Thomas Mack
OH Leschi House ORD
May 9, 2013
Version 5

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 117797

AN ORDINANCE relating to the redevelopment of the Leschi House property at 1011 S. Weller St., which was developed with the proceeds of the City of Seattle's bonds issued pursuant to Ordinance 110124; approving the long-term lease by the Seattle Housing Authority of the property and authorizing a fourth amendment to the Housing Cooperation Agreement made under Ordinance 110433, all in order to enable the financing with federal tax credits of the rehabilitation of existing housing and the construction of additional housing for low-income persons who are elderly or have disabilities; and ratifying and confirming prior acts.

WHEREAS, pursuant to Ordinance 110124 there was presented to the voters of The City of Seattle in November 1981, and the voters approved, a ballot proposition for issuance of general obligation bonds of the City in the amount of $48,170,000 ("Bonds") to finance housing for low-income persons who are elderly or have disabilities to be developed by the Housing Authority of the City of Seattle ("SHA"); and the Bonds have been fully paid; and

WHEREAS, the Cooperation Agreement between the City and SHA authorized by Ordinance 110433, dated March 26, 1982 and amended (i) under Ordinance 119424, by amendment dated July 15, 1999, (ii) under Ordinance 120528, by amendment dated September 7, 2001 and (iii) under Ordinance 123679, by amendment dated December 14, 2011 (as so amended, the "Cooperation Agreement"), provided for the use of the proceeds of the Bonds and the ownership and operation of the housing acquired and developed with those proceeds; and

WHEREAS, one of the projects financed with the Bonds was the Leschi House, at 1011 S. Weller St.; and

WHEREAS, the Leschi House is in need of rehabilitation, and SHA has developed a plan for the addition of units in conjunction with that rehabilitation, to be financed in part with low-income housing tax credits, which requires that the property be transferred by long-term lease to a limited partnership, of which SHA is general partner; and

WHEREAS, the Cooperation Agreement allows for property developed with the Bonds to be transferred under certain conditions, subject to approval of the City by ordinance; and

WHEREAS, the Cooperation Agreement should be amended so that certain provisions that are obsolete or not compatible with the financing for redevelopment will not apply with respect to the Leschi House; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City of Seattle finds that the transfer of the property, at 1011 S. Weller St., Seattle, described on Attachment 1 to Exhibit A to this ordinance (the "Leschi House Property"), by the Housing Authority of the City of Seattle ("SHA") to a limited liability limited partnership of which SHA is the general partner (the "Partnership"), would further the purposes of Ordinance 110124 by increasing the supply of housing for low-income persons who are elderly or have disabilities, and will facilitate the continued use of the property as housing for "Low-Income Elderly or Handicapped Persons" as defined for purposes of that ordinance, provided the transfer is substantially on the terms and subject to the conditions set forth in this ordinance.

Section 2. The Mayor, Director of Housing and their respective designees each is authorized to execute and deliver a Fourth Amendment to Housing Cooperation Agreement with SHA in substantially the form attached hereto as Exhibit A ("Amendment"). The City Council approves transfer of the Leschi House Property to the Partnership, of which SHA is the general partner, under a financing lease of up to 100 years, on the conditions stated in the Amendment.

Section 3. The Mayor, Director of Housing and their respective designees each is authorized to execute, deliver, accept, perform, modify, and administer, for and on behalf of The City of Seattle, such further agreements, instruments, amendments, consents and other documents as may be necessary or appropriate to implement the intent of this ordinance.

Section 4. Any action pursuant to the authority and prior to the effective date of this ordinance is hereby ratified and confirmed.

Section 5. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ____ day of _____, 2013, and signed by me in open session in authentication of its passage this _____ day of _____, 2013.

_____

President _____of the City Council

Approved by me this ____ day of _____, 2013.

_____

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2013.

