ORDINANCE No. 118258

COUNCIL BILL No. 111367

AN ORDINANCE relating to low-income housing, approving the 1996-98 Administrative and Financial Plan for 1995 Housing Levy Programs established under Ordinance 117711, and directing the Department of Housing and Human Services to submit a status report to the City Council on the administration of Housing Levy funds, and authorizing expenditure of certain funds allocated to the administration of Housing Levy Programs, subject to appropriation.

COMPTROLLER FILE No.

Introduced: AUG 12 1996	By: ~~DRAGO~~ Chow
Referred: AUG 12 1996	To: ~~Business, Economic & Community Development~~ Committee HHHSEC
Referred:	To:
Referred:	To:
Reported: SEP - 3 1996	Second Reading:
Third Reading: SEP - 3 1996	Signed: ~~SEP - 3 1996~~ SEP - 3 1996
Presented to Mayor: SEP - 4 1996	Approved: SEP - 5 1996
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Vetoed by Mayor:	Veto Published:
Passed over Veto:	Veto Sustained: OK

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Law Department

The City of Seattle--Le

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REPORT OF C

Honorable President:

Your Committee on Health, Housing, Human Services

to which was referred the within Council Bill No.
report that we have considered the same and respectfully

8/28/96 Passed as Amended 3-0

FC Vote 9-0

Committee

Law Department

The City of Seattle--Legislative Department

INDEXED

Date Reported and Adopted

REPORT OF COMMITTEE

Honorable President:

Your Committee on Health, Housing, Human Services, Education + Libraries

to which was referred the within Council Bill No. ____

report that we have considered the same and respectfully recommend that the same:

8/28/96 Passed as Amended 3-0

FC Vote 9-0

Cheryl M. Chow

Committee Chair

Chow

HHHSEL

HRT/KRH/GBH
August 28, 1996
(Ver. 4)

ORDINANCE 118258

AN ORDINANCE relating to low-income housing, approving the 1996-98 Administrative and Financial Plan for 1995 Housing Levy Programs established under Ordinance 117711, directing the Department of Housing and Human Services to submit a status report to the City Council on the administration of Housing Levy funds, and authorizing expenditure of certain funds allocated to the administration of Housing Levy programs, subject to appropriation.

WHEREAS, pursuant to Ordinance 117711, as amended, the voters of The City of Seattle approved the levy of property taxes for the purpose of financing low-income housing, including housing for very low-income households under RCW 84.52.105; and

WHEREAS, Ordinance 117711 and the Affordable Housing Financing Plan attached thereto provide for periodic submission to the City Council of an Administrative and Financial Plan for programs funded by the 1995 Housing Levy ("Levy Programs"); and

WHEREAS, the Department of Housing and Human Services, in conjunction with the Oversight Committee for the Levy Programs, has developed the initial Administrative and Financial Plan; and

WHEREAS, Ordinance 117711 allocated funds for the administration of Housing Levy programs, and further provided that not more than sixty percent (60%) of such funds allocated for each of the programs could be expended without authority expressly granted by ordinance; and

WHEREAS, Resolution 21965 provided that the housing levy would provide administrative funding representing five percent (5%) of total levy funding, and further provided that of the five percent (5%) of levy funding allocated for administration of the housing levy, three percent (3%) (i.e., sixty percent (60%) of funds allocated for administration) would be automatically granted to DHHS for administration of housing levy funds and the remaining two percent (2%) (i.e., forty percent (40%) of funds allocated for administration) would require authority expressly granted by ordinance by the City Council; and

WHEREAS, The City Council will benefit from a status report from the Department of Housing and Human Services on the administration of Housing Levy funds; Now, Therefore,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council hereby approves the 1995 Seattle Housing Levy Administrative and Financial Plan for Program Years 1996-98 attached to this Ordinance as Exhibit A.

Section 2. The City Council hereby finds that in order to promote the efficient, cost-effective and responsible administration of Levy Programs, five percent (5%) of total levy funding should be authorized for administration of the housing levy. Ordinance 117711 and Resolution 21965 automatically grant the Department of Housing and Human Services sixty percent (60%)

of the amount allocated for administration (or three percent (3%) of the five percent (5%)), but require express authority to authorize the remaining forty percent (40%) (or (2%) of the five percent (5%)). The Council finds that it is appropriate to authorize the expenditure through December 31, 1998, of the remaining forty percent (40%) of funds allocated in Ordinance 117711 for the administration of Housing Levy Programs. Therefore, the City Council authorizes the expenditure through December 31, 1998, of the full amount allocated to administration of Housing Levy programs in Ordinance 117711, subject to appropriation of such funds.

Section 3. The City Council directs the Department of Housing and Human Services (DHHS) to develop and submit to the City Council a status report on DHHS' administration of 1995 Housing Levy funds, which report shall address the present and projected costs of administration of 1995 Housing Levy funds, and shall be submitted to Council by September 1, 1997.

Section 4. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if

HRT/KRH/GBH
August 28, 1996
(Ver. 4)

not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 3rd day of September, 1996, and signed by me in open session in authentication of its passage this 3rd day of September, 1996.

Jan Drago
President ______ of the City Council

Approved by me this 5 day of September, 1996.

Norman B. Rice
Mayor

Filed by me this 5 day of September, 1996.

Judith E. Pippin
City Clerk

(Seal)

Exhibits:

A: Administrative and Financial Plan

Planord3.doc

HHHSEL Committee's Amendments to C.B. 111367

1. Page 1, line 25

WHEREAS, Ordinance 117711 allocated funds for ~~to~~ the administration of Housing Levy programs, and further provided that not more than sixty percent (60%) ~~expenditure of forty percent (40%)~~ of such funds allocated for each of the programs could be expended without ~~would require~~ authority expressly granted by ordinance; and

2. Page 2, line 5

WHEREAS, Resolution 21965 provided that the housing levy would provide administrative funding representing five percent (5%) of total levy funding, and further provided that of the five percent (5%) of levy funding allocated for administration of the housing levy, three percent (3%) (i.e., sixty percent (60%) of funds allocated for administration) would be automatically granted to DHHS for administration of housing levy funds and the remaining two percent (2%) (i.e., forty percent (40%) of funds allocated for administration) would require authority expressly granted by ordinance by the City Council; and

3. Page 2, Section 2

Section 2. The City Council hereby finds that in order to promote the efficient, cost-effective and responsible administration of Levy Programs, five percent (5%) of total levy funding should be authorized for administration of the housing levy. Ordinance 117711 and Resolution 21965 automatically grant the Department of Housing and Human Services sixty percent (60%) of the amount allocated for administration (or three percent (3%) of the five percent (5%)), but require express authority to authorize the remaining forty percent (40%) (or (2%) of the five percent (5%)). The Council finds that it is appropriate to authorize the expenditure through December 31, 1998, of the remaining forty percent (40%) of funds allocated in Ordinance 117711 for the administration of Housing Levy Programs. Therefore, the City.......

HHHSEL Committee Amendments to Administrative and Financial Plan

1. Page 9, last box

   The program administrator, or other qualified nonprofit, shall provide pre-purchase and post-purchase counseling where necessary and shall act as a clearing house for matching the pre-purchase and post-purchase educational needs of potential borrowers with available training programs. Costs of program administration could be covered by a to-be-determined per transaction fee to be paid by the seller or buyer or both or by a third party where possible.

2. Page 11, 7th box

   For gap financing of more than ~~that~~ $2,500 a compounded 3% annual interest rate shall also apply during the deferment period; neither the length of the deferment period nor repayment schedule have been determined as yet. ~~The interest rate may be increased and/or the loan term shortened, and/or amortization required, if the property is no longer occupied by a low-income home owner.~~

3. Page 13, second paragraph

   ~~While this Section identifies areas of focus for the levy, low-income projects will be considered for funding even if they are not identified in this Section as the focus of the levy.~~

4. Page 17, second paragraph

   ~~Any partnership or organization organized by a non-profit or public corporation in order to obtain tax credits may be treated by the Director as a non-profit corporation for purposes of the policies in this Plan. The Director also may consider as nonprofit corporation any corporation, limited liability company, general partnership, joint venture, or limited partnership if all shareholders, members, partners, and any other equity owners of such entity are nonprofit corporations or public entities.~~

LEVYREV1.DOC (8/28/96)

1995 SEATTLE HOUSING LEVY

ADMINISTRATIVE AND FINANCIAL PLAN

Program Years: 1996, 1997, 1998

August 28, 1996

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INTRODUCTION

The 1995 Seattle Housing Levy is a $59.211 million program designed to produce and preserve a minimum of 1,360 units for low- and extremely-low-income households. Levy programs include homeowner rehabilitation, home buyer assistance, rental production and an operating and maintenance trust fund. The levy was approved by Seattle voters in November, 1995, as a program funded by property tax levies for seven years, from 1996 through 2002. The Department of Housing and Human Services (DHHS) will administer all 1995 Seattle Housing Levy programs.

