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2 **ORDINANCE _____**

3 AN ORDINANCE relating to The City of Seattle’s Bridge Loan Program; authorizing the
4 Director of the Office of Housing to execute agreements under which the City will
5 receive supplemental funding from the United Way of King County for such program;
6 accepting the money when received; and increasing the 2008 Budget of the Office of
7 Housing by making a reimbursable appropriation; all by a three-fourths vote of the
8 City Council.

9 WHEREAS, the City of Seattle is a Washington municipal corporation, which administers a
10 Bridge Loan Program to provide short-term funding to permit low-income housing
11 development activities to proceed in advance of the availability of permanent project
12 funding; and

13 WHEREAS, the City’s Office of Housing and United Way of King County (“United Way”)
14 desire to increase the amount of short-term funding available in the City’s Bridge
15 Loan Program to support the development of permanent supportive housing for
16 chronically homeless individuals subject to the City of Seattle Office of Housing and
17 United Way of King County Bridge Loan Policies and Procedures (“United Way
18 Bridge Loan Policies”), and the Funding Agreement (“Agreement”) provided as
19 Attachment 1; and

20 WHEREAS, to increase the available funds in the Bridge Loan Program, United Way is
21 willing to contribute funds to the City on a reimbursable basis on the terms and
22 conditions specified in this Agreement; NOW, THEREFORE,

23 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

24 Section 1. As requested by the Director of the Office of Housing, the Director or her
25 designee is authorized to execute, for and on behalf of the City of Seattle, a Funding
26 Agreement (“Agreement”) with the United Way substantially in the form attached hereto as
27 Attachment 1. Pursuant to the Agreement, United Way of King County will provide up to \$5
28 million of supplemental funding for the City’s Bridge Loan Program for a period of five (5)
years, at which time any United Way funds still in the City’s possession will be repaid. The

1 funds, when received, are hereby accepted, and shall be deposited in the Office of Housing
2 Low Income Housing Fund (16400) and may be disbursed in accordance with the terms and
3 conditions of the Agreement.

4
5 Section 2. To carry out the purposes of the agreement authorized in Section 1, and
6 contingent upon the execution of that agreement, the appropriation for the following in the
7 2008 Budget of the Office of Housing is increased from the fund shown, as follows:

Item	Fund Name and Number	Department	Budget Control Level	Amount
1.1	Housing Low-Income Housing Fund (16400)	Office of Housing	Low-Income Housing Fund 16400 (XZR1)	\$ 2,000,000
1.2	Housing Operating Fund (16600)	Office of Housing	Operating Fund 16600 (XZ600)	\$ 5,000

15
16 Unspent funds so appropriated shall carry forward to subsequent fiscal years until they are
17 exhausted or abandoned by ordinance, pursuant to the terms of the Agreement.

18
19 Section 3. The foregoing appropriation is made to meet actual necessary
20 expenditures of the City for which no appropriation has been made due to causes which could
21 not reasonably have been foreseen at the time of the making of the 2008 Budget in
22 accordance with RCW 35.32A.060.
23

1 Section 4. This ordinance shall take effect and be in force thirty (30) days from and
2 after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10)
3 days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

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5 Passed by a three-fourths (3/4) vote of all the members of the City Council the ____
6 day of _____, 2008, and signed by me in open session in authentication of its
7 passage this ____ day of _____, 2008.

8
9 _____
10 President _____ of the City Council

11 Approved by me this ____ day of _____, 2008.

12
13 _____
14 Gregory J. Nickels, Mayor

15
16 Filed by me this ____ day of _____, 2008.

17
18 _____
19 City Clerk

20
21 (Seal)

22
23 Attachment 1: Form of Funding Agreement

24 Exhibit to Attachment 1: Exhibit A: Form of City of Seattle Office of Housing and United
25 Way of King County Bridge Loan Policies and Procedures
26

1
2 **ATTACHMENT 1**

3
4 **Form of**
5 **FUNDING AGREEMENT**
6

7 THIS FUNDING AGREEMENT (the “Agreement”) is made between **THE CITY OF**
8 **SEATTLE**, a Washington Municipal Corporation (the “City”), acting through its Office of
9 Housing, (the “Office of Housing”) and **UNITED WAY OF KING COUNTY**, a Washington
10 nonprofit corporation (“United Way”).
11