_____

Monica Martinez Simmons, City Clerk

(Seal)

Exhibit A: Fourth Amendment to Housing Cooperation Agreement

Attachment 1: Leschi House Property Description

Exhibit A

FOURTH AMENDMENT TO HOUSING COOPERATION AGREEMENT BETWEEN THE CITY OF SEATTLE AND THE HOUSING AUTHORITY OF THE CITY OF SEATTLE (Low-Income Elderly and Handicapped Housing)

This Amendment modifies the Housing Cooperation Agreement between THE CITY OF SEATTLE ("City"), a Washington municipal corporation, and the HOUSING AUTHORITY OF THE CITY OF SEATTLE ("Housing Authority"), a Washington public body corporate and politic, dated May 26, 1982, relating to the dwelling units developed for Low-Income Elderly and Handicapped Persons with proceeds of the City's bonds issued pursuant to City Ordinance 110124. The Housing Cooperation Agreement was authorized by Ordinance 110433 and previously modified pursuant to Ordinance 119424, by an amendment dated as of July 15, 1999, and subsequently modified pursuant to Ordinance 120528, by an amendment dated as of September 7, 2001, and pursuant to Ordinance 123679, by an amendment dated December 14, 2011(as so amended, it is referred to herein as the "Cooperation Agreement").

RECITALS

Pursuant to Ordinance 110124 there was presented to the voters of The City of Seattle in November 1981, and the voters approved, a ballot proposition for the issuance of general obligation bonds of the City in the amount of $48,170,000 ("Bonds") to finance low-income elderly and handicapped housing to be acquired and developed by the Housing Authority of the City of Seattle.

Since the passage of Ordinance 110124 and execution of the original Housing Cooperation Agreement the Housing Authority has, with the proceeds of the Bonds, acquired and developed housing for low-income elderly and handicapped residents of Seattle, including the Leschi House at 1011 S. Weller St.

The Housing Authority has developed a plan for the renovation of the existing Leschi House building and the addition of approximately 35 units, financed in part through low-income tax credits and bonds to be issued by the Housing Authority, which requires, among other things, a long-term lease to a newly formed limited liability limited partnership managed by the Housing Authority as general partner.

The City Council of Seattle, by Ordinance _____, has authorized this amendment to the Cooperation Agreement in order to permit the lease and to facilitate the financing, renovation, expansion and operation of the Leschi House.

NOW, THEREFORE, in consideration of the mutual covenants herein, the parties hereby agree as follows:

1. Lease, Mortgage and Encumbrance of Leschi House Property.

A. The Housing Authority is authorized to lease the real property at 1011 S. Weller St., legally described on Attachment 1 to this Amendment, including improvements now and hereafter thereon ("Leschi House Property"), for up to 100 years to a limited liability limited partnership of which the Housing Authority is the general partner ("Partnership"), provided that the Seattle Director of Housing or his designee shall have consented to the terms of the lease.

B. If there is any payment to the Housing Authority for the lease of the Leschi House Property, the Housing Authority may lend the payment to the Partnership for costs of redevelopment of the Leschi House Property. Any payment to the Housing Authority under the lease (other than in reimbursement of expenses) that is not lent for redevelopment costs, and any payment to the Housing Authority under any loan made from such a payment or on any note given in consideration of the lease, shall be treated as proceeds of sale under Section 10 of the Cooperation Agreement.

C. In addition, the Housing Authority may cause the Partnership's interest and the Housing Authority's interest in the Leschi House Property, including the rents and revenues thereof and related personal property, to be granted as security for financing of the redevelopment of the Leschi House Property under one or more deeds of trust, mortgages and other security documents, and is authorized to encumber either or both such interests in the Leschi House Property with such regulatory agreements, covenants, easements and other instruments as the Housing Authority may find necessary or advisable in connection with the redevelopment, in each case with the consent of the Director of the Seattle Office of Housing ("OH"). Any transfer of the leasehold interest back to the Housing Authority, and any transfer of any interest in the Leschi House Property pursuant to foreclosure of any mortgage authorized in subsection A. above, or deed in lieu thereof, shall not require any further consent pursuant to the Cooperation Agreement.

2. Operation of Leschi House; Operating Expenses and Rents; Accounting. The Housing Authority shall operate, or cause the Partnership to operate, all units at the Leschi House Property, including new units developed with financing in part from the Housing Authority's own bonds and tax credits, as Low-Income Elderly and Handicapped Housing under the Cooperation Agreement, as amended by this Amendment. Subsections 9.D and 9.E of the Cooperation Agreement shall not apply to the Leschi House Property. Instead, subject to all applicable covenants and regulatory agreements, the rents for the Leschi House Property may be set at such levels as will be sufficient, together with available subsidies or vouchers provided by the federal government, to meet the expenses of the Leschi House Property, including without limitation debt service on mortgage financing allowed under Section 1 of this Amendment, and to provide for such reserves as may be required under the terms of such financing. Accounting for Revenues, Operating Expenses, Residual Revenues, and reserves for the Project may exclude the Leschi House Property. The Housing Authority agrees that one of the encumbrances recorded on the Leschi House Property (both fee and leasehold interests) pursuant to Section 1 above shall be a regulatory agreement for the benefit of the City, approved by the Director of Housing.