Ordinance 117711, passed by City Council on July 10, 1995, adopted an Affordable Housing Finance Plan, placed the levy on the November ballot and directed the Department of Housing and Human Services (DHHS) to prepare an Administrative and Financial (A and F) Plan covering all Levy programs beginning in 1996. The Plan must be approved by City Council and updated every two years. Because the 1996 Plan is being adopted in third quarter, 1996, the 1996 Plan will run through 1998; the next Plan will begin in January, 1999. The Plan was developed by DHHS using working groups including internal staff and community members, and was reviewed, revised and approved by the Housing Levy Oversight Committee.

Ordinance 117711 requires A and F Plans to include:

- Criteria for evaluating and selecting projects;
- Guidelines for loans or grants;
- Requirements for project sponsors;
- Progress and performance reports on ongoing projects; this section to be included in future plans;
- Program reviews to ensure that levy funds are used for their stated purposes; and
- Financial budgets for each levy program.

This information is incorporated into the program ar[illegible]apters. Also included in the A and F Plan are guiding principles, program administration information and an appropriation plan.

GUIDING PRINCIPLES

The following principles have been developed by the Housing Levy Oversight Committee to guide program planning and implementation for the 1995 Housing Levy:

(1) Levy programs will be designed and implemented in accordance with the City's Comprehensive Plan core values.
The core values contained within the city's Comprehensive Plan are community, environmental stewardship, economic opportunity and security, and social equity (not in priority order). Levy programs will be designed and implemented in accordance with these core values.

(2) Levy programs will be designed and implemented to insure the long term success of programs and projects and the well-being of residents.
Factors influencing the long term success of programs vary by program type. The following factors cut across many of the levy program areas to ensure the long-term success of programs and projects and the well-being of residents: the longest possible agreement between a developer and the City to maintain affordable rents, superior construction quality, specific funds identified for operating and maintaining projects, and the provision of services for residents with needs.

(3) Levy programs will be designed to meet emerging community needs.
The focus of initial programs will be on working families with children who need affordable housing, people with disabilities who need housing and service support to live independently in the community, people who are elderly and need housing assistance to remain in their homes or who need assisted living alternatives, and families who are victims of domestic violence. Operations and maintenance services funding will be initially targeted to projects serving youth and victims of domestic violence.

Community housing needs will be assessed every two years as the Housing Levy Administrative and Financial Plan is updated. Levy programs will address emerging community needs, with program changes noted within the Administrative and Financial Plan updates.

(4) Levy programs will be designed to maximize the benefit from leverage from private and other public funding sources and still meet low-income housing objectives.
Housing levy resources can leverage a wide variety of other resources. Taking advantage of leveraging opportunities is important in order to:

- Attract and use all available federal, state, and private resources to produce and maintain the greatest number of units possible; and

- Augment Operating and Maintenance Trust Fund resources to enable the maximum number of households with incomes at or below 30% of median to be served over time.

In addition to utilizing existing sources of leverage, new sources of leverage will be sought throughout the levy development period.

(5) Consider levy cash flow issues in developing the Housing Levy Administrative and Financial Plan.
Levy cash flow considerations will be evaluated in developing the Housing Levy and Administrative and Financial Plan.

(6) Levy programs will be planned and implemented in ways that stress the City's administrative efficiency and reduce costs.
Administrative costs should be held to the minimum level to enable DHHS to adequately carry out necessary administrative responsibilities. Opportunities to plan program expenditures in ways that achieve administrative efficiency, thereby saving administrative costs, will be a high priority.

(7) Levy programs will be developed in ways that balance the need to reduce total development costs with costs associated with public funding goals.
Levy program administrators and housing developers will continuously consider and implement ways to reduce total development costs, while recognizing and affirming that certain public values (such as long-term durability, energy efficiency, and fitting into a neighborhood) may increase costs, and that these must be balanced with the objective of keeping costs as low as possible.

(8) Levy programs will be structured to encourage neighborhood involvement with the housing funded and produced.
Specifically:

(a) Housing produced under the housing levy will be consistent with the Comprehensive Plan goals and policies pertaining to neighborhoods and neighborhood planning.
(b) Programs will encourage projects involving creative partnerships and collaborations between project sponsors and affected community groups/residents.
(c) Programs will emphasize projects that help stabilize neighborhoods and create permanent investment in community-neighborhood development.
(d) Programs will emphasize and promote geographic dispersion of subsidized rental housing.

PROGRAM ADMINISTRATION

Section 8 of Ordinance 117711 identifies the City's Department of Housing and Human Services (DHHS) as administrator of levy programs. The Housing Levy included $3,084,000 for administration, 5.2% of total levy funding. This funding was intended to permit DHHS to administer the levy's three capital programs. Administrative funding for the Operating and Maintenance (O and M) Trust Fund Program will come from Trust Fund interest earnings, consistent with administration of the 1986 Housing Levy's O and M Trust Fund Program.

Resolution 29165 was adopted by City Council on July 17, 1995, and provided further intent regarding administration of the new levy's Rental Production Program. For that program, only 3% of total levy program funding (or 60% of total administrative funding available for the Rental Production Program) will be "automatically granted" to DHHS for administration. The remaining 2% (or 40% of total administrative funding) requires "authority expressly granted by ordinance by the City Council."

Resolution 29165 directed DHHS to examine its multifamily project administrative "system" and identify areas for improvement and greater efficiency. Washington Community Development Loan Fund staff were hired to facilitate a process that included extensive involvement by nonprofit organizations. The process began in October 1995, and concluded in June 1996. A final report was published in late June that contains over 60 recommendations. DHHS examined the budget implications of the changes in May: DHHS estimates the full 5% included in the Rental Production Program for administration will be required to administer the 1995 Levy Program. The rental programs in the 1986 Housing Levy required approximately 8% for administration: 5% in levy funds and 3% in supplemental CDBG funding. Administration of the 1995 Levy will not require supplemental CDBG funding. This will be achieved by a 25% reduction in staff capacity.

APPROPRIATION PLAN

Table 1 shows the anticipated Appropriation plan for the entire levy period. The Rental Production Program expects to allocate its entire first year program amount in 1996. The other two capital programs will begin their first full year allocation process in 1997. An inflation factor has been built into the model; the annual allocations for the three capital programs increase by 3% each year.

The need for administrative funding does not begin until 1997. Funding the Operating and Maintenance Trust Fund begins in 1996, and it is expected to be fully capitalized in 2001. Until the Trust Fund is fully capitalized, any unused funding at year end from the other programs, as well as all interest earnings, will go into the Trust Fund to speed up capitalization.

Levy Interest Earnings: Once the Trust Fund is capitalized, it is expected that interest will accrue on unexpended levy funds. A plan for interest earnings will be included in future Administrative and Financial Plans. For the 1996 through 1998 time period, any interest earnings will go into the Operating and Maintenance Trust Fund.

SINGLE FAMILY HOMEOWNER REHABILITATION PROGRAM

Single family homeowner rehabilitation is one of the four program areas covered by Seattle's 1996 Low-Income Housing Levy. Over 12,000 very low-income, including elderly, homeowners may need some form of assistance in repairing their homes. Many of these homeowners are on fixed incomes and do not qualify for traditional mortgages with which to make critical home repairs. Also many of these homeowners need more complete explanation of assisted living alternatives. The Levy allocates $2,917,000 to single family rehabilitation over its lifetime. The goal is to help 33 single-family homeowners repair their homes in 1997.

I. PROGRAM OBJECTIVES

The following general program objectives guide the single family homeowner rehabilitation program:

- Annually provide 23 traditional Rehabilitation and Emergency Assistance for City Homeowners (REACH) loans to qualifying homeowners;
- Provide 10 REACH loans in a pilot program to qualifying homeowners who want to share their home with another unrelated person or family;
- Promote and preserve home ownership which contributes to the stability of families and neighborhoods; helps preserve the physical condition of residential properties and addresses the shortage of safe, sanitary, affordable housing by maintaining and enhancing the supply of owner-occupied housing;
- Rehabilitate owner occupied homes which encourages the most efficient use of the City's existing housing stock;
- Create innovative living options which allow homeowners to remain in their homes and reduces their potential of homelessness;
- Provide financial assistance to homeowners who don't qualify for traditional mortgages because of their very low incomes;
- Make all Levy single family homeowner rehabilitation loans to people with incomes of less than 50 percent of the area's median income as determined by the U.S. Department of Housing and Urban Development (HUD).

