

The Human Services Commission approved these minutes on January 3, 2018

CITY OF BELLEVUE
HUMAN SERVICES COMMISSION
MINUTES

November 7, 2017
6:00 p.m.

Bellevue City Hall
City Council Conference Room 1E-113

COMMISSIONERS PRESENT: Vice-Chairperson Mercer, Commissioners Kline, Ma, McEachran, Oxrieder, Perelman

COMMISSIONERS ABSENT: None

STAFF PRESENT: Alex O'Reilly, Dee Dee Catalano, Christy Stangland, Department of Parks and Community Services; Arthur Sullivan, ARCH; Megan Adams, Imagine Housing

GUEST SPEAKERS: None

RECORDING SECRETARY: Gerry Lindsay

1. CALL TO ORDER

The meeting was called to order at 6:04 p.m. by Chair Villar who presided.

2. ROLL CALL

Upon the call of the roll, all Commissioners were present.

3. APPROVAL OF MINUTES

A. October 3, 2017

Commissioner McEachran called attention to the first paragraph under Staff and Commission Reports and said the first sentence should read "Commissioner McEachran reported that Congregations for the Homeless had a very successful luncheon on October 5."

A motion to approve the minutes as amended was made by Commissioner Oxrieder. The motion was seconded by Commissioner McEachran and the motion carried unanimously.

B. October 17, 2017

A motion to approve the minutes as submitted was made by Commissioner McEachran. The motion was seconded by Commissioner Perelman and the motion carried unanimously.

4. ELECTION OF VICE CHAIR

A motion to open nominations for Vice Chair was made by Commissioner Oxrieder. The motion was seconded by Commissioner Ma and the motion carried unanimously.

Commissioner Oxrieder nominated Commissioner Kline. The nomination was seconded by Commissioner Ma.

Absent additional nominations, a motion was made to close the nominations. The motion was seconded by Commissioner Ma and the motion carried unanimously.

The nomination of Commissioner Kline to serve as Vice Chair carried unanimously.

5. PETITIONS AND COMMUNICATIONS

Ms. Lalita Uppala, 5709 143rd Place, Director of the community program for India Association of Western Washington, reported that the organization has a small grant from the city of Redmond for the Cultural Navigator program. She noted that the number of India Americans from Bellevue have equaled and in some cases surpassed the numbers of those served from Redmond. The needs faced by the India American community closely match the needs being faced by many in community, ranging from requests from women to connect them with volunteering opportunities; senior citizens who are struggling to navigate transportation, healthcare and legal issues. Language is not necessarily a challenge for India Americans, but there are many challenges. The agency is present every Thursday at the North Bellevue Community Center thanks to the city, and at least 150 individuals come seeking assistance every week.

6. STAFF AND COMMISSION REPORTS

Hanna Kimball and Basal Tan introduced themselves as members of the Bellevue Network on Aging.

7. DISCUSSION

A. Affordable Housing, ARCH Overview

Arthur Sullivan with ARCH explained that the entity is technically an interlocal agency. At the recommendation of a task force in Bellevue and a group in Kirkland back in 1991, ARCH was formed to address housing issues. While a government

organization, ARCH is a voluntary organization. The founding members were Bellevue, Redmond, Kirkland King County, but the number of members has grown to include 15 cities in east King County. The organization focuses on housing, primarily affordable housing, and its oversight as an interlocal agency is by the member cities and King County. There is an executive board made up of the chief executives of the member cities. The various city councils must annually approve the ARCH work program and fund the budget.

Mr. Sullivan said ARCH helps cities do what they would normally undertake in the areas of housing and affordable housing, including planning and the development of policies and regulations to implement the policies. Cities can also provide direct assistance in the form of money and the donation of land. Once programs and affordable units are created, effort must be put into making sure they stay affordable; ARCH takes on the role of administrating various programs. Additionally, ARCH talks with the community about housing and affordable housing.

Back in 1991, the task force was asked what formal institutional structure would help the city of Bellevue address its needs for affordable housing. The group looked at a variety of approaches, including forming a housing authority focused only on Bellevue, forming non-profit organizations to take on the task, and broadening the scope beyond just Bellevue. The task force took into account escalating housing costs resulting from Bellevue's conversion from a bedroom community to a city with employment equal to the amount of available housing. Currently, the demand for housing far exceeds the number of jobs, both in Bellevue and in King County as a whole. Additionally, the workforce in Bellevue has steadily increased the diversity of the population.