12 WHEREAS, City is a Washington municipal corporation, which administers a Bridge
13 Loan Program (“Bridge Loan Program”) to provide short-term funding (“Bridge Loans”) to
14 permit low-income housing development activities to proceed in advance of the availability
15 of permanent project funding; and
16

17 WHEREAS, the City’s Office of Housing and United Way, subject to the City of Seattle
18 Office of Housing and United Way of King County Bridge Loan Policies and Procedures
19 (“United Way Bridge Loan Policies”), attached to this Funding Agreement as Attachment A.,
20 desire to increase the amount of short-term funding available in the Bridge Loan Program to
21 support the development of permanent supportive housing for chronically homeless individuals;
22 and
23

24 WHEREAS, to increase the available funds in the Bridge Loan Program, United Way
25 is willing to contribute funds to the City on a reimbursable basis on the terms and conditions
26 specified in this Agreement;
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1
2 NOW, THEREFORE, in consideration of the foregoing and the mutual agreements
3 contained herein, the parties hereto agree as follows:

4
5 1. Contribution to Bridge Loan Program. The United Way hereby agrees to
6 provide the City up to Five Million and 00/100 Dollars (\$5,000,000.00) (the “Contributions”).
7 The Contributions shall be deposited in the Office of Housing Low Income Housing Fund and
8 may be commingled with other City funds. The Office of Housing will use the Contributions to
9 fund Bridge Loans in accordance with the United Way Bridge Loan Policies. The United Way
10 Contributions for 2008 will be an amount not to exceed \$2 million.

11
12 2. Repayment of Contributions. Upon receipt of any portion of an outstanding loan,
13 City shall remit to United Way that percentage of the repayment that the United Way
14 Contribution bore to the original combined Bridge Loan amount from United Way and City
15 fund sources. City shall return those Contributions not previously repaid to United Way on
16 _____, 2013 (the “Due Date”); provided, however, that if a Bridge Loan borrower
17 is in default on the Due Date, the Due Date shall be extended by one year and the City shall
18 pursue available remedies under its bridge loan agreements

19 3. Use of Funds. The Contributions shall be subject to the following conditions:

20
21 a.) Funds shall be used solely to provide loans from the Office of Housing
22 to nonprofit borrowers to support the development of permanent
23 supportive housing for chronically homeless individuals within the
24 City of Seattle to proceed in advance of the availability of permanent
25 project funding.

26 b.) Funds may be lent only when, in the judgment of the Office of
27 Housing Director and the Chief Executive Officer of the United Way

1 or his or her designee, the Office of Housing has assessed project
2 developer capacity and eligibility, evaluated the project feasibility and
3 loan risk and determined there is reasonable assurance that the funds
4 will be used for eligible purposes and that permanent funding will be
5 available on acceptable terms to ensure repayment of the funds before
6 the Due Date (as it may be extended).

7 4. Target Population Funds shall be used solely to support the development of
8 projects that will serve chronically homeless individuals.

9 5. Conditions to Loan. The United Way's obligation to make the Contribution
10 shall be subject to the following conditions:

- 11 a.) The City shall execute and deliver this Agreement and shall provide
12 United Way with satisfactory evidence that the Contribution and this
13 Agreement have been properly authorized by the Seattle City Council.
- 14 b.) Funding decisions shall be consistent with the United Way Bridge
15 Loan Policies attached hereto as Exhibit A, which may be amended
16 from time to time with the written consent of the CEO of United Way
17 and the Director of the Office of Housing.

18 6. Default or Loss on Bridge Loans and Limits on City's Repayment Obligation.
19 In the event of a borrower default, City will be responsible for making a reasonable effort to
20 exercise the remedies under its loan documents to secure performance and to collect repayment
21 of all bridge loans. If a borrower fails to perform and, despite reasonable efforts by City to
22 secure repayment of site acquisition loans, there is a repayment of less than 100% of the
23 amounts owed to City and to United Way, any shortfall will be allocated proportionally
24 between City and United Way, based on a pro rata share of the amount due to each source of
25 funds. United Way acknowledges that borrower repayment and loan collateral are the only
26

1 source of repayment of the United Way Contributions, and that repayment is not an
2 obligation of the City’s general or other fund.

