



## Memorandum of Agreement

### Implementing Criteria for Initiating Transfer of Mutually Offsetting Benefit Facilities to Tenants

#### Recitals

Whereas certain community service organizations have provided services from certain City facilities since the 1960's and 1970's; and

Whereas the intent of the City in providing these facilities is that the tenant organizations will develop and demonstrate the financial, organizational and service capacity to maintain, operate and own their facility now and in the future with limited involvement of the City of Seattle; and

Whereas many similarly situated service organizations such the Odessa Brown Children's Clinic, the Country Doctor and Pioneer Human Services have progressed from occupying facilities leased from the City to owning their own facilities; and

Whereas the City has developed criteria to confirm the readiness of a community service organization to begin formal negotiations for the transfer of the facility it occupies from City ownership to organization ownership, which criteria rely on the expertise of a variety of City departments; and

Whereas the Department of Neighborhoods leads the City's engagement with communities and neighborhoods throughout Seattle to develop a stronger sense of place, build closer ties and improve quality of life; and

Whereas the Office of Planning and Community Development leads the Equitable Development Initiative, which includes supporting community ownership and capacity building in areas of high displacement risk; and

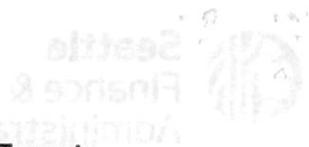
Whereas the Office of Economic Development conducts regular outreach with small businesses and neighborhood business district organizations, and can facilitate meetings and other community outreach efforts; and

Whereas the Office of Housing analyzes and funds affordable housing projects, including mixed use projects including affordable housing; and

Whereas the Human Services Department has been evaluating and funding the development of community facilities for many decades; and

Whereas the Department of Finance and Administrative Services conducts real estate transactions for many parts of City government, and has extensive experience in near- and long-term maintenance of buildings and the costs of this maintenance;

**Now therefore**, the associated City departments are entering into this memorandum of agreement to allocated roles and responsibilities for implementing the Mutually Offsetting Benefit Transfer Criteria as follows:



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Implementing Criteria for Initiating Transfer of Mutually Offsetting Benefit Facilities to Tenants**

**Finance and Administrative Services (FAS) is lead administrative department.**

FAS will maintain custody of this MOA and the Mutually Offsetting Benefit Transfer Criteria (“MOB Transfer Criteria” or “Transfer Criteria”) as it may be amended from time to time. Current Mutually Offsetting Benefit (“MOB”) tenants may request the transfer of their facility by written request to FAS accompanied by the written evidence required by the Transfer Criteria. FAS shall act as the single point of contact with respect to the Transfer Criteria, circulate MOB tenant requests for transfer to other City departments, notify signatory departments of questions or issues with respect to the Transfer Criteria, and have general responsibility for any other aspect of administering the Transfer Criteria. The other department signatories to this agreement, and their successor departments, shall assist FAS with respect to Transfer Criteria matters within their area of expertise.

**Amending the MOB Transfer Criteria.**

The MOB Transfer Criteria are attached to this MOA as Exhibit A. Modifications to the Transfer Criteria may be recommended by any signatory department, and will become effective and replace Exhibit A upon the approval of all the directors of signatory departments (or their successor departments), or their designees. Upon approval of a revision, FAS shall circulate the revised document to the directors of the signatory departments and their designees.

**Confirmation that a community service tenant meets the MOB Transfer Criteria.**

Each signatory department shall be responsible for evaluating aspects of the Transfer Criteria within its area of expertise according to the following matrix:

Criteria Section	DON	OPCD	OED	HSD	OH	FAS
1. Statement of Interest	X	X		X		
2. Organizational Eligibility	X	X		X		
3. Public Benefit Eligibility	X	X		X		
4. Development Feasibility		X	X		X	
5. Organizational Operations			X	X		
6. Facility Operations						X
7. Long-term Building System Replacement						X
8. Community Consultation Eligibility	X	X	X			

Upon the request of FAS and the delivery of the written evidence supplied by the MOB tenant as its demonstration that it meets the MOB Transfer Criteria, each department will notify FAS with its timeline for evaluating the evidence. Each department will periodically provide FAS with an update of its status of reviewing the evidence, which may include directly requesting additional information from the MOB tenant. Upon conclusion of its review, each department will provide FAS with a statement of its findings and a conclusion of whether or not the evidence it received meets the Transfer Criteria.