The task force determined that by working together, jurisdictions could address relatively complex issues and create some efficiencies and consistencies in administration. There was no desire to create a new level of government, rather it wanted to see an organization that would supplement the existing governments and help them in their efforts. At the time, the Growth Management Act was brand new.

Commissioner McEachran asked how jurisdictions that are not currently engaged with ARCH can join the organization. Mr. Sullivan clarified that while ARCH began with only three member cities, all 15 cities in east King County are now members. Cities outside of east King County have asked to join, but they have been encouraged to create their own partnership.

Mr. Sullivan said he is a housing planner first and foremost. He said where a healthy housing market does not exist, dealing with affordable housing will be much more difficult. Most housing is provided by the private sector in the form of market-rate units. It is to the benefit of jurisdictions to have the market do as good a job as absolutely possible. What the market can provide, of course, is predicated on the regulatory procedures that set the conditions for the general housing market. In order to reach the moderate housing targets, the market needs assistance in the form of

incentives, regulations and financial support programs. Meeting low-income targets requires getting the public sector and other players more directly involved in providing direct assistance.

Land use regulations help impact the supply, diversity and relative affordability of housing. There are a range of housing type options that affect affordability. One example is very small apartments which on the Eastside have been created in multifamily zones. The market can provide units of that type that reach down to 50 or 60 percent of area median income. Pacific Inn in Bellevue was built in the mid 90s and has studio apartments that the city helped to fund in exchange for them meeting an affordability test. More recently private developers have been providing similar units on their own, particularly in Redmond and Kirkland.

Another example is regulation that specifically allows for encouraging senior housing. Bellevue has programs in which units under a certain size that are targeted to seniors more density is allowed and less parking is required. Bothell took a different approach in creating a senior overlay that has no density cap for senior units, provided the development is built to meet the height and setback requirements. Accessory dwelling units (ADU), sometimes called mother-in-law apartments, are examples of small rental units in single family homes. Almost all jurisdictions in east King County allow ADUs, which can allow seniors to remain in their homes and can help people with limited incomes given that the units are relatively affordable.

A couple of Eastside cities have started permitting cottage housing, which are multiplexes in single family neighborhoods. There are projects in both Redmond and Kirkland, though the market for them has not taken off due in large part to the strong market for large homes.

Commissioner Perelman asked why more micro apartments are not being built in Bellevue. Commissioner Mercer said she had the same question about cottage housing. Mr. Sullivan said both are part of the city's housing strategy. The other cities that have done it have granted developers significant reductions in parking. In Bellevue, where significant reductions in parking are allowed, there must be an affordability test. Bellevue has seen the construction of a number of studio apartments, but not the micro units.

Mr. Sullivan said land use incentives is the second strategy and tool. Under the tool, developers are incentivized to provide a percentage of units in a development at certain affordable rates in exchange for increased density in one form or another, reduced parking, increased height or permit fee waivers. In the 90s the city had regulations on the books that required the inclusion of affordable units in developments. The approach was in place for about four years before being replaced with a voluntary approach that is used in different ways in different neighborhoods. There are currently voluntary measures in place citywide that involve a one-to-one ratio, which is difficult for the current economics. In Bel-Red, Eastgate and downtown, there are base densities and the ability to get more density through the provision of

affordable housing. In Bel-Red, almost all projects are using the provision. There are now eight cities on the Eastside that have some form of rezone, mostly in their urban centers, that includes a linkage to affordable housing. Some have used the Bel-Red approach, but several have used a mandatory approach, including Redmond, Kirkland, Newcastle, Sammamish and Issaquah, and affordability ranges from 35 percent of area median income up to 80 percent of area median income through the programs.

Over the last five years, the impact of having an increased number of jurisdictions implementing programs has been a significant increase in the number of a wide range of affordable units, both ownership and rental. For 2017, close to 300 units will be created, which is far more than the 50 units or so created annually over the last few years. Kirkland has put together two different incentive programs, a density bonus and a property tax exemption, to achieve units at 50 percent of area median income.

Mr. Sullivan said ARCH in its administration role has developed covenants that are nearly identical city to city. The covenants require affordability for as long as the building exists. Contracts are signed, the building must submit reports annually, and information must be submitted on the rents being charged and the incomes of the residents of the units. ARCH is currently monitoring between 4000 and 5000 units in east King County for ongoing affordability.