3
4 7.) Subordinated Debt. United Way agrees that the Contributions may be used to
5 make bridge loans that are subordinate to other creditors of the low income housing project. In
6 these cases, the City shall seek prior approval from the United Way prior to making the
7 bridge loan.

8
9 8.) Reporting. The Office of Housing shall furnish United Way with a report of
10 loan activity, in such detail as the United Way may from time to time reasonably request.

11
12 9.) Relationship of Parties. The relationship of United Way and City is that of
13 independent contractors and does not constitute a partnership, joint venture, or any other type of
14 business organization. Neither party shall have any authority to act on behalf of or obligate the
15 other party. The City assumes no fiduciary or other obligations to United Way except as are
16 expressly set forth herein.

17
18 In witness whereof, the parties have executed this Agreement as of the _____ day of
19 _____, 2008.

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21 “City”: **City of Seattle**, a Washington municipal
22 corporation

23
24 By: _____

25 Print name: Adrienne E. Quinn

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Title: Director, Office of Housing

City Address: 700 Fifth Ave, #5700
Seattle, WA 98104

“United Way”: **United Way of King County**, a Washington
non-profit corporation

By: _____

Print name: _____

Title: _____

United Way of King County Address: 720 Second Avenue
Seattle, **EXHIBIT A**

City of Seattle Office of Housing and

United Way of King County Bridge Loan Policies and Procedures

1. Loan Terms

- a. UWKC funds will be combined with Office of Housing (“OH”) funds to make Site Acquisition Bridge Loans under the Office of Housing Bridge Loan Program.
- b. Bridge loans made with UWKC funds will have a maximum term of five (5) years. The portion of bridge loan made with UWKC funds shall bear interest to the borrower at the rate of Three Percent per annum (3%) to be paid to UWKC.
- c. City Participation in Site Acquisition Loans: OH will participate financially in any UWKC site acquisition loan. United Way and OH agree that the OH allocation for each bridge loan made under this program shall be at least 50% of the amount of UWKC funds awarded. The requirement for City Participation may be waived on a case-by-case basis by the CEO of UWKC and the Director of OH.

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2. Marketing and Outreach

- a. Office of Housing will market the program to potential borrowers and other lenders through outreach and written materials.

3. Pre-application meetings

- a. OH will conduct a preliminary assessment of the potential applicant and of the proposed acquisition and will promptly schedule a pre-application meeting for all proposals that appear to meet the eligibility criteria outlined below;
- b. Pre-application meetings are an opportunity for OH to give meaningful feedback related to a proposed site and its potential future development, the targeted population and proposed housing and services model and the proposed acquisition and permanent financing strategies; and
- c. Office of Housing will give UWKC staff the opportunity to participate in pre-application meetings for projects for which UWKC funds may be used.

4. Assess Project Sponsor Eligibility

OH will assess borrower capacity and eligibility for acquisition loan. To be eligible for an acquisition loan in the City of Seattle, the borrower must meet the following criteria:

- i. Has developed and operated at least three OH-funded projects;
- ii. Has at least 3 years of annual organizational audited financial statements that reflect an unqualified opinion from a certified public accountant and contain no findings or material weaknesses that would indicate concerns about the financial operations of the borrower;
- iii. Is in good standing with the Office of Housing or other local/public funders including being current with annual report submissions;
- iv. Deposits have been made in replacement and/or operating reserve accounts in accordance with OH requirements or at levels satisfactory to OH;
- v. Current with any debt service including OH loan payments, taxes, and insurance;
- vi. Borrower's development track record demonstrates that projects were completed within acceptable timelines and budgets; and
- vii. Borrower's current pipeline is sized such that they can demonstrate the ability to secure permanent funding and pay off UWKC loan within 5 years.