II. PROGRAM FOCUS

From 1996 through 1998 $1,036,526 will be available for the single family homeowner rehabilitation program including program administration. There are two program components. First, $482,451 will be provided for loans under the current REACH program in 1996 and 1997. These funds will help approximately 23 homeowners annually. Second, $100,000 will be available for REACH loans to homeowners who want to share their home with another unrelated person or family. These funds will be available in 1997 and depending on the success of this pilot home sharing program, the funding may be increased to $200,000 in 1998. If the pilot home sharing program is not successful, then the funds will be used for additional REACH loans.

III. PROGRAM POLICIES

The Single Family Homeowner Rehabilitation program will be implemented in accordance with REACH Program Policies.

HOME BUYER ASSISTANCE PROGRAM

The 1995 Housing Levy included a Home Buyer Assistance Program, which had not been in previous Housing Levies. The purpose of this program is to assist low-income families in becoming home owners. A total of $2,917,000 of Levy funding was allocated for the Home Buyer Assistance Program, not including administration. A goal of assisting 139 low-income households to become homeowners through participation in this program within the first seven years of the Levy has been established. The program will be established as a revolving loan fund, so new loans can be made as loan payments are made. These initial funds are to be expended evenly over the first seven years of the Levy development program.

DHHS staff will continue their work with the staff of the Neighborhood Planning Office (NPO) to coordinate the Levy Program Planning and Implementation with the different neighborhood planning processes. Information will be provided to neighborhood groups upon request and information about the Levy programs will be included in the Housing Options Program and the Housing Work Book. DHHS staff will continue their regularly scheduled meetings with NPO staff throughout the program planning and implementation of the Levy funded programs.

I. PROGRAM OBJECTIVES

The following general program objectives will guide the implementation of the Home Buyer Assistance Program:

- ❒ Provide down-payment assistance to eligible borrowers to help them become homeowners in Seattle.
- ❒ Help maintain and expand the affordable housing capacity in the City, particularly within the Special Objective Areas (SOAs), by supporting the development of new housing and the renovation of vacant or deteriorated housing.
- ❒ Increase the rate of home ownership in Seattle, particularly for low-income households.
- ❒ DHHS staff will aggressively pursue other sources of home buyer assistance funds (HOME, etc.) to leverage the available levy dollars.
- ❒ Priority for funds will be given to participants who bring highest leverage to the Levy program.
- ❒ These funds should be expended utilizing an existing service delivery system.
- ❒ Completion of an available appropriate pre-purchase home buyer education program shall be a requirement of applicants receiving loans. Education under the WSHFC program for first-time buyers shall be considered the minimum training necessary for the first year. During the second year, DHHS will review and determine if there needs to be changes with the education requirement.
- ❒ The program administrator, or other qualified nonprofit, shall provide pre-purchase and post-purchase counseling where necessary and shall act as a clearinghouse for

matching the pre-purchase and post-purchase educational needs of potential borrowers with available training programs. Costs of program administration could be covered by a to-be-determined per transaction fee to be paid by the seller or buyer or both or by a third party where possible.

- ❒ An annual financial report will be prepared which will include information such as:
  - number of loans approved,
  - value of loans approved,
  - number of loans in portfolio,
  - value of loans in portfolio,
  - delinquency rate for loans in portfolio,
  - leveraging of other funds,
  - levels of activity of participating agencies and/or financial institutions,
  - number of homes sold to new owners.
- ❒ DHHS staff will continue working on program development activities for the expansion of the program into areas such as land trust, coops, etc. A report will be submitted to the Levy Oversight Committee updating them on these activities during 1997.
- ❒ An annual program performance report will be prepared which will provide information such as any additional fund sources identified for the home buyer assistance program, and the community development impacts within the Special Objective Areas (SOA) as defined in the City of Seattle Consolidated Plan.

II. PROGRAM FOCUS

- ❒ Home Buyer Assistance Program funds shall be used in conformance with the relevant goals and policies set forth in the Comprehensive Plan and Levy Ordinances 117753 and 117711.
- ❒ Levy funds will be used exclusively in the SOA's for the first two years, subject to re-evaluation at the end of the second year.
- ❒ Alternative forms of home ownership (land trusts, coops, etc.) may be pursued in second and subsequent years using both levy and other sources of funding that may become available.
- ❒ All program participants (banks, non-profits, borrowers) must contribute something in order to participate; e.g., loan or development discounts, fee waivers, other down-payment assistance funds for banks; proven lending/administrative track record for nonprofits; adequate cash savings for borrowers, etc.

III. PROGRAM POLICIES

- ❒ Initial maximum home cost is $155,000; limit may be adjusted upward in future years, based on rate of inflation and analysis of program results.
- ❒ An RFP may be issued to select an experienced program administrator and/or loan servicer.
- ❒ Program applicants must be first-time home buyers with household income below 80% of median at the time of application.

First-time home buyers are defined as: any individual who has not owned a home during the three-year period prior to the purchase of a home except that: a) any individual who is a displaced homemaker may not be excluded because that individual, while a homemaker, owned a home with his or her spouse or partner; and b) any individual who is a single parent or guardian of a minor child may not be excluded because that individual, while married, owned a home with his or her spouse or partner.

- Potential borrowers must successfully complete a pre-purchase home buyer education program and be certified by the agency providing the education program.
- Potential borrowers must agree to the purchase of a home in Seattle as their principal residence only. Investment properties will not be allowed under this program.
- Potential borrowers must be able to financially qualify for a first mortgage with a participating lender.
- Income and asset definitions will be based on those developed by the City of Seattle's Single-Family Housing programs.
- Gap financing will be provided on an as-needed basis up to a maximum of $25,000 per borrower; borrowers must provide a minimum of $2,500 or 2% of the purchase price, whichever is greater, of their own funds toward the home purchase to match the levy down-payment assistance funds.
- For gap financing of $2,500 or less, repayments shall be deferred for the first five years; interest will accrue at an annual compounded rate of 3% during this period. Repayments shall begin in the sixth year, at an interest rate of 3%.
- For gap financing of more than $2,500 a compounded 3% annual interest rate shall also apply during the deferment period; neither the length of the deferment period nor repayment schedule have been determined as yet.
- Borrowers may receive gifts of funds towards their portion of the down-payment; however, gifts must not exceed 25% of the borrower's total down-payment requirement.
- Borrowers may use proceeds from the sale of assets towards their down-payment requirement; e.g., selling a car, cashing in retirement accounts, etc. Sources of cash must be verified.
- Loans shall be assumable by another eligible borrower.
- Loan term may be no less than 25 years for affordability.
- Any first mortgage products approved by DHHS shall be eligible, including FHA and FNMA products, ARMs and portfolio loans. 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds $5,000.
- A loan committee shall be established to review loan exceptions; a system to track the performance of loans shall also be established.
- Borrowers may purchase any type of residential property, whether currently owner or renter occupied or vacant. If tenants are displaced as a result of sale to an owner-occupant under this program, tenant relocation assistance, if any, will not be paid out of levy funds.
- The Department will have the authority to review and revise the financial guidelines as necessary to respond to changes in the financial market.

RENTAL HOUSING PRODUCTION PROGRAM

I. PROGRAM OBJECTIVES

Funding for the Rental Production Program is divided among two categories as follows:

CATEGORY:	TOTAL FUNDING	1996 - 1997 - 1998:
❒ City-wide -- 0 to 50% of median income; subject to restrictions in Consolidated Plan	$39,084,000	$15,765,787
❒ Special Objectives Area -- 50% to 65% of median income	$2,458,000	$991,513

Funding will be used to produce a minimum of 386 units during 1996 - 1997 - 1998.

II. PROGRAM FOCUS

Levy Ordinance 117711 outlined households that will be the focus of the new levy:

- ❒ Working families with children who need affordable housing.
  Examples of individuals working within the targeted income range are sales clerks, secretaries, nurse's aides, grocery clerks, fast food workers, data entry operators, and others struggling to meet their family's basic needs for food, utilities, and medical care because of high rents.
- ❒ People with disabilities who need housing and service support to live independently in the community.
  Examples of individuals in this group are predominantly people currently living on disability income, including people who are homeless.
- ❒ People who are elderly and who need housing assistance to remain in their homes or who need assisted living alternatives.
  Examples are elderly people on fixed incomes who are often unable to obtain a traditional mortgage to make critical home repairs or low-income elderly who can benefit from assistance with medications, personal care, and housekeeping but do not need the costly intensive care of a nursing home.
- ❒ Families who are victims of domestic violence.

Examples are women and children who, for personal safety, must forego the economic benefits of a combined family income.

While this Section identifies areas of focus for the levy, low-income projects will be considered for funding even if they are not identified in this Section as the focus of the levy.

