

AGENDA ITEM SUMMARY

City Council



STAFF

Vanessa Fenley, Sr. Housing Manager

SUBJECT

Items Relating to the Allocation of Community Capital Improvement Program Funds for Affordable Housing Development.

EXECUTIVE SUMMARY

A. Resolution 2026-017 Authorizing the Execution of a Funding Agreement with Housing Catalyst for a Loan of 2016-2025 and 2026-2035 Community Capital Improvement Program Funds for the Village on Eastbrook.

B. Resolution 2026-018 Authorizing the Execution of a Funding Agreement with Community Affordable Residences Enterprise, Inc. for a Loan of 2026-2035 Community Capital Improvement Program Funds for Windtrail Park Rehabilitation Project.

The purpose of this item is to authorize the City to enter into funding agreements with Housing Catalyst and with CARE Communities, using funding from the Quarter Cent Capital Tax, Affordable Housing Capital Fund to support the Village on Eastbrook (developed by Housing Catalyst) and the Windtrail Park rehabilitation project (developed by CARE Communities).

STAFF RECOMMENDATION

Staff recommends adoption of the Resolutions.

BACKGROUND / DISCUSSION

Background on Quarter Cent Capital Tax, Affordable Housing Capital Fund

The City's Affordable Housing Capital Fund (AHCF) has been funded through the 2015 and 2025 Quarter Cent Capital Tax (Community Capital Improvement Programs [CCIP]).

The City's 2015 Quarter Cent Capital Tax package included \$4 million for the AHCF, over 10 years. From this pool of funding \$400,000 remains for fee credits for eligible units and \$200,359 remains for gap funding or fee credits. In addition, through Resolution 2025-104, City Council directed an estimated \$5.0 million of additional Quarter Cent Sales Tax revenue collected from 2016-25 into the AHCF. Those additional funds are not yet available for use.

The 2025 Quarter Cent Capital Tax package includes \$10 million, over 10 years. Of that amount, \$2.5 million will be available to support project requests, upon approval of Ordinance No. 009, 2026.

Specific project requests for AHCF funding have historically been approved by Council through resolutions or ordinances. Applications for gap funding from the AHCF are accepted on a rolling basis to best respond to developers' requests in the timeframe needed, rather than requiring projects to wait for the next City competitive process and potentially delay the project. Requests are made through a written request submitted to the Housing Manager in the Housing and Community Vitality Department. Staff review requests, including re-reviewing applications for projects that also sought funding through the competitive process and requesting additional or updated information from applicants as needed.

Staff are in process of developing a proposed funding strategy for forthcoming appropriations to the AHCF, including the additional \$5.0 million of Quarter Cent Capital Tax revenue collected from 2016-25. This may include expanded options for AHCF uses as well as proposed process improvements for receiving and processing project requests.

Housing Catalyst Village on Eastbrook Request

Housing Catalyst is requesting \$1.2 million from the AHCF to support the development of the Village on Eastbrook. The project will include 73 affordable rental units and serve households at 30% - 80% AMI. The total estimated project cost is \$34.9 million.

Housing Catalyst was previously awarded \$1.5 million from the City's 2024 competitive process, including \$1.2 million in federal CDBG/HOME funds and \$300,000 in Affordable Housing Funds (general funds). The \$1.2 million in federal funds have triggered Build America Buy America (BABA) requirements which will result in an estimated 2% - 5% increase in costs (approximately \$700,000 - \$1.7 million). Housing Catalyst estimates the federal funds would be used largely to comply with federal funding requirements, which may open up a new gap in the project's funding stack, and will introduce an additional layer of uncertainty in the project, which may lead to additional costs or project delays.

If awarded AHCF funding, Housing Catalyst will return the \$1.2 million in federal CDBG/HOME funds previously awarded by the City to Housing Catalyst. Therefore, federal funds will be swapped with local funds; the City's total financial contribution to the project will remain the same. City staff will redeploy the returned federal funds during the 2026 competitive process, making them available for other development projects in need of funding.

Housing Catalyst has taken several measures to contain project costs given increasing development costs:

- Reduced building size and footprint
- Removed balconies on units
- Removed or changed decorative trim and materials for more cost-effective options
- Removed natural gas infrastructure, creating an all-electric building
- Reduced grass and included more rock and native landscaping

There is \$200,359 of funds remaining in the AHCF from a previous appropriation of 2016-25 Quarter Cent Capital Tax revenues, which may be used to support this request. Staff recommends directing the remaining \$200,359 in 2016-25 funds, along with \$999,641 in anticipated revenue from the 2026-35 funds, pending appropriation through Ordinance No. 009, 2026, for the use of this development project.