5. Analyze loan risk and project feasibility

- a. OH will evaluate the project feasibility for loan applications within the City of Seattle.
- b. OH's feasibility analysis will include a review and analysis of the following items:
 - i. Recent appraisal to determine value;
 - ii. Purchase and Sale Agreement;
 - iii. Phase I environmental assessment;
 - iv. Title report;

- v. Location of project, zoning and land use restrictions and compatibility with proposed development;
 - vi. Neighborhood notification;
 - vii. Relocation strategy, if applicable;
 - viii. Preliminary acquisition and permanent long term financing strategy;
 - ix. Proposed population and housing/service model; and
 - x. Proposed operating and supportive services financing.
 - c. OH may schedule additional meetings with applicants to review funding guidelines and work through potential funding issues that could be barriers to securing permanent funding.
6. Prepare written summary report and budgets
 - a. OH will prepare a written underwriting summary report describing the site, zoning, proposed use, population to be served, housing model, development team capacity, organizational financial ratios, and project timeline.
 - b. OH will prepare acquisition and permanent development and operating budget summaries.
7. UWKC Loan Approval
 - a. OH will make funding recommendations to UWKC after completing a review of the loan application and analysis of the risk, likelihood of permanent funding, and determining the amount of OH bridge loan funds to be loaned on a project and such other factors as OH may consider relevant.
 - b. UWKC will review OH funding recommendations and provide any feedback to OH within 7 days. UWKC will strive to provide a funding decision within 14 days of receipt of a loan recommendation.
8. Prepare legal documents
 - a. OH will prepare loan documents including Promissory Note, Loan Agreement, Deed of Trust and Regulatory Agreement;
 - b. OH will set up escrow for the closing; and
 - c. The OH Regulatory Agreement incorporating the affordability requirements associated with the Bridge Loan will be recorded in first lien position.
9. Pipeline Management and Timing to Secure Permanent Funds
 - a. OH will add approved projects to the King County Homeless Housing Funder Group Homeless Pipeline Report so that other permanent lenders are aware of the project.
 - b. OH will provide information on potential capital, operating and service fund sources to the borrower to enhance their chances for securing permanent funding.
10. Administrative Support

- a. United Way will compensate OH for administering loans with United Way funds.
- b. The administrative compensation will be:
 - \$5,000 for program development. Payment upon approval of the program by United Way Board of Directors and Seattle City Council.
 - \$2,500 per Bridge Loan for loan origination. Payment to the Office of Housing will occur upon repayment of the United Way Contribution used to fund the Bridge Loan.

11. Provisions for Default, Foreclosure

- a. The intent and expectation of OH and UWKC is that site acquisition loans will be made to sponsors to acquire sites with a good likelihood of successful development as housing for homeless. If a sponsor is unable to perform within reasonable time periods set by OH, OH will enforce the loan agreement to endeavor to either secure prompt performance by the sponsor, to facilitate a transfer of the site to another qualified sponsor for development as homeless housing, or to seek repayment of the loans made with OH and UWKC funds.
- b. If a sponsor fails to perform and, despite reasonable efforts by OH to collect repayment of site acquisition loans, there is a repayment of less than 100% of the amounts owed to OH and to UWKC, any shortfall will be allocated proportionally between OH and UWKC, based on a pro rata share of the amount due to each source of funds.
- c. In the event of default, foreclosure or extraordinary effort required by OH to assure repayment of UWKC loan funds from a borrower, or to facilitate the transfer of a site acquired with UWKC funds, UWKC will reimburse OH for a pro rata share of actual costs associated with securing the repayment or site transfer.

Form revised February 6, 2008

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Office of Housing	Bill Rumpf 5-1577	Kathryn Wise 3-9580

Legislation Title:

AN ORDINANCE relating to The City of Seattle’s Bridge Loan Program; authorizing the Director of the Office of Housing to execute agreements under which the City will receive supplemental funding from the United Way of King County for such program; accepting the money when received; and increasing the 2008 Budget of the Office of Housing by making a reimbursable appropriation; all by a three-fourths vote of the City Council.

- Summary of the Legislation:

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This legislation authorizes the Director of the Office of Housing (OH) to enter an agreement whereby OH will receive up to \$5 million from United Way of King County (UWKC) to increase the City’s available bridge loan funding for housing for chronically homeless individuals in Seattle. UWKC will compensate OH for administering loans made with UWKC funds by paying \$5,000 for program development once this agreement is approved by the United Way Board of Directors and Seattle City Council and, thereafter, \$2,500 per bridge loan origination, to be paid from repayment proceeds.

