

Housing Committee

City of Leavenworth Zoom Meeting

3:30 – 4:30 PM

September 28, 2021

<p><u>Members:</u> Mia Bretz* Sharon Waters Zeke Reister</p>
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Agenda Items:

1. Mayor's Update (10 minutes)
2. ADU Construction Plans Review of Draft Plans – Consultant (30minutes)
 - a. ADU Construction Plans – option to use for affordable housing with reduced connection fees (note, not required to have separate connection fees)
 - i. Criteria for defining affordable
 - ii. Criteria for use of reduction/ waiver
3. Review of Affordable Housing RFQ response (30 minutes)
4. Future Agenda Items
 - a. Consider removing Financial Policy #5Capital Investment Budget Policies
 - b. Suggestions

Committee Goals:

- a. *Initiating a discussion regarding the collaboration on regional housing issues and potential regional solutions.*
- b. *Exploring possible funding options for assistance of work force level housing.*
- c. *Reviewing and monitoring the implementations of municipal code language as it is developed and approved via the City Council and Planning Commission. The Committee shall evaluate the effectiveness of implementation of the code language.*

**Chairperson*

Audio recording available upon request for 90 days

Examples of local governments with reduced infrastructure fees includes:

- [**Kirkland Zoning Code Sec. 112.20**](#) — Kirkland is an example of a community that uses *several* different types of fee waivers and exemptions. The code includes dimensional standards modification as well as reduced fees for road and/or park impact, and eligible planning, building, plumbing, mechanical, and electrical permits.
- [**Pierce County Municipal Code 18A.65.040**](#) — Offers financial incentives, including the waiver of infrastructure fees, for the construction of affordable units. (e.g., If 20% of units are affordable to low-income households, the development is exempt from park impact fees).
- [**Port Townsend Municipal Code 13.03.110**](#) — Allows for deferral payment of system development charges for water and sewer for low-income housing.



CITY OF
LEAVENWORTH, WA

REQUEST FOR PROPOSALS (RFP) OWNER OCCUPIED WORKFORCE HOUSING

DUE DATE:

July 30, 2021 - 5:00 PM

AVAILABLE FUNDING

FY 2021: \$ 200,000

FY 2022: \$ 200,000

CITY OF LEAVENWORTH

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OVERVIEW

The City of Leavenworth seeks one or more proposals to produce model new workforce and affordable housing units for purchase. Available City funds are \$200,000 in 2021 and \$200,000 in 2022 for a total of \$400,000 under this RFP. The overall goal for this funding is to demonstrate the ability to build workforce and affordable housing units for purchase and thereby to increase ownership of workforce housing.

Eligible projects must directly support creation of new affordable workforce housing units to be purchased by eligible individuals and families.

Projects/activities may include but are not limited to:

New construction or redevelopment including remodels and conversions for new units.

About Leavenworth, Washington

The City of Leavenworth (population 2,080) is located on the eastern slopes of the Cascade Mountain Range in the upper reaches of the Wenatchee River Valley in Chelan County, Washington. Leavenworth is 118 miles east of Seattle and 22 miles northwest of Wenatchee on U.S. Highway 2. Housing affordability in Leavenworth is shaped by the local tourism economy and the desirability for second homes as well as the needs of the local residents and workforce. Although tourism and recreation are important to the economic sustainability of the area, the external pressures it places on the local housing market results in upward rents and housing prices.

The City of Leavenworth has studied the community's housing needs for several years. A Housing Task Force was established in 2016 and a Housing Needs Assessment was conducted in 2017.

In 2021, the City completed a Housing Action Plan (HAP) which outlined specific recommendations based on the identified housing needs to facilitate housing choices. The Housing Action Plan concluded, in part, that the City needs to increase the variety of housing types at prices which meet a greater range of income levels. This RFP seeks proposals to demonstrate the feasibility of building and selling such housing types.

City of Leavenworth Housing Objectives

Parties responding to this RFP are encouraged to review the City’s Housing Action Plan and Cascade Medical Center’s Community Health Needs Assessment since each are integral to this RFP’s objectives.

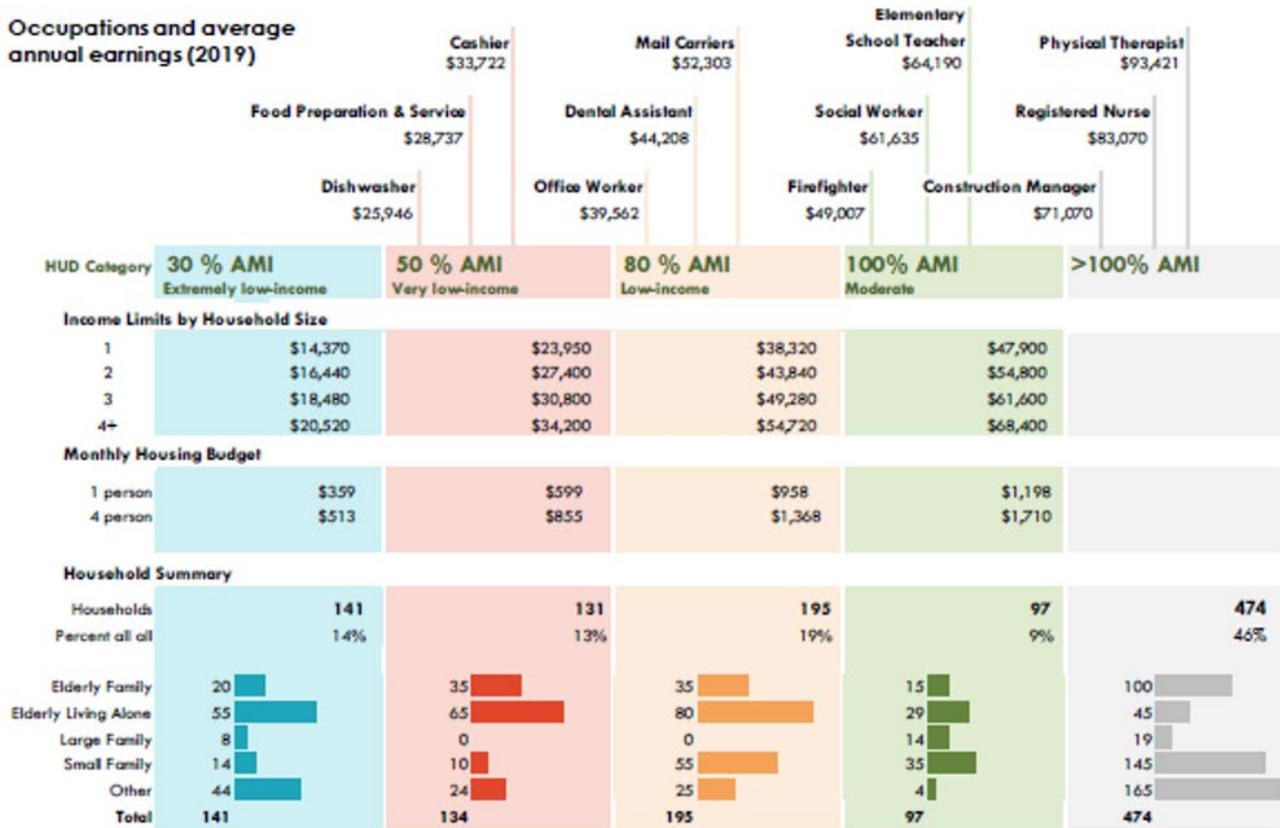
The Community Needs Assessment indicates that affordable housing is often the single largest expenses for a family and that such cost burden forces a household to forgo other essential services such as health care. This document can be found [here](#).

