



Legislation Text

File #: CB 119973, Version: 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to affordable housing; authorizing a loan of up to \$1,000,000 in General Fund funds to Community Roots Housing, a Washington public corporation, to mitigate the financial impacts of COVID-19; and authorizing certain new agreements to be developed relating to the lending of General Fund funds to Community Roots Housing.

WHEREAS, the impacts of the COVID-19 emergency include a severe local, state, federal, and global recession, all of which have affected the City's current year revenues, as well as the current year revenues of the City's Public Development Authorities (PDAs); and

WHEREAS, Community Roots Housing, formerly Capitol Hill Housing Improvement Program (CHHIP), is a PDA created by The City of Seattle to steward important assets, help bring resources to diverse communities, provide programs and services that support community development, and actively develop affordable housing both in Capitol Hill and in other areas of Seattle; and

WHEREAS, in March 2020 in the period of civil emergency due to COVID-19 and in response to new cases of COVID-19, the Mayor declared a moratorium on non-profit, residential, and small business evictions, which also included a prohibition on late fees, which has been extended through the end of 2020, and which actions are supported by Community Roots Housing as it provides housing and small business stability; and

WHEREAS, as a PDA, Community Roots Housing has not been eligible to apply for federal Coronavirus Aid, Relief, and Economic Security (CARES) Act assistance programs intended to provide relief to small business and non-profit organizations to keep people working, including the Payroll Protection Program

(PPP), which Community Roots Housing estimates would have created an additional source of revenue totaling approximately \$1.4 million based on their employment of approximately 100 employees; and WHEREAS, the long-lasting impacts of the COVID-19 emergency have impaired Community Roots Housing's collection of revenues, including commercial and residential tenant rents in the current year, resulting in an anticipated financial shortfall of \$3.2 million; and

WHEREAS, to mitigate this financial shortfall, Community Roots Housing has accessed various lending and funding mechanisms available to the organization, including \$1.3 million in residential rental assistance administered by the Office of Housing; approximately \$200,000 in deferral of debt service payments by the Washington State Department of Commerce; approximately \$500,000 generated by philanthropy efforts to provide rental assistance for both residential and commercial tenants; and limited use of \$200,000 in Community Roots Housing project reserves to offset COVID-19 related expenses, resulting in a net operating loss in the current year exceeding \$1 million; and

WHEREAS, the proposed 2020 Fourth Quarter Supplemental Budget Ordinance, which amends the 2020 Adopted Budget, includes \$1 million of appropriations in the Finance General Reserves Budget Control Level (00100-BO-FG-2QD00); and

WHEREAS, as a PDA, Community Roots Housing delivers services considered to be essential to the City's mission and therefore it is in the City's interest to provide financial assistance in the form of a loan from the City's General Fund to Community Roots Housing during this unprecedented time to ensure its mission is able to be continued without interruption; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Director of the Office of Housing ("OH Director") is authorized for and on behalf of The City of Seattle to lend up to \$1,000,000 of General Fund funds (the "Loan") to Community Roots Housing, a Washington public corporation, to address its operating deficit due to the COVID-19 pandemic and resulting national, state, and local recession, subject to the terms and conditions stated in this ordinance. The funds may

be used by Community Roots Housing to address operating losses and cash flow issues due to ongoing reductions in operating revenues, increased operating expenses, and a delay in developer fee revenues, with specific uses for the Loan to be identified in the loan agreement, subject to approval by the OH Director.

Section 2. The principal amount of the Loan shall be payable in installments upon the earlier of (i) the loan schedule included in the promissory note and loan agreement (collectively, the “Loan Documents”); or (ii) demand by the City. If the Loan principal has not been fully repaid by the maturity date defined in the Loan Documents due to ongoing financial conditions that create a hardship for Community Roots Housing to successfully complete payments on the installments, the OH Director is authorized to extend the term for an additional period of up to three years in the OH Director’s reasonable discretion. The Loan shall bear interest at the rate of the City’s internal rate of borrowing; however, the interest expense shall be borne by the City and shall not be payable by Community Roots Housing. The principal balance outstanding on the Loan at any time shall not exceed \$1,000,000. Principal payments shall be deposited in the General Fund via Finance General and may not be lent again in any amount exceeding an aggregate total of \$1,000,000 without Council approval. Other terms and conditions of the Loan not described in this ordinance shall be negotiated by the OH Director and Community Roots Housing.

Section 3. In addition to the specific authorizations in this ordinance, the Mayor and the OH Director are each authorized and directed to do everything in their judgment as may be necessary, appropriate, or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by this ordinance. In particular and without limiting the foregoing, the Mayor and the OH Director are each independently authorized to negotiate, execute, and deliver the Loan Documents and any and all contracts or other documents, in form and substance acceptable to the Mayor and OH Director, that are necessary or desirable to effectuate the making of the Loan to Community Roots Housing for the sole purpose of addressing COVID-19-related losses, and to otherwise ensure that the General Fund proceeds are applied to the purposes set forth in a written loan agreement to be executed in connection with each such loan in such form as may be

agreed upon by the parties, consistent with this ordinance. This authorization expressly includes the treatment of interest rates on such loan and to include such additional terms, conditions, or covenants as may be necessary or desirable, in the judgement of the Mayor or OH Director, to protect the taxpayers of the City and to provide assistance to support the public purposes of Community Roots Housing.

Section 4. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of _____, 2020, and signed by me in open session in authentication of its passage this _____ day of _____, 2020.

President _____ of the City Council

Approved by me this _____ day of _____, 2020.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2020.

Monica Martinez Simmons, City Clerk

(Seal)