
Bubble on Gum – Home Sweet Home:
Request for Proposals for Construction and Permanent Lending

Solicitation Contact:

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Attachments:

Preliminary Architectural Drawings

Market Study

Combined Funder Spreadsheets

Kennewick Housing Authority Audits years: 2021, 2022, 2023, 2024 YTD

I. Executive Summary

The Kennewick Housing Authority (KHA) is seeking proposals from parties interested in financing the development of “Bubble on Gum,” a 58-unit low-income housing tax credit (LIHTC) project located in Kennewick, WA.

Specifically, KHA is seeking proposals for a construction and permanent lender, utilizing approximately \$13,000,000 in Tax Exempt Bonds:

- Construction loan of approximately \$10,500,000
- Permanent debt of approximately \$2,500,000

The bulk of project financing is expected to close in early April 2025, including Tax Credit Equity that is being syndicated by U.S. Bancorp. Construction on the 58-unit project will commence immediately afterward. Sources related to site acquisition and off-site infrastructure improvements are on an earlier timeline (December 2024 to March 2025). In addition to the equity investment and construction financing, the Kennewick Housing Authority has secured over \$10.2M in capital funding from local, state, and federal sources.

Bubble on Gum will provide housing to low-income households, with half of the units at 50% area median income (AMI) and the other half at 30% AMI. Population set-asides in this property include 18 units for Families with Children, 10 units for households with Multiple Special Needs (intellectual or physical disabilities), and 5 units for Veterans, with the remaining 25 units for non-specified/general low-income households.

The project site is located about 1.5 miles southeast of downtown Kennewick, on land sold at below-market pricing by the City of Kennewick. The property has easy access to frequent transit and is within walking distance of retail and grocery stores, healthcare services, as well as Eastgate Elementary School and Eastgate Park. The project’s development team includes ZBA Architecture, an architecture firm that specializes in affordable housing. The General Contractor will be selected via hard bid procurement in February 2025.

Interested lenders are asked to respond by **11:59 pm on January 15, 2025** to Matthew Hurd (Housing Developer, Community Frameworks) and Matt Truman (Executive Director, KHA) via email to matthewh@communityframeworks.org and mtruman@kennewickha.org

Any questions about this Request for Proposal should be sent to Matthew Hurd via email to matthewh@communityframeworks.org.

II. The Real Estate

Physical structure and area:

Bubble on Gum will be located at the intersection of 13th Avenue and Gum Street, in the Southridge neighborhood of Kennewick, WA. The property is being sold to the partnership by a friendly seller, the City of Kennewick. The 3.54-acre site was part of a larger property the City uses for public facilities operations. A binding site process was just completed to split off the Bubble on Gum parcel. Off-site improvements (including sewer expansion, roadwork, and sidewalks) will be completed prior to closing.

Except for the existing public facilities yard, the neighborhood is primarily residential, composed of one- and two-story single-family homes. Neighborhood input, the potential of the site, and cost-effective design were all taken into consideration as part of the design program. The Bubble on Gum apartment community will consist of 58 total residential units distributed across 8 buildings: 28 one-bedroom units, 23 two-bedroom units, and 7 three-bedroom units. The property will have a townhome community design and feel, with the one-bedroom units grouped in stacked flats in line with townhome units. All 8 buildings will have pitched roofs with south-facing exposure to maximize the project's solar potential. In addition, the complex will have a community building for residents with shared laundry. There will be office space for the property manager and case workers. Outdoor amenities will include parking, raised garden beds, a basketball court, and a playground.

Demand:

The market study completed by Kidder Mathews indicates there are 3,174 existing households at the 30% AMI level and 3,264 at the 50% AMI level. The combined total of income-qualified households in the primary market area is indicated as 4,647. Stabilized occupancy is achieved with a 1.2% capture rate.

KHA waitlist data has been a key factor in determining the proposed resident population and unit mix. In the summer of 2023, the KHA waitlist had 1,577 individual household records. 76% (1,203) of the waitlist was for one-bedroom or studio units, with just under 17% (264) of households on the waitlist seeking two-bedroom units, 6% (89) seeking three-bedroom units, and a little over 1% (21) seeking housing with four-or-more bedrooms. Families with Children represented 27% (422) of the waitlist, and elderly households represented 13% (207).

Based on this information, the proposed resident population and unit mix at Bubble on Gum is:

Unit Type	Total Units	30% AMI	50% AMI
One-bedroom	28	14	14
Two-bedroom	23	11	12
Three-bedroom	7	4	3

The distribution by area median income is half at 30% AMI and half at 50% AMI. Proforma assumptions include 24 total units with project-based rental subsidy. Suffice it to say, that Bubble on Gum successfully completed its subsidy layering review based on 24 total vouchers.

III. The Project Team

The Kennewick Housing Authority (KHA) has assembled an experienced team to support Bubble on Gum.