The Housing Action Plan lists four objectives. Objective #2 is the target for this RFP:

1. Increase housing production and more housing supply. While population and housing stock have been stable, job creation has increased resulting in more workers commuting to Leavenworth.
2. **Increase homeownership opportunity. Housing prices have risen 73% since 2010, significantly higher than the 18% increase in income over the same period, making homeownership increasingly out of reach for many. The Housing Action Plan notes that more diverse ownership options at lower prices would address the need for more homeownership opportunities for moderate income households, 80% and above AMI.**
3. Increase long term rental housing available to lower-income workers and residents. About 27% of Leavenworth’s households rent their homes and earn low- incomes, defined as less than 80% of the area median income. The needs assessment finds an undersupply of rentals affordable to lower income households
4. Increase aging in place housing. Many of the community’s low-income households include persons age 62 or older. Opportunities for older adults to downsize frees up existing housing for other long- term residents. However, many of the condominiums, smaller housing units, are located in the commercial areas of town and are used as vacation rentals. Additional housing suitable for older adults in the residential areas is needed.

The HAP provides a wealth of information on the household demographics, some of which is highlighted below.

Exhibit 11. Income Categories relative to Area Median Income, Chelan County, 2019



Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics (2018); HUD CHAS (based on ACS 2012-2016 5-year estimates); Washington State Housing Finance Commission (2020)

TARGET POPULATION

The city defines affordable housing as “residential housing that is rented or owned by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household’s monthly income...low-income owner households are defined as households with incomes of 80 percent or less of the county median family income, adjusted for family size.” **The model projects sought here should target workforce ownership population at 80% - 120% of AMI.**

MODERATE INCOME HOUSEHOLDS (80% TO 100% OF AMI)

Moderate income households earn between 80% and 100% of AMI and include households that provide many of the critical community services (schoolteachers, social workers, firefighters). Many housing programs directed at “workforce housing” target this income category.

The housing budget at this income range is between \$1,198 and \$1,710 per month. This income is served by the low-end of market-rate housing, provided the household does not have a special housing need. About 9% of Leavenworth’s households fall into this category. Proportionately more of these households include larger families (14%) than the other income groups.

ABOVE 100% AMI

Slightly less than half of Leavenworth’s households (46%) have incomes greater than the county median income. Under normal market conditions and foregoing any special housing need, households in this income category are typically served by the private market.

Evidence of capacity to provide Affordable Housing to families and individuals between 80-120% of AMI is required.

Applying for City Funds

Eligible applicants may be:

- 501(c)(3) non-profit or private housing development organizations
- Licensed private developer/builders
- Community Land Trusts
- Equity Funds
- Philanthropy
- Collaboratives that demonstrate capacity to advertise housing opportunities, educate buyers and manage eligibility.

Application Review & Selection Process

Send submittals electronically to Lilith Vespier, Development Services Manager at dsmanager@cityofleavenworth.com. City staff will review applications to ensure they are complete and responsive to the RFP. Incomplete submittals will not be reviewed.

If deemed complete, staff will prepare an analysis for each proposal. The complete application and staff analysis will be provided to the City Council Housing Committee which will hold interviews with selected firms during a regularly scheduled Housing Committee meeting. During the interview firms will present their proposal and answer questions from the Committee and Mayor.

Following interviews and deliberations, the Housing Committee will make recommendations to City Council. The City Council is the final decision maker on funding allocations.

Proposal Requirements

Each applicant shall provide the following items:

HOUSING NEEDS AND PRIORITIES

Documentation of what level of Affordable Housing will be provided (target AMI), including analysis of how the AMI is defined and determined. Each proposal will provide a narrative and supporting analysis demonstrating how it fulfills the Housing Action Plan and the CMC Community Health Needs Assessment.

(limit: 2 pages)

RETENTION OF AFFORDABILITY

A narrative of the strategy for retaining affordability retention period and documentation of the proposed period of affordability. A market analysis showing targeted buyers and willingness to abide the retention period should be included.

(limit: 2 pages)

COLLABORATION AND FINANCES

Documentation of project partners and of financing or capital for the project. A minimum of two years of income statements must be supplied together with a balance sheet for each project partner. (limit: 4 pages)

PROJECT READINESS AND MANAGEMENT

Provide documentation of site control (ownership or agreements to lease or purchase the site property). (limit: 2 pages)

PROVIDE PROJECT PLANS.

Provide a complete application for the project of document how the project will meet the City regulations, (zoning and development regulations) and the Comprehensive Plan.

Depending on how affordability will be retained provide documentation of ongoing project management. (limit: 8 pages)

COMMUNITY IMPACT (UNITS)

List the number of units proposed and the requested funding amount.

If the project is for a special needs population or families provide a narrative for support services and key linkages. (limit: 2 pages)

EVALUATION CRITERIA

The Housing Committee and Mayor's Office staff will evaluate proposal on the criteria below. The highest rated proposal, if all criteria are satisfied, will receive a score of 100 points. Final selection and the amount of award will be made by the City Council.