Additional information on this request is attached.

CARE Communities Windtrail Park Rehabilitation and Preservation Project

CARE Communities is requesting \$950,000 of AHCF to support the rehabilitation of Windtrail Park Apartments. The project includes 50 units, serving households at 30% - 60% AMI. Ten units are designated for seniors (age 55 and over). The total estimated project cost is \$18,573,766. The project received \$1.0 million in funding from the City through the 2025 competitive process to support this rehabilitation. The City

also supported the original development of Windtrail Park through a \$901,000 award in 1999. This rehabilitation will reset the affordability terms of Windtrail Park, preserving these units as affordable housing.

Windtrail Park Apartments were constructed in 2001 and has not been renovated since it was built. Key features of the renovation will include energy efficient appliances, lighting, and water fixtures, along with the addition of central air conditioning and washers/dryers. The renovation will also include patching of concrete and asphalt for better accessibility and some landscaping to replace dead plants.

CARE Communities is requesting funds to mitigate increases in development costs due to BABA requirements and federal tariffs as well as to offset the impacts of losing other anticipated funding.

CARE Communities has implemented several cost-savings measures for the Windtrail Park rehabilitation:

- Reduced scope of community gardens and eliminated a proposed community gathering area
- Scaled back landscaping
- Patching asphalt rather than full replacement, minimal concrete repairs, and reduced design of trash enclosures
- Reused existing equipment when possible
- Selected lower cost amenities and appliances, ensuring all products still meet energy efficiency requirements
- Substituted certain materials for lower cost options

CARE Communities is working toward a late February closing date for this project. Given the need to finalize funding prior to closing, they are not able to wait and submit another request through the City's competitive process. Funding from the AHCF can ensure the project will not encounter delays due to funding challenges.

Staff recommends directing \$950,000 in anticipated revenue from the Quarter Cent Capital Tax 2026-35 funds, pending appropriation through Ordinance No. 009, 2026, to support the rehabilitation and preservation of affordable housing units at Windtrail Park.

Additional information on this request is attached.

Staff Review and Analysis

Both projects were awarded funds through previous funding rounds of the City's competitive process. As part of the competitive process, staff reviewed each application and summarized key details from the project application as part of the Human Services and Housing Fund Board's (HSHF) funding packet. The HSHF Board and the Affordable Housing Board reviewed and ranked each project application, which includes information on anticipated use of funds, alignment with the City's Housing Strategic Plan, status of project (such as whether the developer has site control and status of other financing/funding requested from other sources), and project budget documents. Ultimately the HSHF Board forwards a funding recommendation to City Council for consideration. During their respective funding competitions, both projects were recommended for funding by the HSHF Board and were approved by City Council.

Upon receiving the AHCF requests, staff reviewed each project's information submitted during the competitive process along with updated project information shared by each organization. Additional information and clarifications were requested from each organization. Responses to those follow-up questions have been incorporated into this AIS and were considered when developing the staff recommendations for this item. Staff also presented these requests to the Affordable Housing Board at their January regular meeting. Attached is the Affordable Housing Board's memo to Council in support of these requests.

CITY FINANCIAL IMPACTS

Approval of these Resolutions will allocate \$200,359 in 2016-2025 Quarter Cent Capital Tax funds and \$1,949,641 in 2026-2035 Quarter Cent Capital Tax funds. Fulfilling these requests requires approval of Ordinance No. 009, 2026, which would appropriate \$2.5 million in 2026-2035 Quarter Cent Capital Tax funds. If Ordinance No. 009, 2026 is approved and both resolutions are approved, \$550,359 will remain to support additional AHCF requests submitted and \$400,000 will remain to support fee credits for eligible affordable housing units.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The Affordable Housing Board reviewed these requests for funding. Their memo of support for both requests is included as an attachment.

PUBLIC OUTREACH

Public outreach was conducted as part of the 2015 and 2025 Quarter Cent Capital Tax processes. No additional public outreach was conducted for these specific requests.

ATTACHMENTS / LINKS

1. Housing Catalyst Request for Support
2. CARE Communities Request for Support
3. Affordable Housing Board Memo, January 13, 2026
4. Resolution 2026-017
5. Resolution 2026-018