Property Management/Services: The Kennewick Housing Authority will self-manage the property. KHA owns and manages over 274 units in 7 projects, including two projects financed with low-income housing tax credits (LIHTC), and manages more than 1,150 Section 8 vouchers. KHA firmly believes that self-management allows them to maintain higher quality standards of both the property management and physical maintenance of the property. KHA is also an experienced service provider and will provide services at Bubble on Gum.

Development Consultant: The Kennewick Housing Authority retained Community Frameworks as development consultant. This is the second LIHTC project and third project overall that the agencies have worked on together. Matthew Hurd is the Lead Housing Developer with support from Jill Yotz (Housing Developer) and Max Benson (Real Estate Development Director). Matthew is also the Lead Housing Developer for the Alder House project, a 35-unit substantial rehab for the Joint Pacific County Housing Authority, and has provided material support on various other Community Frameworks projects, too. Before joining Community Frameworks in 2022, he was a Real Estate Financial Analyst and Accountant for a market-rate developer. As development consultants, Community Frameworks is responsible for representing KHA in funding applications, consultant and investor procurement, LIHTC and public funder closing, construction as owner's representative, and funder closeout. Note: Community Frameworks will not be a guarantor or a member of the partnership.

LIHTC Equity Investor: U.S. Bancorp Impact Finance has been selected to syndicate tax credit equity investment in this project. Rose Teng will be the Project Manager during the due diligence and construction phases. Shaina Williams will be U.S. Bancorp's Loan Administrator/Closer for this transaction.

LIHTC Attorney: Kantor Taylor has been retained as counsel with Andrea Sato acting as project attorney.

Bond Attorney: Hawley Troxell has been retained as borrowers counsel.

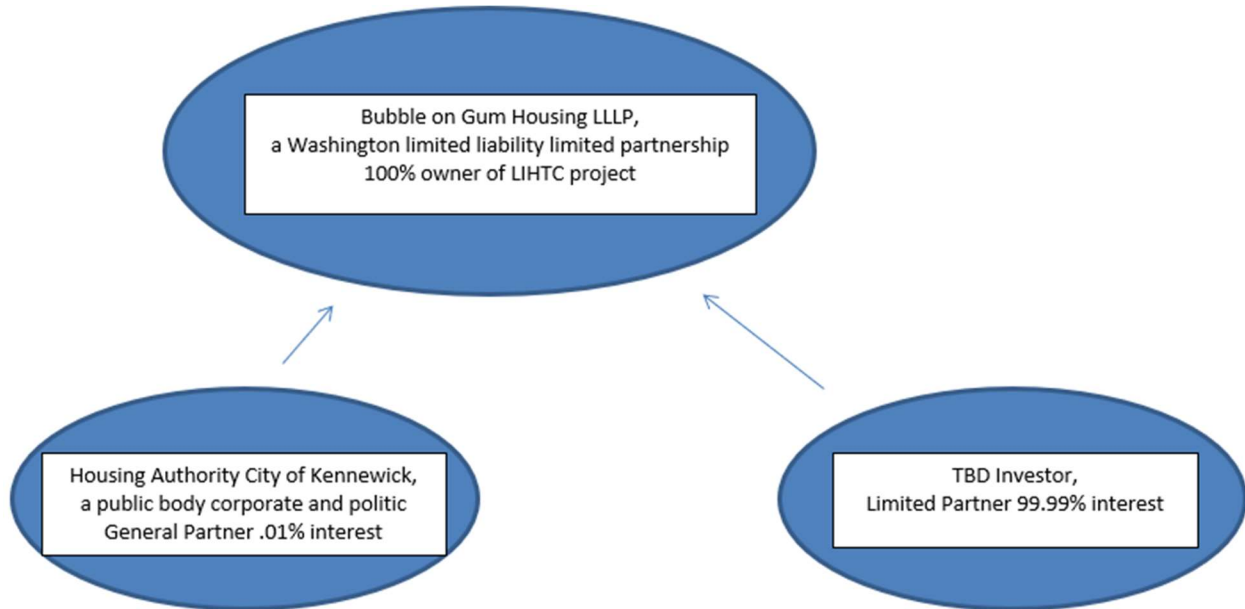
Architecture: ZBA Architecture is a Spokane-based firm with extensive affordable housing experience throughout Washington State. ZBA's resume includes numerous new construction LIHTC projects, including projects developed with KHA and Community Frameworks. Randy Vanhoff will act as the project's principal architect. His recent projects include the Jayne Auld Manor, a 47-unit LIHTC project in Spokane, and the River Mountain Village, a 72-bed assisted senior living and advanced care facility in Newport, WA.

General Contractor: The Kennewick Housing Authority will complete a public RFP once the design development has advanced to the permit application stage. This project will require a hard bid procurement. We anticipate the investor and lenders to pre-approve any interested general contractor.