	Maximum Points
1. Target Populations	
Greatest number of units	10
80% -120% AMI	5
Resident children	5
Character of need and services	5
TOTAL POINTS AVAILABLE UNDER CRITERIUM 1	25
2. Retention	
Terms of Occupancy	5
Method of Eligibility	5
Property Common Area Maintenance Plan	5
Duration of Project Affordability covenant	10
TOTAL POINTS AVAILABLE UNDER CRITERIUM 2	25
3. Financial and Community Assessment	
Amount and proposed source of private funds	3
Funding approval	3
Investor capital and unrestricted donations	3
Total cost, cost per unit, cost per square foot	3
Work Equity or down payment	3
TOTAL POINTS AVAILABLE UNDER CRITERIUM 3	15
4. Readiness	
Property (land and/or structure) owned or under contract	4
Under contract to build	2
Projected date for Certificate of Occupancy	4
TOTAL POINTS AVAILABLE UNDER CRITERIUM 4	10
5. Applicant	
Experience to construct project	2
Experience of finance project	2
Experience to manage project	2
Experience to maintain project	2
Quality of Management and Maintenance Plans	2
TOTAL POINTS AVAILABE UNDER CRITERIUM 5	10
6. Impact	
Access to transit, services and jobs	6
Projects not concentrated in one location	3
Multi story or unit, zero lot line, other	3
HOA and or community amenities	3
TOTAL POINTS AVAILABLE UNDER CRITERIUM 6	15
TOTAL POINTS AVAILABLE UNDER ALL CRITERIA	100

Evaluation Criteria

FUND AVAILABILITY

All funding is based upon the current city budget. If the budget is changed, no awards may be made. The City reserves the right to make NO awards under this Request for Proposals. City assumes no liability to proponents, awardees, their contractors, or agents that funds will be available.

FUND RECOVERY

In the event awarded funds are not used in a project the funds will be recovered and returned to the City.

EXTENSIONS AND WAIVERS

Award agreements may be extended at the City's discretion upon written request of the awardee. The City has the discretion to waive all or certain conditions to an award. The extension or waiver request must provide evidence of unforeseen circumstances and adequate progress in achieving the desired outcomes.

DISCLAIMERS AND DISCLOSURE

This RFP is not a commitment or contract. The City of Leavenworth reserves the right to pursue all ideas generated by this request, alter timelines, amend or retract the RFP, and/or reject any submissions. Upon delivery, all proposals and related materials become the property of the City and under state law will become public records subject to public disclosure unless specifically exempted.

The applicant recognizes and agrees that the City will not be responsible or liable in any way for any losses that the respondent may suffer from the disclosure of information or materials to third parties, nor for any use of information or materials by third parties.

All preparation costs and related expenses are at the sole risk of the applicant. No applicant shall have any claim against the City for costs incurred in responding to this RFP or in any negotiations, modifications, presentations, or other actions to secure a contract for transfer of funds. Unless and until a contract has been duly authorized by ordinance and signed by the City and the applicant, the City shall retain the right to terminate the RFP process.

1. HOUSING NEEDS AND PRIORITIES:

Why SHARE Community Land Trust?

Since 2001, SHARE Community Land Trust (CLT) has been the leading affordable homeownership developer and manager in the Upper Wenatchee Valley. SHARE CLT is a program of Upper Valley MEND (MEND), a well-established and well-supported human-services organization that serves one in five people living in the Cascade School District (CSD) each year in the areas of housing, healthcare, hunger and emergency assistance.

Since 2001, SHARE CLT has built, sold and stewarded 20 homes in two Leavenworth neighborhoods – Alpine Heights and Aldea Village. These homes are successfully managed under the CLT model, where homeowners purchase the home and MEND holds the land in trust. SHARE CLT has transformed the lives of 32 families who have been able to purchase a high-quality home at an affordable price.

SHARE homes have resold 12 times, and each time MEND has ensured the home is resold to another local buyer at an affordable price. MEND staff have experience recruiting homeowners in the target income levels by working directly with target buyers and leveraging community partnerships to advertise. We assist buyers and sellers to ensure a successful process. Over 20 years, we have seen the happiness and empowerment that homeownership brings families who are employed locally and whose children grow up in the Cascade School District.

Our partnership will build three new homes on Cedar Street:

The partnership between Borealis Builders, MEND and the City of Leavenworth will add three new homes to Leavenworth that will be permanently affordable to the local workforce - those earning between 80 and 120 percent of Chelan County's area median income (AMI). Area median income is defined annually by U.S. Department of Housing and Urban Development (HUD), which sets median income numbers for each county in the country. In 2021, workforce housing was defined by Leavenworth City Council as housing for people who earn between 80 percent and 120 percent of AMI. This range of incomes captures the workforce providing essential community services, including office workers and mail carriers, firefighters and elementary school teachers, physical therapists and registered nurses (Exhibit 2, HAP; Berk 2021).

	Chelan County AMI by household size							
	1 person	2 people	3 people	4 people	5 people	6 people	7 people	8 people
80% AMI	\$ 39,950	\$ 45,650	\$ 51,350	\$ 57,050	\$ 61,650	\$ 66,200	\$ 70,750	\$ 75,350
120% AMI	\$ 60,000	\$ 68,520	\$ 77,040	\$ 85,560	\$ 92,520	\$ 99,360	\$ 106,200	\$ 113,040

The City of Leavenworth's Housing Action Plan (HAP; Berk 2021) calls for increased affordable homeownership opportunities in Leavenworth. Cascade Medical Center's Community Health Needs Assessment (CMC CHNA; Berk 2019) lists secure and affordable housing as an important factor in child and family wellness and equity for neighbors on poverty and the working poor. To meet its 2040 growth targets, Leavenworth needs an estimated 80 units of new housing by 2040 (City of Leavenworth Comprehensive Plan 2017). The recent Leavenworth Haus development added 200 rental units, but did not address the need for affordable rentals or affordable homeownership. Rents range from \$1,040 for a studio apartment to \$1,895 for a 2-bed 2-bath apartment, unaffordable to the local workforce. The Cedar Street Workforce Housing Project will add three permanently affordable homes to the SHARE CLT by 2023.

Target group for Cedar Street Workforce Housing Project:

Local households earning between 80 percent and 120 percent of AMI have the greatest need for entry-level homeownership. According to the City of Leavenworth Needs Assessment (Needs Assessment; Berk 2020), the housing budget for moderate income families at 80 – 100 percent AMI for a 4-person household ranges from \$1,198 to \$1,710 per month based on an income range of \$54,720 to \$68,400. The current average annual price for a single-family residence is \$565,233, requiring an annual income of \$120,266 to be affordable, 173 percent AMI for Chelan County. Entry-level homeownership options, such as condos, with an average selling price of \$359,977, require an annual income of \$76,593, or 112 percent of AMI.

Many in the Leavenworth workforce cannot afford to live where they work due to the lack of affordable housing. The Needs Assessment (Berk 2020) notes that an increasing number of people are commuting into Leavenworth for work, based on job growth out-pacing population growth. In 2017, 88 percent of Leavenworth employees lived outside the city, up from 84 percent in 2010. The high cost of housing in Leavenworth puts homeownership out of reach for Leavenworth’s workforce, especially for first-time homeowners who have no equity from a current home to put towards a new home. The Cedar Street Workforce Housing Project begins to address this issue.