Oversight Committee members noted particular concern about potential lack of development of units for large families, families needing 3, 4, or 5 bedroom units. The NOFA will include the concern, and encourage production of large family units to appropriately address housing need. Production of large family units will be monitored, and additional requirements imposed if production does not occur or falls short of expectations.

III. PROGRAM AREAS FOR FURTHER DEVELOPMENT

During late 1996 and into 1997 staff will focus further attention on the following program development areas. Work will permit DHHS to be more proactive in better defining the types of projects to be funded through Notice of Funding Ability processes.

- **Coordinating programs to further community development objectives in distressed communities.**

  Time constraints prevented a thorough exploration of how levy programs could be coordinated with each other and with other efforts under way; i.e., OED and LISC initiatives. Meetings will be held with distressed community representatives to identify strategies for using levy resources to further community development objectives.

- **Setting unit-size goals for production of family units.**

  Levy planning included assumptions on numbers of anticipated family units by size but did not set any goals. Staff will review needs data and discuss setting goals with nonprofits that are developing family units. If goals are established, they will be published in Notice of Funding Availability documents. In particular, production of large family units will be monitored and unit goals may be set.

- **Housing assistance needed to help people who are elderly.**

  Staff will work with Seattle Housing Authority to explore the housing needs of people who are low-income and elderly. Assisted living projects will be explored; in particular, to determine the extent to which public funding is needed to help develop assisted living for persons who are low-income.

- **Scattered site production of special needs units.**

  Scattered site production includes groups living in single family homes as well as small numbers of special needs units in larger low-income or mixed-income projects. Special needs "projects" (buildings larger than a single-family house containing only special needs units) will only be funded if it can be demonstrated that a "project" is needed to best serve the residents. In particular, staff will consider the best ways to link McKinney funding to a scattered-site "production model."

- **Participation in mixed-income projects.**

  A small portion of levy funding will again be available to promote more development of low-income units in mixed-income buildings. Eligible projects must contain a majority of non-subsidized units. Funding will have different loan terms and be available as permanent financing only (1986 levy mixed-income, new construction program requirements will be a guide). Up to 10% of RPP funds for the 1996 - 1997 - 1998 period will be available for production of units in mixed-income buildings according to specialized loan terms. Program loan terms will be developed by the end of 1996 and will be reviewed by the Levy Oversight Committee prior to announcement of funding availability.

- **Assistance to "HUD Preservation Projects."**

  HUD funding for "Preservation Projects" appears to be ending. Staff will follow the status of these projects to determine the extent to which City funding assistance will be needed. Periodic status reports will be provided to the Levy Oversight Committee.

- **Ongoing monitoring --- performance measures.**

  Staff will work with nonprofits during the fourth quarter 1996 to identify performance measures for the Rental Production Program. These measures will help identify project information that applicants will be required to report on annually.

  Staff will also work with other public funders that require annual project reporting to coordinate requirements.

IV. PROGRAM POLICIES

A. USE OF FUNDS

Program funds can be used to pay for acquisition and/or rehabilitation costs associated with preserving existing vacant or occupied buildings, for new construction projects, and for permanent or "take-out" financing of newly constructed units.

DHHS may approve funding for a "project" that will consist of one or more entire buildings, individual unit(s) within a building, portions of a building, or individual unit(s) or portions of several different buildings, consistent with the policies described in this plan.

Eligible acquisition costs include reasonable costs associated with building or land purchase, such as:

- Purchase price
- Option costs
- Financing fees
- Appraisal costs

- Closing costs
- Interest
- Inspection fees
- Title insurance

Eligible rehabilitation and new construction costs include but are not limited to:

- Architectural/engineering fees
- Construction costs
- Relocation costs
- Operating losses during project rent-up
- Hazardous materials abatement

Eligible permanent or "take out" financing costs include all costs related to the acquisition, development and construction of the units.

In instances where nonprofit developers negotiate purchase agreements with sellers which provide for acquisition payments spread over two or more years, DHHS will have the option to precommit funds from future year allocations, subject to appropriation by City Council, to cover future payments relating to project purchase.

Reasonable development fees will also be an eligible use of Levy funds. Development fees must be consistent with DHHS's Development Fee Policy and will be considered as part of the development budget for a proposed project. DHHS will review the proposed development fee for nonprofit agencies that receive other City funds for their operation to insure that Levy and other City funds are not being used for the same purpose.

For projects selected for funding, up-front development costs incurred prior to a project's selection will be eligible for Levy reimbursement. Examples of up-front costs include earnest money agreements, legal costs, and preliminary architectural or engineering costs. The Washington Community Development Loan Fund (WCDLF), funded in part by Community Development Block Grant funds, is a potential source of up-front development costs for nonprofit agencies. The WCDLF is generally repaid from loan funds if a project is approved. Levy funds can be used to repay WCDLF.

B. ELIGIBLE PROJECTS

Levy program funding may be used for projects described below. Eligible projects may include entire buildings, individual unit(s) within a building, portions of a building, or individual unit(s) or portions of several different buildings, consistent with the policies described below.

Levy funds can be used for projects which combine residential and other uses. The proportion of Levy funding to total development cost must reflect the amount of residential space in a building serving eligible households.

For projects serving special needs populations, the proportion of Levy funding to total development costs must reflect the amount of residential space in a building serving special needs households with incomes less than 30% of median income. In these projects, accessory space (such as office space or space for provision of on-site social services) which is necessary for the viability of the project may also be considered for Levy funding.

Residential space includes:

- Common areas for resident use such as television or reading rooms;
- Areas for cooking, eating, bathing;
- Corridors, stairwells, storage areas;
- Management office space; and
- Building lobby area.

Levy funds can be used in non-residential areas of mixed-use buildings only for work necessary to produce the residential units; e.g., work that is part of overall exterior building improvements (masonry repairs) or work necessary to insure the structural integrity of the building. Costs associated with commercial tenant improvements are not eligible for Levy funding.

DHHS acknowledges that mixed-use buildings will require financing for non-housing portions of a project. While levy funds may not be used for non-housing portions, DHHS will help applicants identify other project funding or innovative fund sources to cover non-housing project costs.

Where it is impractical to segregate construction or rehabilitation costs between Levy funded units and other portions of a mixed-use or mixed-income project, the DHHS Director may permit such costs to be prorated between Levy funding and other funding sources based on any reasonable formula.

C. ELIGIBLE TENANTS

Tenant households must generally have incomes at or below 50% of area median to be eligible to live in units assisted through the Rental Production Program. A portion of program funding may be used to produce units affordable to households with income at or below 65% of median income. Detailed rent requirements are outlined in Section G, Occupancy and Rent Requirements.

Projects involving new construction, acquisition and/or rehabilitation of existing buildings may include some units occupied by households who can live independently but who have support service needs; e.g., people who abuse substances and/or are mentally ill, and who may or may not participate in treatment programs. Projects providing transitional housing will be required to link support services directly to households in those units, but on-site services will not be required.

D. ELIGIBLE SPONSORS

Eligible sponsors of housing produced through the Levy are:

- Private nonprofit agencies;
- Public Development Authorities;

- Seattle Housing Authority;
- Private for-profit owners/sponsors.

Private nonprofit agencies will be required to submit articles of incorporation and an IRS letter as proof of nonprofit status. Eligible nonprofits must have a charitable purpose which may or may not include the provision of housing. DHHS' preference is to provide funding to nonprofit sponsors that have established housing as a primary purpose of the organization. Through the project selection process, priority will be given to nonprofit agencies which have demonstrated ability to develop and/or manage low-income housing, and to limited partnerships or other organizations through which such nonprofit agencies obtain tax credits to help finance a project.

Any partnership or organization organized by a nonprofit or public corporation in order to obtain tax credits may be treated by the Director as a nonprofit corporation for purposes of the policies in this Plan. The Director also may consider as nonprofit corporation any corporation, limited liability company, general partnership, joint venture, or limited partnership if all shareholders, members, partners, and any other equity owners of such entity are nonprofit corporations or public entities.

Sponsors ordinarily must demonstrate previous experience in the development, management, and ownership of housing projects similar to the project being proposed. If the nonprofit sponsor does not have previous experience in one or more of those areas, the sponsor will be expected to propose an appropriate relationship with another entity in order to demonstrate required experience.

If a sponsor cannot demonstrate previous experience in housing or if an agency is not primarily providing housing/housing related services, DHHS will encourage and work with the sponsor to strengthen the development team to ensure project viability, including possible sponsor affiliation with an established housing organization or creation of a subsidiary housing nonprofit organization. DHHS will evaluate the experience of a sponsor's management/development team, staff, Board of Directors, and other project and program experience to determine whether formation of, or affiliation with, another nonprofit would be required as a condition of funding.