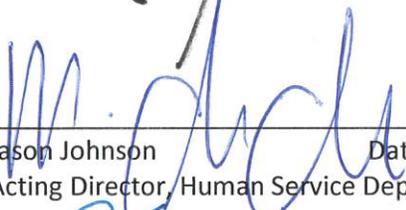
**Memorandum of Agreement  
Implementing Criteria for Initiating Transfer of Mutually Offsetting Benefit Facilities to Tenants**

**SIGNATURES:**

This Agreement is executed and approved by the signatory departments:

  
\_\_\_\_\_  
Andres Mantilla                      6/26/19  
Director, Department of Neighborhoods                      Date

  
\_\_\_\_\_  
Sam Assefa                      6/26/19  
Director, Office of Planning and Community Development                      Date

  
\_\_\_\_\_  
Jason Johnson                      7/8/2019  
Acting Director, Human Service Department                      Date

  
\_\_\_\_\_  
Bobby Lee                      7/15/19  
Director, Office of Economic Development                      Date

  
\_\_\_\_\_  
Steve Walker                      7/31/19  
Acting Director, Office of Housing                      Date  
*Emily Alvarado*

  
\_\_\_\_\_  
Calvin W. Goings                      6/26/19  
Director, Finance and Administrative Services                      Date

## Exhibit A: Mutually Offsetting Benefit Facility Organizational Readiness Criteria

### Mutual and Offsetting and Benefit Tenant Organizational Readiness Criteria

The purpose of this document is to provide a set of clear and consistent criteria for Mutual and Offsetting Benefit (MOB) property tenants who would like to begin discussions regarding transfer of the building in which they currently reside. These criteria have been drafted in consideration of past consultant and City studies that have recommended further clarity of milestones for transfer and a more specific decision-making direction.

These criteria are intended to provide an avenue for communication regarding the existing needs of the buildings and the potential financial obligations that might be associated with property ownership. Further, given that transfer of any of these buildings to non-City ownership will include obligations for the new owner to continue to meet the original purchase funding requirements, these criteria are intended to ensure that a potential new owner could meet those commitments.

Given that these properties are valuable pieces of City property, intended to serve the people of Seattle, these criteria will assist the City in understanding an organization's ability to continue to provide services that benefit our residents. In some cases, the City may have already received relevant materials from MOB tenants. In these instances, the City will utilize these existing materials to document organizational readiness.

In working with MOB tenants, the City of Seattle affirms that the ability to generate and transfer intergenerational wealth through the development of community owned assets is a critical step in stemming displacement and loss of cultural spaces. The City has a strong commitment to race and social justice through its Race and Social Justice Initiative. We recognize that racial and social disparities persist across key indicators of success in Seattle, including educational attainment, life expectancy and access to healthcare, access to affordable housing, access to and training for family-wage jobs, engagement with the criminal justice system, access to a healthy environment and green spaces, access to government services, and access to contracting opportunities for government projects. The eligibility and evaluation criteria below should be used to determine if an MOB tenant meets the minimum qualifications needed to initiate discussions with the City regarding the potential transfer of property. The City is also aware that each organization will bring its specific history and context in responding to the evaluation criteria and will take each into consideration when determining if MOB tenant meets the organizational readiness standard.

#### I. STATEMENT OF INTEREST

Please provide a statement of interest articulating the critical nature of the property for continuing operations and the public service outcomes envisioned by property transfer.