Commissioner Perelman asked how people find out if apartment complexes offer affordable units. Mr. Sullivan said one way is by looking on the ARCH website where all of the units are listed. Given the current numbers, it could be that outreach efforts should be increased to places like the school districts. New large ownership projects having more than four or five affordable units must include in their marketing materials information about having homes priced at a certain level.

Ms. O'Reilly said human services staff get calls all the time about affordable housing and the callers are immediately given the phone number for ARCH. The Bellevue Network on Aging works collaboratively with ARCH to annually update the section for senior housing.

Commissioner Ma asked if ARCH's five staffers are able to keep up with the administrative work load. Mr. Sullivan said ARCH employs a very efficient administrative approach. The budget is determined and paid for by the member cities, and it would be up to them to determine whether or not additional staff are needed.

Mr. Sullivan said direct assistance is the third city strategy or tool. It is the tool used to reach all income levels, with a focus on 60 percent of area median income or less. Since ARCH began, a total of 3369 units have been achieved through direct funding, land donation and fee waivers. The units are consciously distributed between family, senior, homeless and special needs housing using specific long-term goals. While generally on the mark for each category, ARCH is ahead on providing homeless units

but behind on providing special needs housing. The data is checked from time to time, and the obvious conclusion is that the needs have not changed much relative to the various housing types. Of the nearly \$48 million allocated by ARCH since its inception, 40 percent has come from city general funds; 20 percent has come from federal CDBG funds; and 40 percent has come in the form of donated land, fee waivers and repayments of loans and grants. An additional \$450 million of other public and private funds have also flowed into projects.

The Eastside is a high-market area. That makes it very difficult to find opportunities. The value of having jurisdictions work together allows for pursuing the best opportunities wherever they are located. The approach also allows all cities regardless of size to provide assistance and to have an impact. The cooperative approach allows for leveraging other funds, to learn from each other, and to find efficiencies in administration. From the perspective of funders, the cooperative approach leads to stable organizations, the ability to grow and mature, better developers and owners, and overall more affordable housing.

Mr. Sullivan pointed out that in addition to new construction, preservation is a key strategy. Preservation can involve the purchase and conversion of existing market-rate housing to affordable units at different levels of affordability. It can also involve preserving privately owned but federally assisted housing.

Megan Adams said Imagine Housing is a developer, owner and manager of affordable housing projects, and noted that the organization works closely with its Supportive Services Department. She shared with the Commission an outline of the development process and said it is long and taxing and requires a lot of partners along the way. Imagine Housing began in a corner of St. Andrew's Lutheran Church in 1989 and has grown to where it is currently.

Ms. Adams said projects are financed with money from ARCH, King County, the state Housing Trust Fund and tax credits awarded by the Washington State Housing Finance Commission. The development process begins with a feasibility study that looks at where land is available, the history of the land, the needs in the community, what public funders are looking to fund, and the capacity to fund on a chosen site. If deemed feasible, the next step is to gain control over the land. Once that is secure the process of preparing applications begins, by which time there have been conversations with ARCH, King County and often the state to make sure everyone is on board.

Commissioner Perelman asked about the two projects that are in the works. Ms. Adams said there is a 91-unit senior project entirely affordable at 60 percent of area median income. Construction on that project is nearly done. The other project has 63 units and will begin construction in December. The organization has an ambitious goal of 500 units, which would double the current portfolio. Currently 1200 individuals are being served and the desire is to double that number within five years, all on the Eastside.

Commissioner Perelman asked what Imagine Housing supplements the skills ARCH brings to the table to make development happen. Ms. Adams said the developer must consciously act every day in reaching out to supportive services, asset management, ARCH and King County to discuss details as they arise. Developers generally do not talk to their asset managers, but that is partly why Imagine Housing works more as a community. Mr. Sullivan added that ARCH serves on the government side in the role of planning and financing; Imagine Housing serves as the developer and operator and is in it for the long haul.

Returning to the flow chart, Ms. Adams explained that if an application for funding is awarded, an additional application is made for tax credits. If those credits are awarded, loans are sought from the market and from groups that will buy the tax credits. The negotiations are extremely important. Mr. Sullivan added that each public funder will have its own agenda and vision of what it wants, which makes the puzzle even more challenging to navigate. Unless and until every piece is in place, a project does not move to the next step. One of the most important roles ARCH plays is the dynamic of getting other funders to say yes. Once ARCH sees a project is good and believes it should go forward, the organization helps traverse the maze with other funders. Ms. Adams pointed out that support from ARCH is key in convincing other funders to come on board.

