.

Recommendation: With IBTF support, DCHS recommends that the \$30 million identified by Expenditure Restriction 6 be used by KCHA to acquire these affordable housing properties. This will result in the acquisition and preservation of 582 units of affordable housing in compliance with the terms of Budget Proviso P2.

SECTION 4: Council Oversight

DCHS and KCHA will provide an update to the King County Council on the status of property acquisition through the TOD Annual Report, transmitted by the County Executive to the County Council in August each year. Additional briefings to the Health, Housing, and Human Services Committee will be coordinated with the committee chair as needed.

SECTION 5: Next Steps

The identified properties provide King County a significant opportunity to make a meaningful impact towards providing long-term affordability and preventing displacement. Subject to Council approval of this plan, DCHS will work with KCHA to complete project due diligence, including financial review, timeline and capital needs preparation, with funding awards and contracts likely to occur within the first two quarters of 2019.