MEND’s surveys and interviews with homeowners and community residents also supports the need for entry-level homes for 80 percent-120 percent AMI buyers. MEND’s existing SHARE CLT homes serve households earning under 80 percent AMI. Often, prospective applicants, including many in essential services, earn just above 80% AMI – not nearly enough to even consider purchasing a home on the open market. These families are ready for homeownership – they have good credit, a down payment saved, and stable jobs. They just don’t have the income to purchase a market-rate home.

Cost of the Cedar Street Workforce Housing Project:

The Cedar Street Workforce homes will be priced around \$250,000, affordable for a 4-member household earning 100 percent of AMI. This assumes: 1) the household will spend 30 percent of their gross income on housing, including utilities (\$403/month for water and sewer, electricity, garbage, internet and CLT fees); 2) 5.5 percent mortgage interest rate assuming interest rates will rise from current historic lows; and 3) the buyer will pay cash for closing costs but will finance the entire purchase price of the home, an industry standard assumption to conservatively price the homes.

Pricing assumptions

Household size	4 person household
AMI level	100 percent AMI
Household income	\$71,300
Max monthly housing payment (30 percent of income)	\$1,661
Interest rate	5.5 percent
Down payment	Closing costs only
Affordable price	\$247,000

2. RETENTION OF AFFORDABILITY:

Permanent affordability is a key component of the SHARE CLT model. This ensures community investment is maintained over the life of the home and multiple households will likely benefit from community investment in one unit over time. SHARE CLT has a 20-year history of ensuring ongoing affordability of the homes over multiple resales. MEND commits to keeping these homes affordable for at least 50 years, preserving and protecting the purpose for which public funds were used.

Terms of Occupancy:

SHARE CLT homeowners can own and live in their home as long as they choose. The home must be their primary residence. Homeowners sign a ground lease outlining what can and cannot be done with the home. Their income can, and will likely, change during the time they live in the home, and they do not need to continue to earn less than 120 percent AMI to continue owning the home. Homeownership can provide the stability an individual needs to find a higher paying job or get a promotion, and we celebrate when SHARE CLT homes are the platform from which homeowners build more stability in their lives.

Method of Eligibility:

The three Cedar Street homes will be part of SHARE CLT. Applicants must meet the following eligibility requirements:

1. Earn less than 120 percent AMI for their household size.
2. Have no more than \$15,000 in qualified assets that they will not put into the purchase of the home.
3. Have lived or worked in the Upper Valley for at least one year of their lives.
4. Not own another home.

SHARE will hold an open application process in early 2022. Qualified applicants will be prioritized based on SHARE's policies. Details for the application process will be finalized in early 2022.

The Cedar Street Workforce Housing Project homes will be 3-bedroom, 2.5 bath. MEND's policy prioritizes selling CLT homes to households with between two and six members, based on a formula of household size to bedrooms. We cannot favor households with children due to fair housing laws; however, the homes are sized for families and we prioritize household sizes that would cover most families. The focus is for these three homes to serve local families, as defined through the application process.

Owning a SHARE CLT home is different than market-rate homeownership, so education is important for prospective applicants. An initial orientation explains the difference between renting, and market-rate and CLT homeownerships, followed by an application packet requiring their complete financial picture to ensure they meet the CLT's qualification criteria.

Applicants also must interview with MEND staff. MEND talks with the applicant about their individual situation and addresses any concerns with their application. Simultaneously, the applicant works with lenders to get preapproval for loans.

Since inception, 32 homeowners have owned the 20 homes in SHARE CLT. Up-front education and assistance during the sale process has ensured willingness to abide by the resale restrictions – no homeowners have attempted to sell their home on the open market. Given the difference in price

between a CLT home and an open-market home, we will not have difficulty finding buyers who agree to the resale restrictions on the home.

Property Common Area Maintenance Plan:

Unlike MEND's other two CLT neighborhoods, the Cedar Street Workforce homes will not have a common area. MEND will own the lots and lease them to the homeowner. The lease transfers all rights and responsibilities of lot maintenance to the homeowner. Details of the leased lot agreement are outlined in the ground lease.

Twenty years of CLT stewardship experience suggests that CLT homes should fit with the neighborhood's character. Cedar Street is characterized by homes on individual city lots on a city street. The Cedar Street Workforce Housing Project will fit harmoniously with the existing neighborhood.

Duration of Project Affordability Covenant:

MEND will ensure that the Cedar Street homes remain affordable for no less than 50 years from the time they are built. The 50-year commitment is consistent with the Growth Management Act and other grant funding for projects from state and federal sources. Consistent with Upper Valley MEND's mission, 50 years is a minimum and SHARE intends to steward these affordable homes over their full lifetime.

Affordability is maintained over the course of resales of the home. The original homeowner is offered the home at a price much lower than the open market, \$250,000, in exchange for agreeing that when they sell, they will sell for a price that is affordable to a buyer earning a similar income in the future.

SHARE CLT retains ownership of the land and leases the lot to the homeowner for an affordable price, currently \$25/month for SHARE's existing CLT homes. The homeowner signs a ground lease at the time of purchase. One of the main components of the ground lease is the resale formula, which outlines how the future sales price will be calculated when the homeowner decides to sell their home.

SHARE's resale formula uses a wage-based approach. As wages in Chelan County increase, home values increase at this same rate. For example, if AMI increases 10 percent over the time a homeowner owns their home, the home will appreciate 10 percent. Depreciation and damage are also calculated at resale to preserve affordability, and each homeowner pays into a maintenance fund for the home during the time they own it (see Section 5 under Management and Maintenance Plans for details). In this way, the homeowner builds equity in the home over time through appreciation (area incomes rising) and paying down their mortgage, but also allows the home to continue to be affordable over the long term. A wage-based approach means the home will always be affordable to households in the same earning category.

This model has served SHARE well over the last 20 years. SHARE's first homes were built in Alpine Heights in 2001. At that time, homeowners purchased their homes for \$112,000. In 2021, those same homes have an estimated resale price of around \$200,000, depending on upgrades and depreciation. This increase over time has allowed the original homeowners to build equity in two ways – paying down their mortgage, and adding equity through appreciation. The \$200,000 resale price is also affordable for a similar wage-earner to purchase today.

No matter the number of resales, MEND uses the same formula and calculations to ensure the home's affordability is preserved over time and community investment is maintained over subsequent homeowners.

3. COLLABORATION AND FINANCES

MEND, Borealis Builders and the City of Leavenworth are the project partners for the Cedar Street Workforce Housing Project. Due to the high cost of market-rate housing in Leavenworth, all project partners will be contributing funds to bring these homes to a price point local families can afford: \$250,000 per home.