Ms. Adams explained that the entitlement and permitting process is a very long step that overlaps most of the other steps. The step is followed with the process of financial closing, which entails aligning all of the funders and all of the contractors. After closing there is a transfer of funds to various groups and construction can begin. Construction can take up to two years depending on the size of the project. Prep and occupancy follows construction and involves opening the wait list, hiring staff and leasing the units. The wait list is always longer than the number of units, which means the asset management team must reject some applicants. Once up and running the long-term operations phase is ushered in. As buildings get older, refinancing loans is usually an option.

Commissioner Perelman asked if any of the loans are forgivable in time. Ms. Adams said permanent loans are hard debts that must be paid back no matter what. The public funders loans are soft debts and are generally contingent on cash flow. Depending on negotiations, those loans can be deferred for 15 years or may require payment right away.

Commissioner Perelman asked if it has become more difficult to secure funding for affordable housing projects over time. Mr. Sullivan said the biggest shift has been away from smaller projects to larger projects. Imagine Housing no longer wants to address projects of less than 50 units. Development with transit-oriented development is a far more expensive building type than was around 25 years ago. The move to larger projects means there are fewer projects competing for essentially the same resources.

Commissioner Kline asked what the relationship is like with private developers. Ms. Adams said the relationships are not always bad and there are good people out there who are developers. To be fair, developers take on extremely large loans, which represents a huge risk for them. It only makes sense for them to secure the projects with the least amount of risk involved, and that generally means wanting the highest rents possible. One of Imagine Housing's largest projects in the pipeline that is currently seeking funding is partnered with a market-rate developer. Their preferences are often complex, and most of them have specific missions in mind. The trick is in identifying the market-rate developers who have missions that are similar to those of Imagine Housing.

Mr. Sullivan said there are two words he always keep in mind in doing the work he does. The first is stability. Stability is critical to working with and respecting the needs of the community. In working with the development community, the word is risk. The efforts to preserve affordable housing units have required working with owners. Understanding their world is critical. There are a wide range of players that affect housing in the community, ranging from neighbors to landowners and bankers. More times than not, their primary mission and value is contrary to the concept of affordable housing, which makes it difficult to get people to say yes. Agreements cannot be reached by ignoring their primary values, rather it is necessary to learn how to work with their primary values and get them to realize your project will not harm them and may in fact enhance them. When it comes to developing affordable housing on the transit-oriented development sites in the city, it is going to be necessary to be very good at conveying value to market-rate developers. They usually want to help, but they must deal with their risk issues.

Commissioner McEachran thanked Mr. Sullivan for his presentation that highlighted the amount of collaboration needed in bringing affordable housing to fruition. He said having the fuller picture will serve the Commission well in moving into another funding cycle.

8. DISCUSSION

A. Human Services Funding Process Rating Tool

Grant Coordinator Dee Dee Catalano sought from the Commissioners their thoughts on what they believed would and would not be useful in scoring or otherwise rating applications. She allowed that different cities use different rating tools, and pointed out that all of them are currently in the process of revamping them. The upcoming funding cycle will involve a new application with a new vendor called WizeHive.

Ms. Catalano said it was clear after the debriefing session undertaken following the previous funding cycle that there were many things the Commission did not like about the rating tool that had been used.

Commissioner Mercer said it was her recollection that because of the way the points were awarded on the scoring sheet, everything was equal and the final numbers really meant nothing.

Commissioner Oxrieder said she recalled being very relieved during the last cycle when the Commission as a whole decided not to use the scoring sheet.

Ms. Catalano said some cities use their rating tools as simply a first swipe intended to generally highlight the good, bad and otherwise applications. The tool is generally used to rank applications but is not used for making funding decisions.

Commissioner Ma agreed with keeping it simple, and with not necessarily publishing the rating numbers generated by individual Commissioners.

Ms. Catalano asked if a rating based on something other than numbers would be helpful.

Commissioner McEachran said it is necessary to live through a funding cycle in order to understand the process. He said the practice of breaking up the Commission into teams to review the applications creates a good mentoring system and an approach that goes beyond mere quantifying. Collaboration among the Commissioners is always at a very high level, and the reflective approach used bodes well for being good stewards of the city's dollars. He said the rating tool as used in the past has not been helpful or a good use of time.