- **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

UWKC is engaged in a \$25 million capital campaign to end chronic homelessness in King County and has committed to provide OH with up to \$5 million of those funds to expand the City’s existing Bridge Loan program for site acquisition. The intent is to increase the number of permanent supportive homeless housing units for chronically homeless individuals by providing bridge loans on a revolving basis to low-income housing developers for site acquisition and related expenses. Subject to Council authorization of this legislation, OH will administer the program, including identifying projects and accounting for the lending of UWKC funds. The City will receive from UWKC an initial, one-time administrative fee of \$5,000 once the agreement in the form of the attached Memorandum of Understanding (MOU) is approved by the UWKC Board of Directors and Seattle City Council. Thereafter, the City will receive from UWKC \$2,500 per bridge loan origination involving UWKC funds at the time of repayment to be paid from repayment proceeds. For all projects chosen for the program, OH and UWKC will both contribute bridge loan funds.

Based on the progress of UWKC's capital campaign, UWKC anticipates contributing \$2 million to the program in 2008 and \$3 million in 2009. OH anticipates that the UWKC contributions will allow the City to fund four loans based on the size of prior bridge loans made under the OH Bridge Loan program for total anticipated administrative revenues of \$15,000 between 2008 and the termination of the program.

- Please check one of the following:

This legislation does not have any financial implications. (Stop here and delete the remainder of this document prior to saving and printing.)

This legislation has financial implications. (Please complete all relevant sections that follow.)

Appropriations: This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation, please provide details in the Notes section below.

Fund Name and Number	Department	Budget Control Level*	2008 Appropriation	2009 Anticipated Appropriation
Low Income Housing (16400)	Office of Housing	Low-Income Housing Fund 16400	\$ 2,000,000	\$ 3,000,000
OH Operating (16600)	Office of Housing	Office of Housing Operating Fund 16600	\$ 5,000	\$ 0
TOTAL			\$ 2,005,000	\$ 3,000,000

*See budget book to obtain the appropriate Budget Control Level for your department.

Notes: The 2008 appropriations represent the amounts the City will receive from UWKC once this agreement is approved by the United Way Board of Directors and Seattle City Council. Future appropriations will be reflected in the OH budget, beginning with the 2009-2010 budget.

Anticipated Revenue/Reimbursement: Resulting From This Legislation: *This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.*

Fund Name and Number	Department	Revenue Source	2008 Revenue	2009 Revenue
Low Income Housing (16400)	Office of Housing	UWKC	\$ 2,000,000	\$ 3,000,000
OH Operating (16600)	Office of Housing	UWKC	\$ 5,000	\$ 0
TOTAL			\$ 2,005,000	\$ 3,000,000

Notes: The City estimates receiving a total of \$15,000 from UWKC for expenses relating to administration. Pursuant to the Funding Agreement, the City will receive \$5,000 for program development once this agreement is approved by the United Way Board of Directors and Seattle City Council, and will receive \$2,500 per Bridge Loan origination, to be paid from repayment proceeds at the time the loan is repaid. OH anticipates a total of four loans over the life of the agreement.

Total Regular Positions Created, Modified, Or Abrogated Through This Legislation, Including FTE Impact:

None.

- **Do positions sunset in the future?** NA

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2008 Expenditures	2009 Anticipated Expenditures
Low Income Housing (16400)	Office of Housing	Low-Income Housing Fund 16400	\$ 2,000,000	\$ 3,000,000
OH Operating (16600)	Office of Housing	Office of Housing Operating Fund 16600	\$ 5,000	\$ 0
TOTAL			\$ 2,005,000	\$ 3,000,000

* See budget book to obtain the appropriate Budget Control Level for your department.

Notes:

UWKC plans to contribute \$2 million in 2008 and \$3 million in 2009 for lending purposes once received. OH plans on using the \$2 million received in 2008 for loans granted in 2008.

- **What is the financial cost of not implementing the legislation?** *If not implemented, the City will not be able to lend the \$5 million from United Way of King County to increase its capacity to make bridge loans, thereby limiting the potential benefit of this existing program.*

1 • **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** *None. The*
2 *funds available through UWKC must be appropriated through ordinance.*

3

4 • **Is the legislation subject to public hearing requirements?** *No special public hearing requirements.*

5

6 • **Other Issues** *(including long-term implications of the legislation): None.*

7

8 **Please list attachments to the fiscal note below:**

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