## Exhibit A: Mutually Offsetting Benefit Facility Organizational Readiness Criteria

### II. ORGANIZATIONAL ELIGIBILITY

The organization must be viable, as a legal nonprofit entity with the legal authority to negotiate a property transfer with the City of Seattle. The organization needs to meet the following evaluation criteria:

#### EVALUATION CRITERIA

1. Provide the following documents to demonstrate legal nonprofit status:
  - a. Active nonprofit status or active tax-exempt status, such as 501c3, from Internal Revenue Service for the past 5 years
  - b. Bylaws and Articles of Incorporation
  - c. Charter, employee handbook, financial policies and procedures, etc., if applicable
2. Proof that the organization has legal authority to negotiate with the City of Seattle, e.g., a copy of a resolution of the board of directors of the organization.

### III. PUBLIC BENEFIT ELIGIBILITY

The organization must provide a public benefit, as described by the eligibility and evaluation criteria below, to initiate the transfer process. The organization's vision and mission are to provide one or more of the following public benefit services:

1. Affordable Housing
2. Social services targeting low and moderate-income individuals
3. Social services targeting senior and aging individuals
4. Advances economic and racial equity in communities at high risk of displacement.
5. Support and assistance programs for vulnerable populations

#### EVALUATION CRITERIA

1. Commitment to public benefit services are documented by stated vision and mission as well as any relevant metrics, e.g., years of service, clients served annually and in total, demographics of individuals served, etc. As one example, the organization could document commitment to public benefit services if the organization serves individuals from a high risk of displacement area, as defined by the City of Seattle's Equity Mapping Index.

## Exhibit A: Mutually Offsetting Benefit Facility Organizational Readiness Criteria

### IV. DEVELOPMENT FEASIBILITY

If the property needs to undergo redevelopment in order to create the public benefits negotiated with the City, additional criteria apply to demonstrate the development feasibility. If an entity is able to provide negotiated services without redevelopment, this section does not apply. In this case, "redevelopment" may include improvements associated with "Substantial Alterations" as defined in the Seattle Building Code; expansion of the square footage of a building; improvements needed to conform to the Seattle Land Use Code or other applicable laws and regulations; or significant tenant improvements or upgrades necessary to safely, legally, and feasibly occupy the building with the intended public benefit.

For any new development:

1. There is a feasible development plan;
2. An analysis of affordable housing opportunities has been conducted, in coordination with the City of Seattle; and
3. The organization is an experienced developer; or, the organization has partnered with an experienced developer and has the staff capacity to manage the developer

#### EVALUATION CRITERIA

1. Demonstrate development feasibility and capacity by providing:
  - a. Development budget detailing sources and uses, including all public and non-public funding sources
  - b. Roles/responsibilities and organizational chart of all partners and/or consultants involved in the development, not limited to design, architectural, environmental, construction and development, project management, fundraising partners. Commitment letters included from each partner.
2. Documentation of current fundraising activities and confirmed funding sources and/or documentation of past successful fundraising activities and a feasible fundraising plan to leverage resources, including the key partnership and consultants on board to achieve the fundraising goal.

### V. ORGANIZATIONAL OPERATIONS

The organization must be operationally sustainable, as described by the eligibility and evaluation criteria below, to initiate the transfer process.

1. The organization has at least 5 years operating history with sustainable operations in demonstrating sufficient revenue to cover ongoing expenses.
2. The organization demonstrates through assets and reserves that they have resources to cover at least 3 months of operating expenses.
3. Organizational funding sources are diverse and stable.
4. Healthy financial ratios such as viability ratio, current ratio, quick ratio, etc.
5. New public benefit services proposed are sustainable. The organization should demonstrate operating expenses in delivering the new public benefit services are less than operating income.

## Exhibit A: Mutually Offsetting Benefit Facility Organizational Readiness Criteria

6. Beyond competitive grant opportunities and ongoing City funded services, the organization requires no or minimal additional funding from the City to sustain proposed operations.
7. Type of insurance secured is appropriate and covers necessary liabilities.

### OPERATING PRO FORMA

If the organization anticipates leasing space to third-party organizations or businesses, the organization must provide a feasible operating pro forma with detailed projections regarding revenue and expenses and lease-up strategy (e.g., type of tenants, anticipated rental rates compared to local market rate, and lease-up period to achieve operational stabilization).