IV. The Development Structure

The proposed ownership structure is as follows:

- Bubble on Gum Housing LLLP, a for-profit Washington Limited Liability Limited Partnership created by the Kennewick Housing Authority for this project. **100% owner of LIHTC project.**
- Housing Authority City of Kennewick (KHA), a public body corporate and politic. – General Partner – **0.01% interest**
- TBD Investor – Limited Partner – **99.99% interest.**



V. Capital Funding and Schedule

The following sources of capital funds are committed to the project unless otherwise noted:

- \$5,000,000 – Loan at 1% interest from Washington Department of Commerce Housing Trust Fund (HTF). 40-year term, deferred for the full 40-year term, with 40-year use restriction.
- Sponsor Loan – Interest rate TBD based on residual analysis. Sources of Sponsor Loan include:
 - \$3,000,000 – Community Project Funding Grant (HUD)
 - \$1,070,000 – Connecting Housing to Infrastructure (CHIP) program (Washington State Dept. of Commerce via City of Kennewick). The total of the award is actually \$1,384,276, but due to cost savings, not all of it will need to be used or loaned into the project.
 - \$382,374 – Community Development Block Grant (CDBG) from City of Kennewick
 - \$400,000 – Grant from Benton County’s SHB 2060 Affordable Housing Program
 - \$350,000 – HOME-ARP from Tri-Cities HOME Consortium (TBD; anticipated)
 - \$ TBD - WSU Solar Grant; funds for solar panels

KHA has received a preliminary determination letter (“42M letter”) for \$1,138,051 in annual 4% LIHTC equity, based on plans to provide 58 LIHTC-eligible units. The project has been awarded \$13,000,000 in Housing Authority Pool Tax Exempt Bond Capital. Bonds will be used for both the construction financing and permanent financing.

Below is the anticipated project schedule. Note that the acquisition and construction of off-site infrastructure will occur before the financial closing of the tax credit LLLP.

Lender Selection	December 20, 2024
Acquisition and Offsites	
Site Acquisition	December 20, 2024
Offsite Infrastructure Work NTP/Start	February 01, 2025
Offsite Infrastructure Work Complete	April 01, 2025
Bubble on Gum - Apts	
Permit Submittal & Bid Set Complete	January 30, 2025
General Contractor Selection	February 15, 2025
Close Funding	April 15, 2025
Notice to Proceed	May 01, 2025
Construction Completion	August 15, 2026
100% Qualified Occupancy	November 30, 2026

VI. Operations and Services

Populations Served:

The project will include 58 residential units. Half of the units will be at 30% AMI and the other half at 50% AMI. Population set-asides in this property include 18 units for Families with Children, 10 units for households with Multiple Special Needs (intellectual or physical disabilities), and 5 units for Veterans, with the remaining 25 units for non-specified/general low-income households. With the inclusion of the HOME ARP funds, one unit will be reserved for a household with a Qualifying Population status of homeless or at risk of homelessness.

Operations and Service Funding:

At Bubble on Gum, the Kennewick Housing Authority will be both the property manager and the service provider. KHA staff receive training in community resources and work closely with people who have experienced trauma and homelessness. They work with current participants in a culturally sensitive way. The primary service model at Bubble on Gum will be the Family Self-Sufficiency model. At KHA, this service is funded by an annual HUD contract, for eligible tenants of HUD Voucher Assisted Units.

FSS Services will not be the only supportive services available at Bubble on Gum. The general supportive services program at Bubble on Gum will be a limited-scope services plan, focusing primarily on working with residents to set goals, providing referrals to appropriate outside agencies, and create linkages with broader community resources. For this, a part-time (0.20 FTE) Service Coordinator has been budgeted for the property. Flex space in the community commons building may be made available for outside service providers to meet with residents on a case-by-case basis. All services will be voluntary.

The Kennewick Housing Authority is currently processing an AHAP for the 24 project-based vouchers. Voucher revenue will increase rent affordability for 30% AMI renters with provision for on-site services.

VIII. Proposal Content for Construction and Permanent Lender

1. Please identify your loan terms for construction including:
 - A) Rate (if it is fixed or floating), the spread, and the index.
 - B) Term and any available extensions
 - C) Loan fee.
 - D) Any other fees due to the bank for review
 - E) Any 3rd party costs such as estimated legal fees, appraisal fees, other closing expenses, and construction inspection fees. Please indicate your willingness to agree to a cap on third-party costs, including legal fees.

2. Please identify your loan terms for permanent including:
 - A) Rate (fixed), the spread, and the index.
 - B) Loan term and amortization.
 - C) Loan fee.
 - D) Any other fees due to the bank for review
 - E) Any 3rd party costs such as estimated legal fees, appraisal fees, other closing expenses, and construction inspection fees. Please indicate your willingness to agree to a cap on third-party costs, including legal fees.

3. Please identify all underwriting criteria for construction and for conversion.

4. Please identify key staff through the due diligence and closing process.

5. Please identify the bank's counsel.