E. MAXIMUM CITY SUBSIDY PER UNIT

The maximum City loan amount a project may receive is based on the number of units in a project. The City has established per unit subsidy amounts which are used to calculate the maximum City subsidy available to a project.

The City's maximum per unit subsidy includes all DHHS administered funds which may be combined to finance a project, including funds from the Housing Levy, the Community Development Block Grant Program, HOME Program, Rental Rehabilitation Program, Growth-Related Housing Program, Housing Bonus Program, Transfer of Development Rights Program, Seattle Matching Fund, and any special mitigation funds.

City maximum per unit subsidy amounts are not meant to reflect per unit total development costs for a project. Leveraging other non-City resources is strongly encouraged, and required for most projects. The established per unit maximum figures will be reviewed in light of actual project experience when future Plans are prepared and will be revised if necessary.

Waivers may be granted by the DHHS Director on a project by project basis to permit per unit costs in excess of the stated amount. The DHHS Director may approve an increase in City subsidy of up to 15% of the stated maximum per unit amounts for projects which clearly demonstrate the need for a policy waiver.

Waivers may be considered on a case by case basis for projects meeting one or more of the following criteria.

(a) Projects which are located in an area with little or no subsidized, low-income housing, or in an area identified in the City's comprehensive plan or other adopted policies as one in which low-income subsidized housing should be encouraged.
(b) Projects that provide special amenities and/or unique design features for the proposed tenant population. This may include projects that contain larger units for families; or projects that require reconfiguration of units to meet the needs of the proposed population; or special design features resulting from the participation of potential tenants and/or community members in project development.
(c) Projects for which maximum leveraging of other public fund sources is not possible due to timing considerations, i.e. sources not available at time project should proceed. DHHS may ask sponsors to apply for other fund sources later, if appropriate.

DHHS will use costs of previously funded, comparable projects as a guide in determining if a waiver is justified; however, waiver decisions will be made on a case by case basis based on specifics of the particular project or situation.

Three cost-per-unit maximum figures will be used: a limit for small units, a limit for large units, and a limit for each bedroom in a shared, single family house.

1. Small Unit: Single-room-occupancy, studio, or one-bedroom units.

   Limit: $47,000

   Plus 15% for new construction or substantial rehabilitation project; plus 15% for special needs unit. The 15% add-ons are compounded; a project eligible for both add-ons would have a $62,158 per unit limit. With 15% waiver, the total maximum would be $71,482.

2. Large Unit: Two, three, four or more bedroom units.

   Limit: $53,000

   Plus 15% for new construction or substantial rehabilitation project; plus 15% for special needs unit. The 15% add-ons are compounded; a project eligible for both add-ons would have a $70,093 per unit limit. With 15% waiver, the total maximum would be $80,606.

3. Bedroom Unit in a shared single family house.

Limit: $29,200

With 15% waiver, the total maximum would be $33,580.

F. LOCATION, SITING, AND NOTIFICATION

1. LOCATION

Projects serving very low-income tenants may be located in all neighborhoods, subject to requirements and restrictions in the City's Consolidated Plan. Project serving households with income up to 65% of median are restricted to Special Objective Areas identified in the City's Consolidated Plan.

2. SITING

The following siting criteria will be considered during the project selection process to determine if the location of a proposed project promotes a quality environment for the population to be served:

(a) proximity to transit, goods and services necessary for the specific population;
(b) relationship and compatibility of the project with other uses in the area;
(c) safety and security of the location for the proposed population;
(d) special amenities (e.g., availability of safe and secure outdoor play space for children in family housing projects).

These locational and siting criteria will apply equally to both permanent and transitional housing projects. An important goal will be to disperse low-income subsidized housing units whenever possible.

3. NOTIFICATION

The City of Seattle requires sponsors of projects which it funds to engage in a community notification effort. Clear, open communication is the first step in establishing a positive long term relationship with neighborhood residents.

While notification is an excellent way to begin to address the potential concerns and questions that neighbors and community members may have about a housing project, long term success with the neighborhood will come from a long term commitment to a relationship with project neighbors. Through its funding processes, the City seeks to balance its support for specific projects which it funds with the desire that those projects sponsors make a good faith commitment to positive, constructive relationships with the neighborhood.

Sponsors will be required to include a description of their community notification process in project applications. The community notification process for projects that involve site acquisition must begin no later than upon achieving site control as defined in DHHS funding announcement documents. The process for projects that do not involve acquisition must begin at least one month prior to submission of an application to DHHS.

Sponsors will be required to notify immediate neighbors and appropriate community groups. Sponsors must use notification and good neighbor guidelines developed by DHHS as they work with community members to site projects. A notification plan and the results of the notification process activities must be included in funding applications to DHHS. Applicants will be required to conduct notification activities outlined in DHHS funding announcement documents.

Community support will be considered a positive factor in reviewing a project; however, community support of a project will not be a requirement of funding. Consistent with fair housing requirements, community opposition based on any discriminatory motivation, including opposition to families with children or persons with disabilities, shall not be taken into account.

Failure to comply with notification guidelines may result in rejection of an application, denial of funding, deferral of funding pending further notification efforts, or other remedies as determined by the DHHS Director.

G. OCCUPANCY AND RENT REQUIREMENTS

1. DEFINITIONS

In general, as used in the Rental Production Program section of this Administrative and Financial Plan, the following terms shall have the following meanings unless the context otherwise clearly requires:

- "Affordable rent" for low-income tenants means annual rent not exceeding 35% of 65% of median income; for very low-income tenants means an annual rent not exceeding 35% of 50% of median income; and for extremely low-income tenants means an annual rent not exceeding 35% of 30% of median income.
- "Extremely low-income" means income not exceeding 30% of median income.
- "Income" means household income computed in conformity with requirements of the federal HOME program, unless the DHHS Director shall permit another method of computation for a particular project or class of projects.
- "Low-income" means income not exceeding 65% of median income.
- "Median income" means annual median income for the Seattle-Everett Metropolitan Statistical Area, adjusted for household size, as estimated from time to time by HUD.
- "Rent" means all amounts charged for the use or occupancy of the project (whether or not denominated as rent or constituting rent under state law), plus a utility allowance for heat, gas, electricity, water, sewer, and refuse collection (to the extent such items are not paid for tenants by Owner).

The DHHS Director may adopt further refinements or interpretations of the above definitions.

2. INCOME ELIGIBLE TENANTS AND AFFORDABLE RENT LEVELS

- Tenants with incomes that rise above the eligibility levels become "over-income tenants." Rents for over-income tenants may be increased above program affordable rent levels described above. City funding will not be available for units occupied by income ineligible residents; however, the City may ask that such units, although not City-funded, become rent-regulated under a City Regulatory Agreement when occupancy changes.
- Extremely low-income tenant households (30% of median and below) in units subsidized through the Operating and Maintenance Trust Fund may contribute up to 35% of income toward rent (including utilities) consistent with City Council policy direction for the Trust Fund.

3. RENT INCREASES

- After-rehabilitation rents for Levy-funded units generally should not exceed before-rehabilitation rents. Tenant displacement due to after-rehabilitation rent increases should be avoided. Higher after-rehabilitation rents will be considered only if necessary to insure adequate project operating funds. After-rehabilitation rents for vacant units and rents for newly constructed units should generally not exceed an average of the rents for comparable occupied units.
- During the loan term, rents can be increased only to cover increases in project operating costs, and/or other project expenses acceptable to DHHS.
- Operating costs shall be established by sponsors in operating proforma approved by DHHS. Operating costs shall include taxes, insurance, utilities, salaries, management fees, replacement reserves, maintenance supplies and services, and other such expenses as shall be allowed by DHHS.
- At no time during the term of the loan can rents for units occupied by income-eligible tenants exceed "affordable levels" as defined above.
- Rents for over-income tenants may be increased above "affordable rent levels."
- Rents may not be increased in one project to subsidize operating losses/costs of another project owned or operated by the same sponsor.

4. AFFORDABILITY POLICY

Levy Program funds are subject to the following affordability policy:

- At least 50% of Levy Rental Production Program funds available for households with income under 50% of median income shall be used for housing affordable to and occupied by households at and below 30% of median income; and
- Remaining funds available for households with income under 50% of median income shall be used for housing affordable to and occupied by households with income between 30% and 50% of median income.

The affordability policy is administered by DHHS across the Levy program as a whole, not on an individual project-by-project basis. The policy is administered on a two year cycle. All projects approved for Levy program funding from September 1, 1996 through

December 31, 1998 shall be included in calculating City affordability policy goals for the 1997-1998 period.