Project Partners:

Upper Valley MEND:

MEND is an independent human services organization serving the CSD region. With a yearly budget of \$1.3 million, MEND serves roughly one in five individuals who live within the CSD boundaries each year in the areas of food, housing, healthcare or emergency assistance. Our housing programs include SHARE CLT and our rental and utility assistance program, which helps people pay bills in times of crisis. MEND was founded in 1988 and has since grown into a healthy, sustainable organization with a long-term vision, dedicated board, and cash reserves to ensure organizational sustainability into the future.

Borealis Builders:

Borealis Builders was founded in 2008 and is owned by Kyrial Dreis and James Wiley. Borealis both designs and builds custom homes and buildings, a business model that is unique in the area and allows the team to bring construction knowledge into the design process and design knowledge into the construction process. Borealis has significant experience in construction, financing, and management of home construction projects, and is one of the premier home developers in the Upper Wenatchee Valley. They regularly work on projects within the City of Leavenworth and have experience working with city planning staff and inspectors. MEND has an existing relationship with Borealis as they donated construction labor to renovate the new space for Das Thrift Haus in 2018.

Borealis builds an average of six custom homes per year and employs 10-12 local builders on their staff. Notable projects include the Copper Notch Lodge rebuild, the top shack at Stevens Pass on Seventh Heaven chairlift, and Mountain Sprouts Community School at Tierra Learning Center.

Kyrial and James both grew up in the Upper Valley and have watched as many of their fellow community members and friends have been priced out of the market and moved away. The Cedar Street Workforce Housing Project was born from their vision of offering three homes to local community members at cost, as a way of making an impact on the housing crisis in their community.

Amount and Proposed Source of Private Funds:

	One home	Three homes
Market price	\$725,000	\$2,175,000
Borealis Builders donation (in-kind)	\$148,000	\$444,000
Upper Valley MEND donation	\$166,667	\$500,000
City grant	\$133,333	\$400,000
City waiver of fees and utility extensions (in-kind)	\$27,000	\$81,000
Cost to buyer	\$250,000	\$750,000

Funding Approval/ Investor Capital and Unrestricted Donations:

In 2021, 10 homes have closed or are pending sale in the Leavenworth area, with an average price/square foot of \$397.44. At this price/square foot, the Cedar Street Workforce Project homes would be listed on the open market for \$725,000.

Borealis Builders is willing to sell the homes at cost for \$550,000, which will cover the costs of labor and materials while still making a considerable in-kind donation to the community. See attached Memorandum of Understanding for details.

To finance the project, Borealis Builders will apply for a construction loan in the fall of 2021, with the intention of breaking ground in April 2022. Borealis Builders has a strong working relationship with Cashmere Valley Bank and has secured construction financing before.

The MEND board of directors approved up to \$166,667 per unit or \$500,000 in total to be allocated towards this project. MEND has two sources of funding for the Cedar Street Workforce Housing Project. The first is proceeds from the sale of a MEND property. The sale is expected to close in November, 2021 and the MEND board has agreed to allocate up to \$300,000 in proceeds from the sale towards the Cedar Street Workforce Housing Project. An additional \$200,000 would come from MEND’s unrestricted cash reserves.

Along with \$400,000 in grant support from this RFP, MEND and Borealis Builders request that the City of Leavenworth provide the following in-kind donations to make this project possible:

	Per unit cost	Total project cost
Water hookup fee waiver	\$6,000	\$18,000
Sewer hookup fee waiver	\$5,000	\$15,000
Building permit fee waiver	\$6,000	\$6,000
Waterline extension	\$10,000	\$30,000
Total	\$27,000	\$81,000

Water hookup, sewer hookup and building permit fees are all standard for a development project. The City of Leavenworth has approved grant funding to cover these fees in the past, for example Resolution 18-2019 in support of rehabilitation and expansion of Garten Haus apartments. MEND requests that these waivers be available for the Cedar Street Workforce Housing Project.

The waterline extension refers to the mandatory extension of the city’s waterline on Cedar Street, which currently dead ends in front of the two neighboring properties (parcel #: 241701490045 and 241701490070). For this project to be possible, the water line must be extended.

Total Cost, Cost per Unit, Cost per Square Foot:

Construction cost breakdown:

	One home	Three homes
Lot cost	\$100,000	\$300,000
Construction cost	\$450,000	\$1,350,000
City fees, utility extension (waived by city)	\$27,000	\$81,000
Total cost	\$577,000	\$1,731,000

Cost per square foot:

Total project cost	\$1,731,000
Cost per unit	\$577,000
Cost per square foot (1,824 sf)	\$316

The International Building Code provides a cost per square foot of \$123.68. This is extremely low compared to the actual cost of building in the Upper Valley. Of the 10 closed and pending homes in the Upper Valley in 2021, the average price/square foot is \$397, according to the MLS. This includes both older homes and new construction.

Work Equity or Down Payment:

Homeowners will be required to have a down payment to contribute to the purchase of the home. They will be required to at least cover their closing costs with cash, and likely will be required by their lender to have a down payment of at least 3.5 percent unless they qualify for a 0 percent down VA loan. The workforce housing target buyer will most likely work with a conventional lender for financing. Conventional lenders will require a down payment, and homeowners will have more options on mortgage products if they have a larger down payment saved.

Section 3 attachments:

- MEND: 2 years of income statements and balance sheet 3.1
- Borealis: 2 years of income statements and balance sheet 3.2

4. PROJECT READINESS AND MANAGEMENT

Borealis Builders currently owns the three lots where the proposed homes will be developed on Cedar Street. (Parcel numbers: 241701910100, 241701490060 and 241701490055. Deed available upon request.)

Project designs have been completed and will be submitted to the city for permitting approval in January 2022.

Borealis Builders will oversee and manage the construction project. Borealis anticipates beginning construction in April 2022. Projected date for Certificate of Occupancy is August 2023.

Section 4 attachments:

MOU between MEND and Borealis – 4.1

5. PROJECT PLANS:

Experience to Construct Project: Borealis Builders

Floor plans, elevations, design and site plans have been created based on City of Leavenworth regulations, including zoning, development regulations, and the comprehensive plan. Borealis Builders will submit the application for permits in January 2022. Site plan documents are attached. Full plans available upon request.

Experience to Finance Project: Borealis Builders

To finance the project, Borealis Builders will apply for a construction loan in the fall of 2021, with the intention of breaking ground in April 2022. Borealis Builders has a strong working relationship with Cashmere Valley Bank and has secured construction financing in the past.

Experience to Manage Project: Borealis Builders

Borealis has more than a dozen years of experience managing residential construction projects throughout Chelan County and in the City of Leavenworth. They build an average of six custom homes per year, managing staff and subcontractors. They regularly work on projects within the City of Leavenworth and have experience working with city planning staff and inspectors.