3. Redevelopment process for Leschi House. The provisions of the Cooperation Agreement regarding the process for development of the "Project," and the procedures, manuals and criteria developed under the Cooperation Agreement for the development process, shall not be applicable to the redevelopment of the Leschi House Property.

4. Leschi House Residents; Non-displacement, Relocation. The Housing Authority covenants that in connection with the redevelopment of the Leschi House Property it will take all reasonable steps to avoid any permanent displacement of tenants and shall comply with all applicable laws and regulations regarding relocation.

5. Miscellaneous. The terms of this Amendment shall supersede any provisions of the Cooperation Agreement to the extent of conflict. Except as expressly set forth above, the terms of the Cooperation Agreement remain in full force and effect. No waiver of modification of the terms of the Cooperation Agreement, as amended, is or shall be valid unless in writing and signed by the duly authorized officer of each party hereto. This Amendment may be executed in two or more counterparts, which together shall constitute a single agreement. Capitalized terms not defined herein shall have the meanings set forth in the Cooperation Agreement unless the context otherwise requires.

IN WITNESS WHEREOF The City and the Housing Authority have executed this Amendment as of the _____ day of _____, 2013.

THE CITY OF SEATTLE

By _____
Rick Hooper, Director
Office of Housing
Pursuant to the authority of
Ordinance No._____

HOUSING AUTHORITY OF THE CITY OF SEATTLE

By _____
_____, Executive Director
Pursuant to Resolution No._____
of its Commissioners

Attachment 1: Description of Leschi House Property

Attachment 1 to Fourth Amendment to Housing Cooperation Agreement:

Leschi House Property Description

ALL THAT PORTION OF LOT 3, BLOCK 5, SYNDICATE ADDITION TO THE CITY OF SEATTLE, ACCORDING TO THE PLAT RECORDED IN VOLUME 2 OF PLATS AT PAGE 44, IN KING COUNTY, WASHINGTON, AND OF THAT TRACT OF LAND DESIGNATED AS SYNDICATE RIDGE IN SAID SYNDICATE ADDITION, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID LOT 3, BLOCK 5
THENCE NORTH 0°02'01" WEST 120.01 FEET TO THE NORTHWEST CORNER THEREOF;
THENCE NORTH 89°59'46" EAST 50.00 FEET TO THE NORTHEAST CORNER THEREOF;
THENCE NORTH 0°02'01" WEST ALONG THE EAST LINE OF LOT 2, SAID BLOCK 5, A DISTANCE OF 120.01 FEET TO THE NORTHEAST CORNER OF SAID LOT 2;
THENCE EAST ALONG THE NORTH LINE OF AFORESAID SYNDICATE RIDGE AND ALONG THE SOUTH LINE OF SOUTH WELLER STREET 133.00 FEET;
THENCE SOUTH AT RIGHT ANGLES TO SAID SOUTH LINE OF WELLER STREET 107.00 FEET;
THENCE EAST 18.00 FEET;
THENCE SOUTH 50.00 FEET;
THENCE EAST 27.00 FEET;
THENCE SOUTH 83.00 FEET TO THE SOUTH LINE OF SAID SYNDICATE RIDGE AND THE NORTH LINE OF SOUTH LANE STREET;
THENCE SOUTH 89°59'32" WEST ALONG SAID NORTH LINE OF LANE STREET 227.86 FEET TO THE POINT OF BEGINNING.

(BEING KNOWN AS PARCEL 1 AFTER ADJUSTMENT OF LOT BOUNDARY ADJUSTMENT NO. 8604774, RECORDED UNDER AUDITOR'S FILE NO. 8701020310 AND RERECORDED UNDER AUDITOR'S FILE NO. 8707200849)

Form revised: December 12, 2012

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Office of Housing	Tom Mack / 4-0339	Jeanette Blankenship / 5-0087

Legislation Title: AN ORDINANCE relating to the redevelopment of the Leschi House property at 1011 S. Weller St., which was developed with the proceeds of the City of Seattle's bonds issued pursuant to Ordinance 110124; approving the long-term lease by the Seattle Housing Authority of the property and authorizing a fourth amendment to the Housing Cooperation Agreement made under Ordinance 110433, all in order to enable the financing with federal tax credits of the rehabilitation of existing housing and the construction of additional housing for low-income persons who are elderly or have disabilities; and ratifying and confirming prior acts.