5. OTHER POLICIES

- Project sponsors must obtain DHHS approval for a change in low-income population to be served if some event occurs, such as loss of services funding, that requires a change in the tenant population.
- Commercial space rental income should be used to reduce residential rents whenever possible.
- For any project utilizing funds for projects serving households with income between 50% and 65% of median income and receiving a direct HUD capital or operating subsidy, including rent assistance or vouchers, the DHHS Director may allow HUD occupancy requirements to supersede Levy requirements, provided that all households receiving subsidy or residing in subsidized unit have incomes below 80% of median income at initial occupancy. The DHHS Director may alternatively allow sponsor to provide substitute low-income units that are not restricted by an agreement with the City for households with incomes above 80% of median income.
- Rent levels for units assisted under both the Housing Levy Program policies and directly under federal HUD programs shall be determined in accordance with Section 3(a) of the United States Housing Act of 1937, as amended, 42 U.S.C. Section 1437a(a), and regulations thereunder, or under any other federal law or regulations now or hereafter requiring specific rent levels in low-income housing projects assisted with federal funds provided that housing for very low-income households must remain affordable to such households.
- When Housing Levy Operating and Maintenance Trust Fund subsidies are used for a project, the rent requirements contained in the Trust Fund Administrative and Financial Plan shall apply to that project and shall supersede any other rent limitations otherwise applicable, except as stated in the preceding paragraph.

H. LOAN CONDITIONS

The intent of the Levy is to provide long-term low-income housing for permanent or transitional occupancy. Loan conditions are meant to promote and encourage long-term use of properties for low-income housing. If a property is ever sold during the loan term, City proceeds should be used to produce replacement low-income housing consistent with then current City low-income housing policy.

The DHHS Director may deviate from the loan terms and conditions contained in this Plan:

(a) for tax credit partnerships, where such loan terms may impair the availability of tax benefits; or

(b) when the sponsor expects to receive other funding sources from which full or partial repayment of the City loan can be made prior to the normal maturity date.

Debt service requirements may be established depending on income level served, operating budgets, and extent of other subsidies used.

1. Loan Terms

Loan terms will be a minimum of 40 years.

2. Interest Rate

The interest rate will generally be 1% for nonprofit-sponsored projects, 3% for private for-profit-sponsored projects, and will be set according to the project's ability to support debt service. For for-profit sponsored projects, the interest rate may be lowered to a rate not less than 1% if necessary to provide rents affordable to extremely low-income households. Interest on program loans will accrue annually as simple interest until year 20. Between year 20 and year 40, interest will be forgiven at the rate of 5% (of the total interest accrued as of the end of year 20) each year.

3. Deferred Payment

DHHS will make deferred payment loans which must be repaid upon sale, change of use, or at the end of the loan term. Borrowers may further defer payment of principal, deferred interest, and contingent interest by extending the loan term.

4. Transfer and Assumption

The DHHS Director may permit the transfer and assumption of the loan, and the transfer of the property acquired, constructed or rehabilitated with the proceeds of the loan, without requiring repayment of principal, interest or other amounts owing under the loan at the time of the transfer, under any of the following circumstances:

(a) The loan is assumed by a tax credit partnership and the partnership makes a substantial equity investment in the low-income housing;

(b) The property is transferred by a tax credit partnership to a nonprofit corporation or public agency approved by the Director, including without limitation a transfer to the general partner pursuant to the terms of an option agreement made in connection with the formation of the limited partnership; or

(c) The property is transferred, with the approval of the Director, to a qualified nonprofit corporation or public agency, without substantial consideration to the transferor other than assumption by the transferee of outstanding obligations.

5. Covenant

A covenant will be recorded against the property which requires continued use of the property for low-income housing for the term of the loan. Sponsors must have the City's consent to sell a property before the end of the covenant period. If a sponsor sells a property before the end of the covenant period, and invests in replacement low-income housing approved by DHHS, the DHHS Director may permit the covenant to be released and moved to the replacement low-income housing for the number of years remaining on the original covenant period.

6. Contingent Interest

City participation in project equity in the event of change of use or sale of property (contingent interest) shall be required for all Rental Production Program projects except those developed under the Mixed-Income component. The Mixed Income component guidelines are outlined in Attachment 1. Upon sale, change of use, or repayment of the loan, loan principal plus the greater of either deferred interest or contingent interest shall be due. Contingent interest shall be calculated according to a formula established by DHHS.

The City's contingent interest should reflect the amount of City funds contributed as permanent financing to a project and should be modified by any additional funds contributed during the loan term, such as capital contributions approved by the City or sponsor subsidy necessary to cover operating losses. For example, if City funds are 50% of total project costs, the City should receive 50% of proceeds remaining after repayment of project debt (but not including contingent interest owing to other project lenders).

7. Prepayment Premium

If a sponsor repays the City loan (principal plus the greater of interest or contingent interest) during the first 15 years of the loan term, a prepayment premium shall also be due.

The prepayment premium shall be 50% of the original loan principal if the loan is repaid during the first five years of the loan term. The prepayment will decline by 5% per year in years 6 through 15. There will be no prepayment premium after 15 years.

Prepayment premiums shall not be due in the event of involuntary prepayment, due to casualty or condemnation.

8. Loan Term Extension

At the end of a loan term, sponsors will be encouraged to extend the loan term and continue to defer all repayment requirements. If the loan term is extended for a total of 75 years, loan principal and contingent interest will be forgiven at the end of the 75th year.

9. Use of Funds Owing to the City

Sale of projects during the loan term requires City consent. If a nonprofit-sponsored project is sold during the loan term, the nonprofit sponsor should have the first opportunity to reuse all funds owed to the City for low-income housing. The replacement project must be consistent with then current City low-income housing policies and appropriate project selection criteria, and be approved by DHHS.

Loan funds returned to the City will be deposited in the Low-Income Housing Fund. Funds will not necessarily be reallocated to the Levy program from which they were committed. Except for funds reused by a project sponsor as described above, funds returned from all Levy programs will be reallocated by DHHS to low-income housing projects according to priorities established in the current Administrative and Financial Plan or appropriate City policy plans as determined by DHHS.

10. Additional Project Subsidies

At the end of the loan term and at the borrower's request any time during the loan term, the City and the borrower should review the status of a project and evaluate its continued feasibility. The City recognizes that a capital subsidy may be needed to ensure the continued life of the project. If capital and operating subsidies necessary to maintain project viability are not available, the City and the borrower should in good faith use their best efforts to jointly develop strategies to maintain affordability and project viability. Remedies to maintain project viability may include additional City, other public, or private resources, as well as City-approved adjustments in rent levels or number of project units that must remain low-income.

11. Property Standards

Project sponsors will be required to provide well-maintained and well-managed housing. Loan conditions will require sufficient replacement and operating reserves to help ensure projects are well maintained and managed.

12. Non-Recourse

Loans shall be made on a non-recourse basis, with the City's remedy limited to its security in the project, project rents, and project reserves, except in cases of fraud, waste or other circumstances determined by the DHHS Director to justify recourse against the sponsor.

13. Leases

Site control through ownership of property is preferred to site control through a long-term lease except in cases where the lessor and lessee agree to accept the loan conditions described above. Projects involving a lease where lessor and lessee do not both accept these terms and conditions will be permitted only if the project represents a unusual cost-effective opportunity or furthers other community development objectives. Project sponsors will be required to provide well-maintained and well managed housing.

The following conditions will apply to leased properties where the owner does not agree to accept the normal loan terms and conditions above:

- **Repayment**

  Loans involving leases must be structured to provide for repayment over the life of the lease, subject to normal loan forgiveness provisions. The DHHS Director may modify the normal repayment terms, as appropriate, by requiring different terms from or in addition to those generally specified by this Administrative and Financial Plan.

- **Construction standard**

  Projects must meet construction standards appropriate for and consistent with the length of the lease term. Replacement reserves should be sufficient to maintain decent, safe, and sanitary housing during the lease term. Replacement reserve funds remaining at the end of the lease term should be used in other low-income housing projects.

- **Sponsor equity**

  Project sponsors must contribute equity to the project. DHHS will establish the appropriate requirement for each project.

- **Interest rate**

  Maximum of 3% for nonprofit or for-profit sponsors. The interest rate may be lowered to a rate not less than 1% if necessary to provide rents affordable to extremely low-income households.

- **Lease term**

  Minimum lease term is 25 years with preference for longer terms when feasible. The lease term must exceed the City loan term by at least six months.

- **Security**

  Security for the City loan should be appropriate to protect the City's interest in repayment of the loan.

- **Percentage of Levy funds available for leased projects**

  Up to 10% of 1996 - 1997 - 1998 program funds is available for projects that are subject to lease provisions.