Commissioner Mercer pointed out that the rating sheet was handed to the Commission during the last funding cycle. If a rating sheet were to be used during the upcoming cycle, the Commission would need to take the time necessary to review and revise the scoring sheet to where everyone agrees with it and how it will be used. She said if there is no appetite to take that approach, the tool will not be at all useful. Previously, the Commission had a deeper conversation on the application and trying to get to a joint set of metrics, only to realize that when the agencies tried to tell their stories, the metrics did not line up, leading to the use of random metrics rather than what was needed to outline their programs.

Ms. Catalano said the change in vendor has thrown things for a loop. For one thing, there will be no opportunity to change the questions on the application. There will be opportunity for the Commission to include supplemental questions, but not on the application.

Commissioner McEachran said he liked the notion of mentoring and suggested it would be helpful for the staff to provide the Commissioners with some of the grant requests from the previous funding cycle, possibly a really good one, a really difficult one, and one where the Commission was just not sure what to do with it, and use them as case studies. Ms. O'Reilly said she would make that happen and said she would include the staff reports. Commissioner McEachran said he also retains the

meeting minutes for every funding cycle and refers back to them to highlight some of the questions raised based on the goals and the data from the Needs Update.

Ms. O'Reilly stated that during the two meetings in January the Commission will work through a process that will create the narrative in the supplemental. The Commission will at that time suggest several focus areas.

Commissioner McEachran suggested including the chapter from the Comprehensive Plan on Housing and Human Services.

Commissioner Kline said a rating tool could be useful if it included a simple yes, neutral or no approach. She added that it would have to be developed with the application in hand. It would take time to create and use the tool, however. Ms. Catalano suggested there will not be time in which to create such a tool because the application and its format is being finalized because of the new vendor. It might be possible to work on a rating tool during the next cycle when the new format is finalized.

Commissioner Mercer said any rating tool would need to be simpler, tied to the actual application, and subject to a discussion of how it should be weighted.

9. OLD BUSINESS

Human Services Planner Christy Strangland informed the Commissioners that the first copy of the reformatted Needs Update was received by staff earlier in the day. Staff is working through the process of reviewing it and making some edits relative to formatting and correcting typos. The document will be finalized on November 15 and go out in the mail on November 16. There are two infographs that will not be ready for inclusion in the first release. Additionally, the overview and the homelessness chapter have not yet been created; copies of them will be made available to the Commission as soon as they are ready. The final copy of the Needs Update will be ready to be mailed out in mid-December, and will be presented to the Council in January.

Ms. Strangland updated the Commissioners with regard to touring Jewish Family Services on November 13. She said she is still in the process of scheduling a tour of Hero House in early December and Eastside Legal Assistance Program in January.

Ms. Strangland said the memo regarding Councilmember Robinsons' questions has not been finalized. Once it is completed, the Commissioners will be provided with copies.

With regard to the training on the Open Public Meetings Act and on public records, Ms. Strangland said she had information available for the Commissioners who had not been able to attend the session. She said one of the biggest things the Commissioners need to avoid is replying to all where emails are circulated because that could be considered a quorum.

Ms. Catalano informed the Commission that the city passed the CDBG timeliness test. She also informed the Commission that the 2018 CDBG funding recommendations were presented to the City Council on November 6. A few questions were asked but there were no concerns voiced. The Council will act to approve the recommendations at a future meeting. Next year, unallocated funds will be brought to the Commission for a funding recommendation. There will be unspent funds due to \$400,000 in 2017 program income which needed to be spent on eligible activities first before the entitlement from HUD could be spent.

Ms. O'Reilly said the vacant Commission seat has been advertised through the City Clerk's office. The 17 applications received have been bound into a book for Councilmember Robinson, Commissioner Mercer and staff to review. A decision will be made about which applicants to interview and then Councilmember Robinson will make the final decision. Hopefully the new Commissioner will be appointed in time for the first meeting in January.

10. NEW BUSINESS

Ms. O'Reilly commented that the Commission used to have a liaison from the police department attend meetings fairly regularly. Major John McCracken has been tapped to serve as the new liaison and he will attend the November 21 meeting to introduce himself and to talk briefly about some of the programs and innovations happening in the police department.

11. PETITIONS AND COMMUNICATIONS – None

12. ADJOURNMENT

A motion to adjourn was made by Commissioner Kline. The motion was seconded by Commissioner McEachran and the motion carried unanimously.

Commissioner Mercer adjourned the meeting at 8:08 p.m.

Secretary to the Human Services Commission

Date

Chairperson of the Human Services Commission

Date