Summary of the Legislation:

The Seattle Housing Authority (SHA) is proposing to transfer by long-term lease a property funded with the Seattle Senior Housing Program (SSHP) bond proceeds to a tax credit entity. The purpose of the transfer is to rehabilitate the existing building and add additional units to this property for use as low-income housing for seniors and people with disabilities.

The Council bill authorizes an amendment to the Housing Cooperation Agreement to allow the lease, for up to 100 years, of SSHP property to a limited liability limited partnership of which the Housing Authority is the general partner to facilitate its continued use of the property as low-income housing, and to allow mortgages and other encumbrances for financing the redevelopment. Upon transfer, the property will be subject to a regulatory agreement approved by the Office of Housing.

Background:

In March 1982, the City of Seattle and SHA executed a Housing Cooperation Agreement to govern the development and operation of housing funded with the 1981 Senior Housing bond proceeds. This program originally produced 993 units of housing for seniors and persons with disabilities in 23 buildings owned and operated by SHA as the Seattle Senior Housing Program (SSHP).

The bonds have been repaid; therefore, public ownership of these properties is no longer required. One of these buildings is Leschi House; a 34 unit building located at 1011 S. Weller St. SHA plans to construct 35 additional units on the property.

The Housing Cooperation Agreement has been amended three times by Ordinance:

- Ravenna School: City Council passed Ordinance 119424 in 1999 to amend the Housing

Cooperation Agreement, authorizing transferred long-term lease to a limited partnership with SHA as the managing partner. This transfer allowed SHA to use low-income housing tax credits for building rehabilitation. Ravenna School still operates as an SSHP building under the Housing Cooperation Agreement.

- Morrison Hotel: City Council passed Ordinance 120528 in 2001 to amend the Housing Cooperation Agreement, authorizing the transfer of ownership to Downtown Emergency Services Center (DESC). This property is no longer covered by the Housing Cooperation Agreement. DESC assumed the existing loan obligations and OH provided funding for substantial rehabilitation. OH has a regulatory agreement with DESC for the Morrison Hotel.
- Keystone Property: City Council passed Ordinance 123679 in 2011 to amend the Housing Cooperation Agreement to allow sale of SSHP property to Community Psychiatric Clinic (CPC). Along with the transfer of Keystone House, the Ordinance also authorized SHA to transfer the land associated with Albion Place and Coach House on the Keystone Campus to CPC. CPC continues to serve the current resident population. The Keystone property is now regulated by the Office of Housing and no longer is governed by the Cooperation Agreement.

Please check one of the following:

__X__ This legislation does not have any financial implications.

____ This legislation has financial implications.

Appropriations:
N/A

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:
N/A

Spending/Cash Flow:
N/A

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**
If this legislation is not enacted, the transfer by SHA to the LLLP will not take place and the Leschi House will not be rehabilitated and the new housing units will not be developed.

b) **What is the financial cost of not implementing the legislation?**
None. Office of Housing has reserved Housing Levy funds in the amount of $1,625,000 of as part of the financing for the project.

c) **Does this legislation affect any departments besides the originating department?**
No.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives? None.

e) Is a public hearing required for this legislation?
No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?
No.