### EVALUATION CRITERIA – GENERAL QUALIFICATIONS

1. Provide the following dating back 5 years to demonstrate operating history. The statement of financial activities, or equivalent financial reports for the last 5 years, showing balance and monthly cash flow.
  - a. IRS 990, if applicable
  - b. Financial statements or equivalent reports
  - c. Annual organizational reports, if applicable
  - d. Documentation of current and future fundraising ability
2. Ratio targets:
  - a. Viability ratio of 1
  - b. Current ratio at or above 2
  - c. Quick ratio at or above 1
3. The business plan and feasibility analysis for new services show positive net revenue and net assets.
4. Provide documentation of necessary insurance.

## VI. FACILITY OPERATIONS

The organization must provide evidence of its financial and technical capability to operate and maintain the facility to be transferred.

### TECHNICAL CAPABILITY

The organization can demonstrate its technical capability in either of two ways:

Option 1. Complete Attachment One: Spending Plan Matrix to demonstrate prospective plans for the operations and maintenance of the facility. If the organization will utilize vendors for services, provide the vendor names and the organization's experience working with the vendor, references, etc. Reference vendor's name and responsibility in the attached Spending Plan Matrix. Provide qualifications for organization staff who will manage these vendors or self-perform work.

## Exhibit A: Mutually Offsetting Benefit Facility Organizational Readiness Criteria

Option 2. Provide actual information similar in breadth and depth to that identified in Option 1, above, for the organizations existing facility or facilities, one or more of which are of equal scale and complexity to the facility the organization seeks the City to transfer.

### FINANCIAL CAPABILITY

The organization shall provide actual or prospective income and expense information for a 10-year period to demonstrate that it can meet the financial requirements of operating and maintaining the facility. This means providing a combination of actual and projected financial information showing reasonable new financial resources or existing financial resources that can be redirected for the purpose of operation and maintenance.

### EVALUATION CRITERIA

1. Employees and vendors identified in the “Technical Capacity” section shall have the demonstrated experience necessary to operate and maintain facilities and systems similar to those of the facility which is the subject of the transfer.
2. A minimum amount of \$5 per square foot of building gross area, or the actual amount of costs projected in the Spending Plan Matrix must be available for annual maintenance and operations costs. See Attachment Two: Reserves and Facility Expenses for MOB Facilities for a graphic summary of financial requirements.
3. If sources of revenue rely on projections and not past actuals, the organization must demonstrate the capacity to generate the projected financial results through actual past performance (for example, through past successful targeted fundraising efforts).

## VII. LONG-TERM BUILDING SYSTEM REPLACEMENT

The organization must provide evidence of its financial and technical capability to replace building systems as they reach the end of their useful lives.

### TECHNICAL CAPABILITY

The organization can demonstrate its technical capability in either of two ways:

Option 1. Complete Attachment One: Spending Plan Matrix to demonstrate prospective plans for the replacement (or installation) of facility systems. Identify the expertise of the individuals or vendors used to develop this portion of the Spending Plan Matrix, and their references and demonstrated experience developing such a replacement plan. Describe how your organization will manage replacement projects. Provide relevant qualifications for organization staff who will manage vendors and consultants for system replacement work. Where management is outsourced (for example to a property management firm), provide associated qualifications.

Option 2. Provide actual information similar in breadth and depth to that identified in Option 1, above, for the organization’s existing facility or facilities, one or more of which are of equal scale and complexity to the facility the organization seeks the City to transfer.

## Exhibit A: Mutually Offsetting Benefit Facility Organizational Readiness Criteria

### FINANCIAL CAPABILITY

The organization shall provide actual or prospective income and expense information to demonstrate that it can meet the financial requirements of the system replacement (or installation) program at the facility. This means providing a combination of actual and projected financial information showing reasonable new financial resources or existing financial resources that can be redirected for the purpose of building system replacement. The organization shall also demonstrate the existence of a replacement reserve fund with a minimum balance.