Experience to Maintain Project: Upper Valley MEND

SHARE CLT has a strong track record of maintaining affordable homes over the past 20 years. We regularly review and update policies and procedures to ensure we are following best practices. Ongoing project management is implemented through MEND staff and the SHARE CLT Committee.

MEND staff is available as needed to provide education and information to new applicants, process applications, manage the waitlist and database, communicate with funders, work with homeowners on special projects and oversee resales. MEND staff are the main contact for homeowners and prospective homeowners at MEND.

The SHARE CLT Committee meets once a month and is made up of MEND board members and staff, homeowners, and members of the community. The SHARE CLT committee helps with setting the policies and procedures of SHARE CLT and oversees any major changes in each neighborhood. The MEND board reviews and approves any changes to the CLT recommended by the SHARE CLT committee, for example, changes to the ground lease or resale formulas.

Over and above managing the Cedar Street Workforce Housing Project to keep the homes affordable, MEND's close relationship with the homeowners presents an opportunity to provide ongoing support to homeowners, if needed, through our emergency assistance program. If a family is facing a crisis we can connect them with our food bank, offer emergency financial assistance with mortgages or utilities, and access to free health and dental care. For services beyond what we do, we can connect them with the right service provider in the Wenatchee Valley. This wraparound approach to helping families through crisis and into stability is an important aspect of supporting affordable homeownership, where some are first-time buyers and navigating new territories of budgeting and home repair and maintenance, for example. As noted in the CMC CHNA (2019) the cost of living outpaces what many families earn. Families are sometimes forced to make impossible choices, such as deciding between quality childcare or paying the mortgage, filling a prescription or fixing the car. MEND's emergency assistance program is

there to help our SHARE CLT homeowners through difficult times such as these. Because of this type of wraparound support, no MEND homes have ever had a foreclosure, even throughout the 2008 recession or the COVID-19 pandemic.

Management and Maintenance Plans: Upper Valley MEND

Another aspect of ongoing project management is protecting the community's investment in affordable housing by ensuring the homes are kept in good condition and that essential maintenance is performed as needed. To this end, each homeowner pays into a replacement reserve fund for the home during the time they own it. This replacement reserve covers the cost of critical maintenance that if not completed, will damage the home. Components covered by this fund include the roof, exterior paint, siding, rough plumbing, rough electrical and foundation. These essential repairs ensure that the home remains in good condition and retains its value. The replacement reserves stay with the homes upon resale and is used when any component needs to be replaced. MEND receives monthly payments from homeowners and invests them in a fund through Community Foundation NCW.

An important step in project management is ensuring that the SHARE CLT homes remain affordable when they come up for sale. When a homeowner wants to sell their home, MEND staff ensure that the home is listed at an appropriate price. Staff use a resale formula outlined in the homeowner's specific ground lease to estimate how much they can sell the house for. The resale formula is based on wage growth and accounts for depreciation so that the home will always be affordable to households in the same earning category.

No matter the number of resales, MEND uses the same formula and calculations to ensure the home's affordability is preserved over time and community investment is maintained over subsequent homeowners.

Section 5 attachments:

- Borealis site plan 5.1

6. COMMUNITY IMPACT (UNITS):

MEND and Borealis Builders are requesting \$400,000 to support the purchase of land and development of three workforce housing single-family homes on Cedar Street. As called for in the HAP (Berk 2021), units will be sized to serve families (1,824 square feet) and will have 3 bedrooms and 2.5 baths. The location of the homes on Cedar Street places them close to downtown Leavenworth, LINK transit, services and jobs.

This \$400,000 investment in the community will have ongoing impact for decades and is the most efficient way the city can financially support workforce housing development. MEND is committing to maintain the affordability of these homes for at least 50 years. With three homes, this means at least 150 years of affordability. With 150 years, the city is investing \$2,667 per year in affordable housing: \$222 per month total, or \$74 per home per month. Alternatives to this model, including rental housing vouchers, affordable rental development, or city-developed workforce housing homeownership units would all cost significantly more than \$74 per month per unit to be effective affordable housing solutions.

Access to Transit, Services and Jobs:

The HAP (2021) calls for workforce housing targeting essential community service providers, including office workers and mail carriers, firefighters and elementary school teachers, physical therapists and registered nurses. The Cedar Street homes would be centrally located for many jobs for those that work in Leavenworth. Cascade Medical Center, Chelan County Fire District 3, Alpine Lakes Elementary, Icicle River Middle School, Cascade High School, and the post office are all within walking distance. Access to public transport via the Leavenworth Park and Ride is five minutes away.

Projects not Concentrated in One Location:

MEND's affordable housing projects are not concentrated in one location, but are spread out across Leavenworth. Alpine Heights is located on the corner of Park Avenue and Meadow View Drive. Aldea Village is located on Titus Road, adjacent to Club West. With the addition of the three houses on Cedar Street, the homes in the SHARE CLT will be well distributed across the city.

Multi-story or Unit, Zero Lot Line, Other:

The Cedar Street Workforce Housing Project homes are detached, single family homes that will provide three families with secure and affordable housing, and will bring MEND's total affordable housing portfolio to 23. MEND's 2022-2027 strategic plan calls for adding 15 affordable homeownership units to the Cascade School District region over the next five years – this is the first project in that effort.

HOA and/or Other Community Amenities:

Unlike MEND's other two CLT neighborhoods, the Cedar Street Workforce homes will not have a common area so do not require a HOA. Twenty years of CLT stewardship experience suggests that CLT homes should fit with the neighborhood's character. Cedar Street is characterized by homes on individual city lots on a city street. The Cedar Street Workforce Housing Project will fit harmoniously with the existing neighborhood without a HOA.

MEND will own the lots and lease them to the homeowner. The lease transfers all rights and responsibilities of lot maintenance to the homeowner. Details of the leased lot agreement are outlined in the ground lease.

Given the location of the homes and lot size, we are not planning to build community amenities associated with the three homes. Each home will have a private front and back yard and dedicated parking/driveway.

The Cedar Street homes are close to many public amenities, including the school sport fields, city pool, Lions Park, Blackbird Island, library, senior center, and museum.

This project does not target a special needs population.

