

**SUMMARY and FISCAL NOTE\***

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*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

**1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to affordable housing; authorizing a loan of up to \$1,000,000 in General Fund funds to Community Roots Housing, a Washington public corporation, to mitigate the financial impacts of COVID-19; and authorizing certain new agreements to be developed relating to the lending of General Fund funds to Community Roots Housing.

**Summary and background of the Legislation:** This legislation authorizes the Mayor and the Director of the Office of Housing (OH) to execute a loan agreement with Community Roots Housing (CRH), formerly Capitol Hill Housing Improvement Program (CHHIP), in an amount up to \$1 million using General Fund funds appropriated to Finance General in the City’s Fourth Quarter Supplemental. The COVID-19 pandemic has impaired Community Roots Housing’s collection of revenues, including commercial and residential tenant rents, resulting in a loss of operating income of approximately \$3.2 million in 2020. CRH has taken actions to mitigate this loss, however a shortfall of approximately \$1 million remains. As a public development authority (PDA) of the City, CRH is not eligible to apply for COVID-19 federal assistance such as the Payroll Protection Program (PPP) authorized by the CARES Act, which would have helped address the current year shortfall. See Attachment 1 for the Term Sheet for the proposed loan.

**2. CAPITAL IMPROVEMENT PROGRAM**

**Does this legislation create, fund, or amend a CIP Project?** \_\_\_ Yes  No

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

**Does this legislation amend the Adopted Budget?** \_\_\_ Yes  No

**Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?**

The City will provide a General Fund loan to Community Roots Housing with \$1 million in appropriation to Finance General included in the City’s Fourth Quarter Supplemental that amends the 2020 Adopted Budget. The Loan shall bear interest at the rate of the City’s internal rate of borrowing; however, the interest expense shall be borne by the City and shall not be payable by Community Roots Housing. This will be reflected in the promissory note and loan agreement executed with Community Roots Housing.

**Is there financial cost or other impacts of *not* implementing the legislation?**

As a PDA, CRH is a chartered entity of the City. Not implementing this legislation could disrupt CRH's ability to continue to deliver its core mission to provide services and maintain and develop affordable housing at this critical time.

**4. OTHER IMPLICATIONS**

**a. Does this legislation affect any departments besides the originating department?**

The City Finance Division in the Department of Finance and Administrative Services (FAS) works with the City's PDAs. Given that Community Roots Housing is a PDA, OH, and FAS have been working together to evaluate the financial needs of Community Roots Housing. FAS will provide support for developing the promissory note and loan agreement with Community Roots Housing.

**b. Is a public hearing required for this legislation?**

No.

**c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No.

**d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No.

**e. Does this legislation affect a piece of property?**

No.

**f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**

As a Public Development Authority (PDA) of The City of Seattle, CRH is an independent legal entity. CRH provides critical services to low-income and underserved populations in the City including affordable housing and resident services for low-income households. CRH owns and operates 41 affordable housing projects that contain 1,335 income and rent-restricted units, with the majority of these units being income and rent restricted for households between 40% and 60% of area median income (AMI). CRH also acts as the financial guarantor for many BIPOC-led smaller community-based organizations on community development projects. This legislation will help to ensure that the CRH mission can continue to be delivered, and diverse households and organizations supported by CRH are not negatively impacted during this time.

- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**

No.

**List attachments/exhibits below:**

**Attachment 1 CRH Term Sheet**

## Attachment 1

### TERM SHEET (DRAFT)

#### CITY OF SEATTLE - COMMUNITY ROOTS HOUSING PDA LOAN TERMS

This term sheet summarizes the proposed terms of a loan in the maximum principal amount of \$1,000,000 in General Fund funds from the City of Seattle, Office of Housing (“OH”) to Community Roots Housing, a Washington public corporation (“CRH”), to mitigate the financial impacts of COVID-19 through Council passage of Ordinance \_\_\_\_\_. The below terms remain subject to further review and negotiation by the parties.