### EVALUATION CRITERIA

1. The organization's plan is comprehensive and reasonable.
2. The organization's plan is fully funded, and plausible given the organization's past financial results, including grant awards and fundraising.
3. Employees and vendors identified in the "Technical Capacity" section shall have the demonstrated experience necessary to plan for and execute the replacement program at the facility which is the subject of the transfer.
4. The organization shall demonstrate a reserve of not less than \$50,000 to immediately but temporarily address surprise facility events that would otherwise prevent the operation of the facility.
5. The organization shall demonstrate a combination of past fundraising performance or reserves (including the \$50,000 identified in Section VII, Criteria #4, above) on hand sufficient to provide \$13 per square foot of building gross area in (2019 \$) to permanently correct a surprise building system problem. To the degree that the organization's plan relies on prospective fundraising, the organization will demonstrate past fundraising performance that shows it can raise \$13/sf, or the necessary portion thereof, within one year.
6. See Attachment Two: Reserves and Facility Expenses for MOB Facilities for a graphic summary of financial requirements.

## VIII. COMMUNITY CONSULTATION ELIGIBILITY

The organization must be supported by the local geographic and constituent community, as described by the eligibility and evaluation criteria below, to initiate the transfer process.

1. The organization conducted community outreach and engagement activities about future ownership of the building.
2. The community is supportive of the organization's future ownership.
3. Any community issues with the transfer have been addressed and potentially resolved.

## Exhibit A: Mutually Offsetting Benefit Facility Organizational Readiness Criteria

### EVALUATION CRITERIA

1. Documentation showing community outreach and engagement activities, including lists of stakeholders that were consulted, meeting minutes, etc.
  2. A report and/or documentation showing the surrounding community is generally supportive of the transfer.
  3. Documentation of identified community concerns and results on how the issues were addressed and/or resolved.
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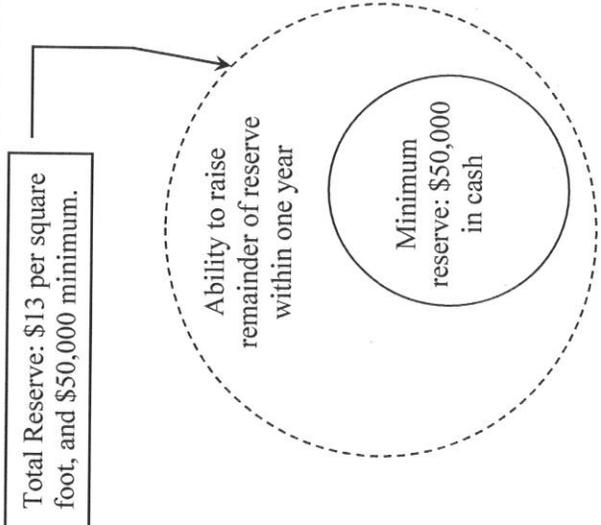
Exhibit A: Mutually Offsetting Benefit Facility Organizational Readiness Criteria

Attachment One – Spending Plan Matrix

- 2. Documentation showing a number of outreach and engagement activities including face-to-face meetings that were conducted, meeting minutes, etc.
- 3. A report or transcription showing the surrounding community's general supportive of the project.
- 3. Documentation of identified community concerns and how the issues were addressed and/or resolved.



**Exhibit A: Mutually Offsetting Benefit Facility Organizational Readiness Criteria  
Attachment Two: Reserves and Facility Expenses for Mutually Offsetting Benefit Facilities**

<b>Building Operations</b>	<b>Building System Failures</b>	<b>Planned Building System Replacement</b>
<p>Plan for services</p> <p>General expectation of \$5/square foot at market prices</p>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p>Total Reserve: \$13 per square foot, and \$50,000 minimum.</p> </div> 	<p>Plan for replacements over time</p> <p>Funding plan consistent with organizations financial and grant history.</p>
<p>Utilities</p> <p>Janitorial Services</p> <p>Landscaping</p> <p>HVAC Maintenance</p>	<p>Roof Failure</p> <p>Water Intrusion/Mold</p> <p>Sewer Break</p>	<p>Roof Replacement</p> <p>Exterior Painting</p> <p>HVAC Component Replacement</p>