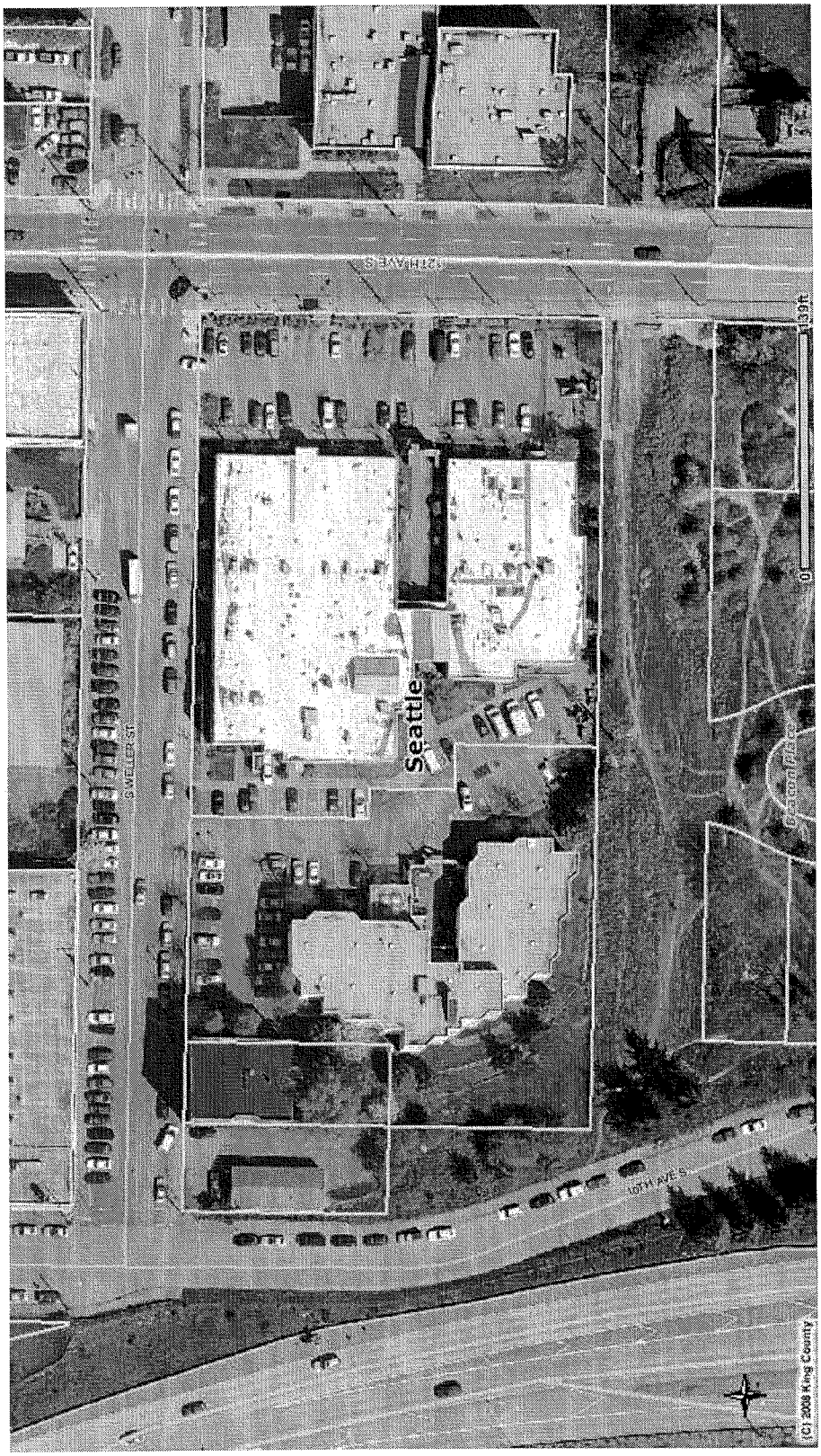
g) Does this legislation affect a piece of property?
Yes. Map for illustrative or informational purposes only attached.

h) Other Issues:

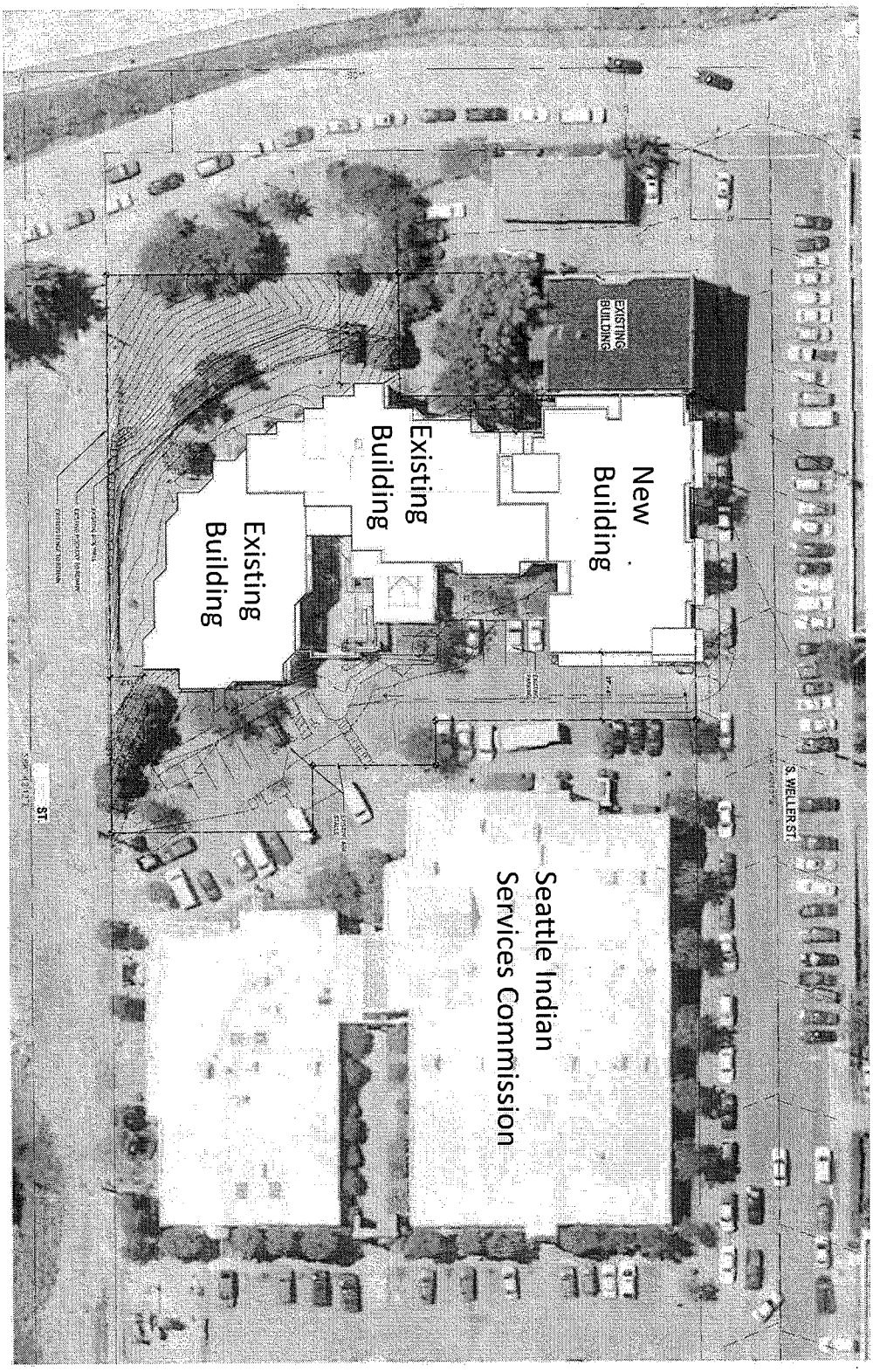
List attachments to the fiscal note below:

1. Current Leschi House Site Map
2. Proposed Leschi House Site Map

Thomas Mack
OH Leschi House ATT 1
May 9, 2013
Version #1



Thomas Mack
OH Leschi House ATT 2
May 9, 2013
Version #1



City of Seattle
Office of the Mayor

May 21, 2013

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am pleased to transmit the attached proposed Council Bill authorizing the lease of property from the Seattle Housing Authority (SHA) to Leschi House LLLP, a Washington limited liability limited partnership, an SHA controlled limited partnership that will own and operate the Leschi House.

SHA constructed Leschi House in the 1980's through the Seattle Senior Housing Program. Located in Seattle's Chinatown-ID area, the building currently contains 34 units. It is in need of repair and the adjacent parking lot offers the opportunity to add 35 units through new construction.

In order to accomplish the renovation and new construction, Council needs to approve the new ownership structure. Council approval of this transfer is required under the terms of the Housing Cooperation Agreement between the City and SHA for the Seattle Senior Housing Program. Transferring the property would enable the financing with federal tax credits and the rehabilitation of existing housing and the construction of additional housing. The new units would be included in the SSHP program and would serve households up to 60% of median income.

Council approved a similar approach used by SHA to rehabilitate another building in the SSHP portfolio in 1999 - the Ravenna School (Ordinance # 119424).

The Council Bill authorizes amendment of the Housing Cooperation Agreement between the City of Seattle and SHA to allow property transfers to facilitate continued use as low-income housing. Leschi House will be subject to a regulatory agreement ensuring the long-term affordability of the housing.

Thank you for your consideration of this legislation. Should you have questions, please contact Tom Mack at 684-0339

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
Office of the Mayor
600 Fourth Avenue, 7th Floor
PO Box 94749
Seattle, WA 98124-4749

Tel (206) 684-4000
Fax (206) 684-5360
TDD (206) 615-0476
mike.mcginn@seattle.gov