14. Special Needs Projects

It is likely that sponsors may change the special needs or target population group being served in a project sometime during the 40-year loan term. If an event occurs requiring a change in population group served, sponsors of special needs projects will first be required to serve another special needs population approved by the City. If that is not feasible or appropriate, a general low-income population must be served.

15. Mixed-Income Program Component

Up to 10% of 1996 - 1997 - 1998 program funds is available for mixed-income projects consistent with loan terms outlined below. All program requirements included in the 1996 - 1997 - 1998 Administrative and Financial Plan, except as modified below, shall apply. Other projects may involve units in mixed-income buildings, but not on the terms below.

LOAN TERMS TO BE DEVELOPED AND INSERTED

16. Use of Levy Projects as Security for Other Low-Income Projects

Sponsors may use Levy-funded projects as security for other low-income housing projects if sponsors can demonstrate that using a Levy-funded project as security for another project will not jeopardize the viability of the Levy-funded projects.

I. WMBE UTILIZATION

Women and minority business enterprise (WMBE) utilization shall be required for all Rental Production Program projects in accordance with the City's WMBE policy (Seattle Municipal Code 20.46A --Women's and Minority Business Enterprise Utilization Ordinance) except as follows.

WMBE set-asides do not apply to the Mixed-Income component because Levy funds will be used for permanent rather than construction financing; however, affirmative efforts to use WMBEs shall be required.

J. LEVERAGING

A goal of the Levy is to leverage non-City resources for capital, operating, and supportive services whenever possible. Project sponsors are encouraged to combine Levy funds with resources from federal and State programs, e.g., McKinney Homeless Assistance Act, State Housing Trust Fund. Leveraging of foundation and grant funds, and owner equity are strongly encouraged. Sponsors are encouraged to consider Levy funds as matching funds for other fund sources.

Lower rents are a more important consideration than leveraging private bank financing which requires debt service. Leveraging debt financing is particularly encouraged and expected when project subsidies (Section 8, etc.) are sufficient to allow debt financing.

In the project selection process, projects will be evaluated on the extent to which non-City funds are included while, at the same time, affordable rents are maintained for low-income households. The amount of Levy funds in a project can exceed other funds to help reduce project rents.

In cases where sponsors request 100% Levy funding for a project, the sponsor will be required to explain why other public and private funds were not leveraged. Sponsors will have to demonstrate consideration and/or pursuit of other non-City resources and explain why Levy funds are critical for project success. Projects may be approved contingent on sponsor application for funding from appropriate non-City, public fund sources that may reduce the need for Levy funds.

Use of the low-income housing tax credit and historic preservation tax credit programs will be encouraged whenever possible. In general, project equity available as a result of participation in a tax credit program after a reasonable allowance for the costs of obtaining such equity shall be used to reduce the City's share of project funding. The

DHHS Director may allow a portion of the equity funding from tax credits to reduce the other funding sources' shares of project financing or be used to subsidize operating expenses of special needs projects.

K. RELOCATION AND DISPLACEMENT

In general, the City will not assist projects which result in the permanent displacement of low-income tenants. In limited cases, such as when reconfiguration reduces the number of units in a project, the City recognizes that permanent displacement may occur. In such cases, the applicable City, State and/or federal relocation guidelines shall apply.

Sponsors are strongly encouraged to consult DHHS as soon as possible for information regarding relocation when they are considering acquisition and/or rehabilitation of an occupied building. Even in projects where tenants will not be temporarily relocated, sponsors will be required to provide appropriate notification of acquisition/rehabilitation plans to existing tenants .

L. MANAGEMENT PLAN

Good management is critical to the overall success of projects. Project sponsors will be required to submit a management plan to DHHS for approval. Management plans should include the following:

- ❐ The occupancy standard (minimum and maximum number of persons for each type of unit) for the project.
- ❐ Rent collection policies and procedures for dealing with late payments of rent and damage to units.
- ❐ Description of management philosophy and experience serving proposed client population.
- ❐ Identification of key staff position(s) both on and off-site involved in managing the building including a description of staff responsibilities, previous experience, and program for staff training.
- ❐ Description of process for determining rent increase, and for informing tenants of rent increases.
- ❐ Description of procedures for dealing with late payment of rent and damage to units.
- ❐ Policies for making budget adjustments including expenditures of operating reserves.
- ❐ Description of long-term maintenance plan, including a schedule for both exterior and interior maintenance of the building.
- ❐ Description of building security and emergency plan.
- ❐ Description of the tenant screening and selection process.
- ❐ Plan describing how vacant units will be filled.
- ❐ Commitment to the City's Just Cause Eviction Ordinance.
- ❐ Referral process from programs serving households who are homeless.
- ❐ Affirmative Marketing Plan -- plan must include marketing methods designed to reach tenants who are persons of color.

- Because a substantial number of persons who are homeless are persons of color, it will be important for proposals serving people who are homeless to demonstrate sponsor understanding of the need to serve tenants who are persons of color and efforts to be taken to ensure persons of color are served appropriately.
- Description of ongoing community education and involvement strategy, including steps that would be taken to address complaints or issues raised by tenants and neighbors about the building or tenants.
- Copy of leases or rental agreements to be used.
- Description of the process for determining rent increases, and for informing tenants of rent increases.
- Policies for making budget adjustments including expenditure of operating reserves.

Management plans for special needs housing, transitional housing, or other housing requesting support services funding should also include the following information:

- Description of service support program to be provided to tenant households.
- Description of process for selecting/referring homeless households living in emergency shelters to the transitional housing project.
- Demonstration that adequate funding is available for the service support program component.
- Identification of key staff responsible for coordinating or providing supportive services.
- If different agencies are responsible for managing the housing units and the supportive services program, description of relationship between agencies and copies of written agreements between the agencies.
- Involvement of tenants in project governance.
- Description of performance or outcome measures.

M. PROJECT SELECTION

Project sponsors will submit proposals to DHHS in response to a general Notice of Funding Availability (NOFA) or a Request for Qualifications (RFQ). DHHS will publish a NOFA at the beginning of each year; it will describe when applications may be submitted and outline application requirements.

Proposal requirements for DHHS' project selection processes will be outlined in funding announcements which will reflect the Levy plan policies and requirements. Funding announcements will reflect the City's highest priority, which is to provide housing at rents affordable to low, very low, and extremely low-income households while maintaining sufficient project income to provide for maintenance and operation of the housing. Projects for Housing Levy Trust Fund subsidies will be selected within these project selection processes.

A Notice of Funding Availability (NOFA) will be issued by DHHS at the beginning of each year. The NOFA will include Levy plan policies, requirements, and City funding priorities and goals. All applications must include information requested in the NOFA. The NOFA will describe how often during the year that proposals will be accepted.

All applicants must attend a project pre-application conference with DHHS staff prior to submitting an application for funding, consistent with requirements outlined in NOFAs issued by DHHS. Generally proposals will be reviewed by a Review Team made up of DHHS staff and may include community members with service, development, design, and finance expertise, as appropriate. In appropriate circumstances, as determined by DHHS, staff from other City Departments may be included in review teams.

Funding recommendations will be prepared by staff and reviewed by the Levy Oversight Committee. The Oversight Committee will review the project selection process for consistency with the policies and requirements of this Plan. Final project selection decisions will be made by the DHHS Director.

The review team will evaluate project feasibility based on the following:

- Rent levels;
- Length of low-income housing commitment;
- Location/Siting issues;
- Community notification and involvement (note: community involvement is an important element of project success, but community support of a project will not be a requirement of funding);
- Cost per unit;
- Leverage of other non-City funds;
- Operating budget; development budget; supportive services budget;
- Stability of funding for the project;
- Experience of development team; experience of the sponsor (development, ownership, housing management, supportive service delivery);
- Scope of rehabilitation/construction, including a phased rehabilitation plan if work is to be postponed;
- Design appropriate for tenant occupancy;
- Tenant displacement;
- Tenant relocation plan (if applicable);
- Support services, if necessary and appropriate for proposed tenant population;
- Target homeless population to be served (if applicable);
  - segment of homeless group proposed to be served;
  - level of need of target homeless population;
  - impact on homelessness;
  - suitability of proposed housing and supportive services to serve target population;
- Tenant involvement in management.

N. PROJECT PROPOSAL REQUIREMENTS

DHHS will release Notice of Fund Availability (NOFA) and Request for Qualification (RFQ) documents that outline specific project proposal requirements. Project sponsors will be required to submit information on proposed projects that may include, but not be limited to, the items below. Information will be requested from sponsors in a manner and time appropriate to the specific type of project selection process.