Upper Valley MEND
Balance Sheet
As of June 30, 2021

	Jun 30, 21
ASSETS	
Current Assets	
Checking/Savings	
Unrestricted Cash	705,929.27
Restricted Cash	140,812.33
Total Checking/Savings	846,741.60
Accounts Receivable	110,291.13
Other Current Assets	467,488.40
Total Current Assets	1,424,521.13
Fixed Assets	
Fixed Assets	893,314.56
Total Fixed Assets	893,314.56
Other Assets	
Investment in Meadowlark	395,716.13
1600 · Second Mortgage Loans	163,902.72
1700 · Habitat Mortgages	0.00
1800 · Habitat Mortgages - Second Loan	0.00
Total Other Assets	559,618.85
TOTAL ASSETS	2,877,454.54
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	125,528.10
Total Liabilities	125,528.10
Equity	2,751,926.44
TOTAL LIABILITIES & EQUITY	2,877,454.54

Upper Valley MEND
Profit & Loss
January through December 2020

	Jan - Dec 20
Ordinary Income/Expense	
Income	
4000 · Other Income	
4001 · Insurance Claim	27,977.65
Total 4000 · Other Income	27,977.65
4120 · Das Thrift Haus Sales	177,486.12
4121 · Jubilee Sales	219,745.12
4200 · Program Income	21,442.66
4310 · Donations	640,662.73
4400 · External Fundraisers	18,655.66
4600 · Grants	319,728.41
4900 · In-Kind Donations	365,265.64
Total Income	1,790,963.99
Cost of Goods Sold	
50000 · Jubilee COGs	114,873.77
6100 · Aid	433,674.36
6660 · External Fundraiser Expense	1,127.51
Total COGS	549,675.64
Gross Profit	1,241,288.35
Expense	
Other Expenses	256,313.10
Wages & payroll taxes	495,637.31
6211 · Ameri Corps Volunteer	1,000.00
6259 · Administrative Services	1,800.00
Total Expense	754,750.41
Net Ordinary Income	486,537.94
Other Income/Expense	
Other Income	1,853.21
Other Expense	5,694.49
Net Other Income	(3,841.28)
Net Income	<u><u>482,696.66</u></u>

Upper Valley MEND
Profit & Loss
January through December 2019

	<u>Jan - Dec 19</u>
Ordinary Income/Expense	
Income	
4120 · Das Thrift Haus Sales	246,782.03
4121 · Jubilee Sales	358,999.48
4200 · Program Income	20,754.27
4310 · Donations	287,443.20
4400 · External Fundraisers	21,943.50
4600 · Grants	69,972.14
4900 · In-Kind Donations	311,723.63
Total Income	<u>1,317,618.25</u>
Cost of Goods Sold	
50000 · Jubilee COGs	164,994.09
6100 · Aid	349,397.10
6660 · External Fundraiser Expense	6,347.91
Total COGS	<u>520,739.10</u>
Gross Profit	796,879.15
Expense	
Other Expenses	219,886.58
Wages & payroll taxes	472,041.81
6211 · Ameri Corps Volunteer	1,000.00
6259 · Administrative Services	1,800.00
Total Expense	<u>694,728.39</u>
Net Ordinary Income	102,150.76
Other Income/Expense	
Other Income	
Impairment Loss	(177,483.00)
Interest & Investment Income	35,417.67
4750 · Federal Tax Refund	0.00
Total Other Income	<u>(142,065.33)</u>
Other Expense	<u>81,033.77</u>
Net Other Income	<u>(223,099.10)</u>
Net Income	<u><u>(120,948.34)</u></u>



JULY 23, 2021 BALANCE SHEET

Business Checking	\$51,544.39
Accounts Receivable	\$321,442.67
Accounts Payable	\$123,903.80
Value of Current Contracts	\$2,054,920.42

BOREALIS BUILDERS, LLC

2020 Profit & Loss

Gross Invoices	\$1,856,812.78
Department of Revenue	\$189,149.69
Gross Payroll	\$436,686.39
Additional Soc. Sec.	\$27,074.55
Additional Medicare	\$6,331.95
FUTA	\$533.14
WA SUI	\$487.45
L & I	\$15,955.45
Marson & Marson	\$282,175.88
All Other Materials	\$114,439.55
Subcontractors / 1099	\$563,574.78
Admin/Storage/Permits	\$24,368.23
Insurance/Bond	\$15,494.88
Meals/Travel/Ent.	\$1,800.73
Borealis Materials/Tools/Equip	\$6,857.04
Credit Card Interest/Fees	\$1,106.49
Interest Paid/Charitable Contributions	\$2,289.76
Net Profit	\$168,486.82

BOREALIS BUILDERS, LLC

2019 Profit & Loss

Gross Invoices	\$2,227,745.97
Department of Revenue	\$186,467.29
Gross Payroll	\$490,479.13
Additional Soc. Sec.	\$30,409.70
Additional Medicare	\$7,111.94
FUTA	\$622.36
WA SUI	\$562.98
L & I	\$19,735.65
Marson & Marson	\$320,843.89
All Other Materials	\$31,729.60
Subcontractors / 1099	\$1,002,721.95
Admin/Storage/Permits	\$17,395.28
Insurance/Bond	\$18,790.30
Meals/Travel/Ent.	\$698.72
Borealis Materials/Tools/Equip	\$3,408.01
Credit Card Interest/Fees	\$432.79
Interest Paid/Charitable Contributions	\$17,026.48

Net Profit	\$73,709.90
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Memorandum of Understanding
between
Upper Valley MEND
and
Borealis Builders

1. Purpose

This Memorandum of Understanding (MOU) is an agreement between Upper Valley MEND and Borealis Builders. Upper Valley MEND and Borealis Builders are committed to partnering to help address the affordable housing crisis in Leavenworth, Washington. This MOU outlines the relationship between the two entities in pursuing a joint workforce-housing project on Cedar Street in Leavenworth.

2. Term of the Memorandum

This Memorandum shall be effective on the date of signing and shall continue through December 31, 2023. This deadline may be extended by mutual written agreement of the parties.

3. Responsibilities of Borealis Builders

Borealis Builders agrees to build three single-family homes (the "Homes") on parcel numbers 241701910100, 241701490060 and 241701490055 (the "Land") on Cedar Street in Leavenworth in 2022. Borealis Builders agrees to sell the three Homes for \$550,000, which is a discounted price compared to the open market and which covers their labor and materials with a contingency. The Homes will be sold to buyers who have been qualified by Upper Valley MEND as part of SHARE Community Land Trust, and to sell the Land to SHARE Community Land Trust. SHARE Community Land Trust will lease the Land to homeowners on a long-term ground lease.

Borealis Builders agrees that the three Homes will be built as designed in the Cedar Street Homes building packet, attached as Exhibit 1, which includes but isn't limited to the Homes being two story, 3 bedroom, 2.5 bath, with interior square footage of 1,824 square feet.

4. Responsibilities of Upper Valley MEND

Upper Valley MEND agrees that even at Borealis Builders cost, the Homes will still be unaffordable to those who earn Workforce Housing wages – 80% to 120% of Area Median Income. To bring the Homes to a price that is affordable to the local workforce, Upper Valley MEND will commit up to \$166,666 per Home or \$500,000 total for the project to further subsidize the price of the Home before it is sold to a qualified buyer.