- 1) **Loan Amount and Funding Source:** OH, for and on behalf of The City of Seattle, will lend up to \$1,000,000 of General Fund funds (the “Loan”) to CRH pursuant to a promissory note and a loan agreement (collectively, the “Loan Documents”). The appropriation for the Loan is included in the Finance General Reserves Budget Control Level (00100-BO-FG—2QD00) provided in the City’s Fourth Quarter Supplemental, which amends the 2020 Adopted Budget through Council passage of Ordinance \_\_\_\_\_.
- 2) **Allowable Uses:** The proceeds of the Loan will be used by CRH to address operating losses and cash flow issues at the organizational level due to ongoing reductions in operating revenues, increased operating expenses, and delays in developer fee revenues, all of which have resulted from the COVID-19 pandemic. The loan proceeds may only be used by CRH to pay for general operating expenses for the organization that CRH is unable to meet from other revenue sources. These operating expenses include rent, utilities, wages/payroll, insurance, taxes and other general operating expenses. Allowable uses of the Loan proceeds will be further described in the Loan Documents. Proceeds may not be invested or loaned to other organizations.
- 3) **Draws on the Loan:** CRH may draw on the Loan by providing a request to the OH Director in writing describing (i) the proposed use of the funds; and (ii) the amount of funds to be drawn. The form of the Loan draw will be described in further detail in the Loan Documents and will be in a form acceptable to the City of Seattle. CRH is not entitled to any Loan draw unless the proposed use of funds complies with the allowable uses described in the Loan Documents. CRH may initiate one draw on the Loan in writing to OH for the full principal amount of \$1 million or may draw on the Loan in incremental amounts. All draws must be made in 2021, and no loan draws may be made after December 31, 2021. The principal amount of the Loan outstanding may not exceed \$1 million at any time.
- 4) **Interest:** The Loan will bear interest at the rate of the City’s internal rate of borrowing. As of October 2020, the City’s investment rate of return was 1.6%. This rate of return is subject to change from month to month. The interest expense will be borne by the City and will not be payable by CRH.
- 5) **Repayment of Loan Principal:** Installments will be due upon the earlier of the schedule included in the Loan Documents, or upon demand by the City in the event of default by CRH. The principal amount of the Loan shall be payable in two annual installments due on April 15 and October 15 during each year of repayment. The repayment schedule tentatively agreed to by the City and CRH contemplates six (6) repayments in total, with the first payment due in April 2023 and the final payment due in October 2025.

	2021	2022	2023	2024	2025
Loan Outstanding	1,000,000	1,000,000	1,000,000	666,667	\$ 333,333
Repayment Schedule					
15-Apr	\$ -	\$ -	\$ (166,667)	\$ (166,667)	\$ (166,667)
15-Oct	\$ -	\$ -	\$ (166,667)	\$ (166,667)	\$ (166,667)
Total Repayments	0	0	\$ (333,333)	\$ (333,333)	\$ (333,333)
Total Loan Outstanding	1,000,000	1,000,000	666,667	\$ 333,333	\$ -

- 6) **Extension of the Repayment Schedule:** If CRH is unable to fully repay the principal by the maturity date defined in the Loan Documents due to financial hardship, the OH Director may, per Council Ordinance \_\_\_\_\_, extend the Loan term for an additional period of up to three (3) years in the OH Director’s reasonable discretion.
- 7) **Terms May be Adjusted:** Due to the changing economic environment caused by the COVID-19 pandemic, the terms described in this term sheet may be modified as may be agreed upon by the parties, and any such modifications shall remain consistent with Council Ordinance \_\_\_\_\_.
- 8) **Reporting on Use of Loan Funds:** The Loan Documents will require CRH to periodically report on the use of the Loan proceeds to allow the City to verify that the actual use of the proceeds complies with the terms and conditions of the Loan Documents.