Upper Valley MEND agrees to hold the Land in SHARE Community Land Trust. The Land will be held permanently for affordable housing, and for no less than 50 years. Upper Valley MEND agrees to steward the Homes, including finding and educating homeowners, and assisting homeowners when they are ready to sell to ensure Homes are sold for an affordable price in future resales.

Upper Valley MEND agrees to take the lead in applying for grant funds to support this project, including but not limited to funding from the City of Leavenworth for workforce housing.

Upper Valley MEND agrees to manage the marketing of the Homes, including soliciting qualified buyers, publicizing the project and committed partners in print and electronic communication, and creating marketing signage on the Land.

5. Amendment of the Memorandum

This Memorandum may be amended at any time by mutual written agreement of the parties.

6. Termination of the Memorandum

Either party may terminate this Memorandum upon 14 days prior written notification to the other party until the point that grant funding is secured from the City of Leavenworth's Owner Occupied Workforce Housing RFP (due July 30, 2021). This agreement will automatically terminate if grant funding in the amount of \$400,000 is not allocated to the project through the City of Leavenworth's Owner Occupied Workforce Housing RFP.

7. Approval

This MOU is executed by the persons signing below, who warrant that they have the authority to execute it.



Kaylin Bettinger, Executive Director
Upper Valley MEND
(509) 548-0408
kaylin@uvmend.org

7/29/2021

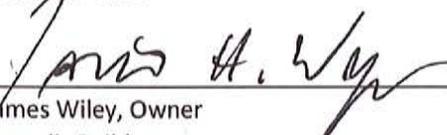
Date



Andy Lane, Board President
Upper Valley MEND
(509) 548-0408

7/29/2021

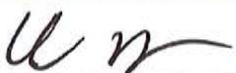
Date



James Wiley, Owner
Borealis Builders
(509) 670-2805
James@borealisbuilders.com

7/27/21

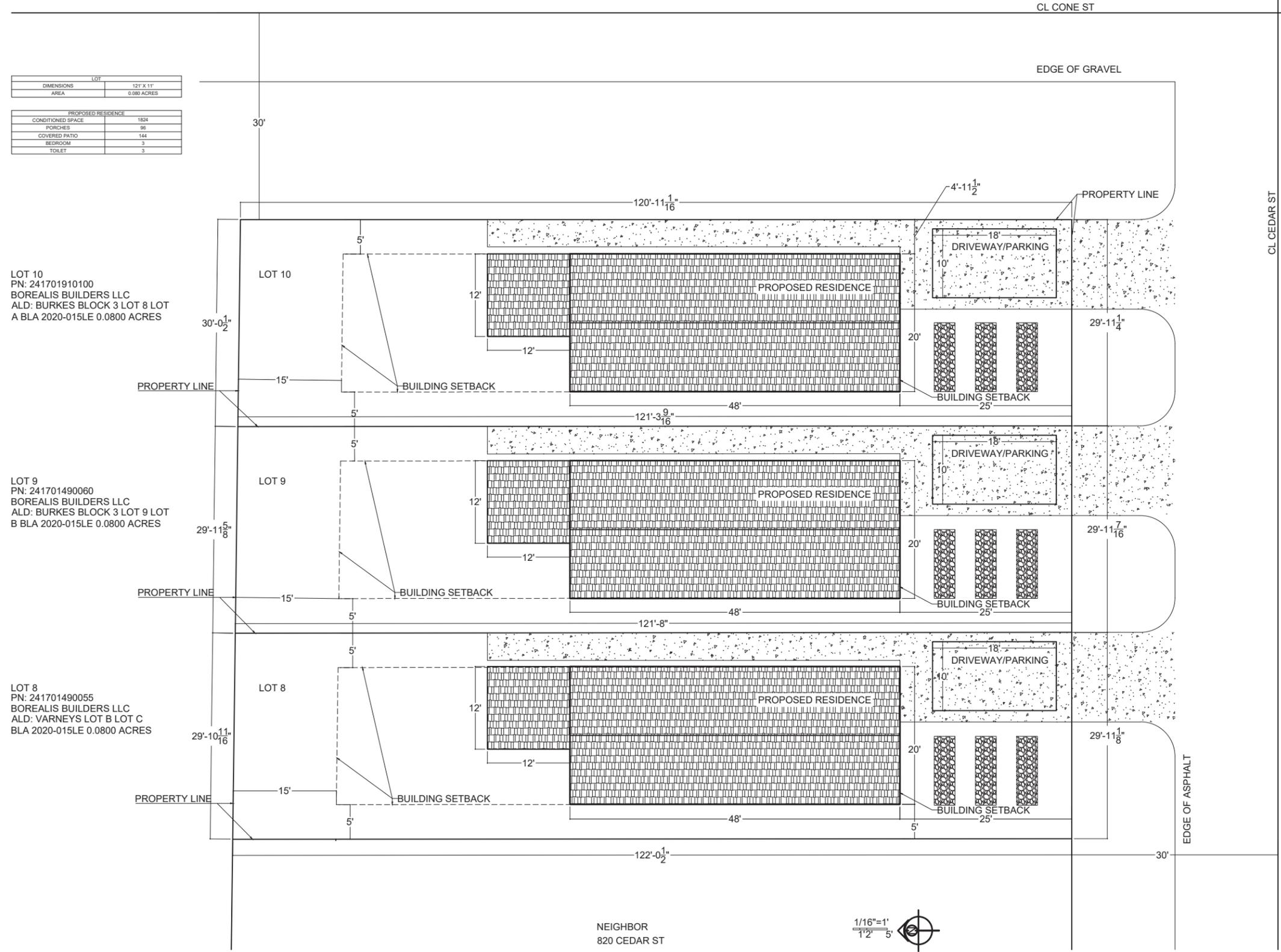
Date



Kyrial Dreis, Owner
Borealis Builders
(509) 293-1936
Kyrial@borealisbuilders.com

7/29/21

Date



LOT	
DIMENSIONS	121' X 11'
AREA	0.080 ACRES

PROPOSED RESIDENCE	
CONDITIONED SPACE	1624
PORCHES	96
COVERED PATIO	144
BEDROOM	3
TOILET	3

23 JULY 2021



BOREALIS BUILDERS LLC • GENERAL CONTRACTOR

BOREALIS BUILDERS LLC
 11210 FRUEND CANYON RD
 LEAVENWORTH WA 98826
 509-293-1936
 KYRIAL@BOREALISBUILDERS.COM

BOREALIS BUILDERS
 CEDAR ST
 LEAVENWORTH WA 98826
 000-000-0000

CEDAR ST HOMES

DEVELOPMENT
 OVERVIEW

A01