- ❐ Project description, including location, number of units, current rents, special characteristics.
- ❐ Evidence demonstrating project sponsor experience:
  - Development experience
  - Ownership experience
  - Management experience
  - Experience serving proposed population.

  Proposal should indicate who will carry out activities listed above and demonstrate appropriate prior experience and capacity to carry out activities.
- ❐ Experience of development team -- description of development team members and their experience with the type of project proposed.
- ❐ Construction description -- proposed rehabilitation/development plan including total scope of work, detailed cost estimates, drawings, reports and evidence of predesign conference with Department of Construction and Land Use (DCLU).
- ❐ Development schedule -- timetable for development of the project.
- ❐ Asbestos/hazardous materials survey -- a survey to identify the presence and amount of asbestos and/or any other hazardous materials within the building or elsewhere on site and a description of proposed abatement measures.
- ❐ Development budget including acquisition, rehabilitation or new construction costs, and any relocation costs.
- ❐ Operating budget, including proposed rents and justification for operating subsidy.
- ❐ Fund sources -- description of all project fund sources including amounts and evidence of funding commitments.
- ❐ Tenant profile -- description of proposed and existing tenants, household size, estimate and source of tenant income, discussion of the need for and extent of relocation.
- ❐ Support services -- budget and description of all services to be provided on and off site as appropriate, for the tenant population to be served.
- ❐ Evidence of site control -- In addition to fee simple ownership, an option to purchase, an earnest money agreement, a lease (or option to lease) with a minimum term of 25 years, will constitute site control. DHHS will consider projects where the underlying ownership is through a real estate contract if the contract holder is willing to subordinate his/her interest to the DHHS loan or if there is adequate provision for the sponsor to discharge the underlying contract and obtain fee title.
- ❐ Appraisal -- an appraised value based on the highest and best use at the time of property acquisition will be used to assess whether or not a fair price is paid for land or a building. Appraisals, or letter of opinion, will be ordered by DHHS, or may be used if ordered by another project lending source acceptable to the City. Project applicants should make acquisition offers subject to verification by appraisals acceptable to the City.

- Community notification -- description of results of community notification process and any results at time of application and plans for additional notification activities. Proposal must describe how community issues or concerns raised will be addressed.
- Zoning -- description of zoning exception required, if applicable (examples of zoning exceptions: variance, special exception, design departure, conditional use). Zoning exception approval not required at time of project application but will be required prior to final loan commitment.
- Mixed-income projects proposed by private developer/owner --- description of linkage developed with an appropriate nonprofit agency that can assist in referring and screening eligible low-income tenants to help make sure low-income units are occupied by eligible tenants consistent with City occupancy requirements; the nonprofit should also help ensure that annual reporting requirements are met.

In addition to information listed above, projects serving special needs populations will be required to submit the following:

- Project description -- including description of housing and supportive services program. Sponsor must describe homeless population to be served and demonstrate how project will serve that population. Sponsor must demonstrate extent of homeless "market" for proposed project and describe project's impact on homelessness.
- Evidence of site suitability - explanation why site is suitable for homeless group being served.

O. REHABILITATION AND CONSTRUCTION REQUIREMENTS

The following rehabilitation and construction requirements will apply unless otherwise noted. These requirements apply equally to both permanent and transitional housing projects.

1. Rehabilitation Standards

Project sponsors will be expected to provide quality housing that will last for 20 to 40 years. Rehabilitation standards will be flexible to accommodate a wide variety of unit and building types.

Buildings will be required at a minimum to meet health and safety requirements of the Seattle Housing and Building Codes. Rehabilitation work will largely focus on repair/replacement of major building systems necessary to insure viable long-term housing. In addition, overall design of the project and proposed improvements must be appropriate to tenants to be housed.

- **Phased Rehabilitation**
  Phased rehabilitation refers to work items identified when a project is initially inspected but postponed until a later date. Work which could be postponed includes building components which have some remaining useful life or items like windows which could be replaced over several years. Work which would cause previously completed improvements to be redone cannot be phased.

Phased rehabilitation will be considered provided that all work items identified at the time a project is considered for funding and postponed until a future date have an identified funding source. Project budgets must either be structured to allow sufficient reserve funds to build up to pay for work postponed, or another source of funding must be identified.

Project sponsors must present a phased rehabilitation plan to DHHS for approval. A decision to phase rehabilitation will be made by DHHS within the context of a complete building evaluation that includes a total scope of rehabilitation and a cost for the entire project.

Complete plans for addressing project rehabilitation needs, based on thorough building inspections, will be required when projects are considered for funding. Plans must include work items to be accomplished immediately following project selection, and those items proposed to be phased over time. All major work items generally should be included at the time a project is funded.

- **Contracting Policies**

All projects where cost of construction work exceeds $25,000 will be bid competitively; however, DHHS Director may approve a change in this requirement if necessary to promote inclusion of levy-funded units in mixed-use and/or mixed-income buildings, if necessary to meet federal McKinney Act program deadlines, or if necessary because the DHHS Director determines that competitive bidding is not practical. DHHS must approve contractor qualifications for projects prior to the start of construction. Unqualified contractors will be rejected. Pre-qualification of contractors will be allowed for purposes of establishing a defined list of qualified contractors for competitive bidding.

Bids will be opened publicly. Bid openings will occur at a location to be determined by applicants; bids can be opened at DHHS at the request of applicants.

Applicants, including nonprofit agencies and private owners, will in some cases be able to manage their own construction projects with DHHS approval. Applicants will be required to have had prior experience managing a construction project and to have staff available to coordinate necessary work. In addition, the scope of work should appropriately match the agency's self-contracting experience and staff expertise.

Construction contracts shall require compliance with the affirmative action provisions applicable to contractors on City public works contracts, which include employment goals of 20% women, 21% minority, and a 4.5% minority female sub-goal. In addition, a 20% goal shall be considered for the hiring of economically disadvantaged or Job Training Partnership Act (JTPA) eligible individuals so as to provide opportunities to graduates of training programs and the unemployed. Hiring of people who are homeless will be encouraged.

- **Wage Rates**

State residential prevailing wage rates shall apply to the Levy's Rental Production Program except for the Mixed-Income Component; wage rate requirements will apply to the entire building, regardless of the amount of Levy funding in the project. State residential prevailing wage rates shall be the minimum rates paid for project construction. DHHS Director may approve a change in these requirements if necessary to promote inclusion of levy funded units in mixed-income and/or mixed use buildings. When federal funds are also used in a project, the higher of either the State residential prevailing wage rates (unless modified as stated above) or Davis-Bacon wage rates (if applicable under federal law) will apply.

- **Apprenticeship Program Participation**
  Applicants are encouraged to require contractors to participate in State-approved apprenticeship programs. Applicants who demonstrate to DHHS's satisfaction that requiring contractors to have previous experience with State-approved apprenticeship programs would be beneficial for project development can also include that requirement.

- **Project Labor Agreements**
  Applicants who demonstrate to DHHS's satisfaction that use of a project labor agreement would be beneficial for project development may require a project labor agreement.

2. New Construction Standards

Projects are to be constructed with a life expectancy of 40 years or longer. Project components must meet or exceed all applicable local, state, and federal code requirements. All work must meet or exceed industry standards for similar types of work.

Funding will generally not be available to pay for infrastructure improvements imposed by City Departments in excess of what would be required for rehabilitation projects. The standards for rehabilitation projects and new construction projects are expected to be the same for low-income housing projects funded by the City.

Units financed through the Mixed-Income component will be reviewed by DHHS to determine that the design and construction standards and materials will be the same for both the low-income and market-rate units. Neither State prevailing wage rates nor WMBE will apply since Levy funds will be used to finance completed units at the end of construction.

P. PROJECT MONITORING

The DHHS Director shall require reporting from sponsors annually, or at any time upon reasonable advance notice, containing information on the status of the project. Specific requirements will be included in loan documents, and may generally include:

- Rent levels to insure compliance with program rent requirements;
- Affirmative marketing efforts undertaken;
- Tenant characteristics and income;
- Status of reserve accounts.

Q. *AFFIRMATIVE MARKETING*

Both nonprofit and for-profit sponsors receiving Levy program loan assistance will be required to affirmatively market vacant units. Sponsors must use marketing methods designed to reach persons of color. In addition, owners are strongly encouraged to inform providers of emergency shelters and transitional housing about their projects and to promote access to households ready to move into permanent housing. Owners will be required to maintain records of their affirmative marketing efforts and to report annually to DHHS on those efforts.

Sponsors of transitional housing will be required to develop processes to assure that homeless individuals or families coming out of emergency shelters have equal access to transitional housing projects.

OPERATING AND MAINTENANCE TRUST FUND PROGRAM

I. PROGRAM OBJECTIVES

The 1995 Housing Levy passed by Seattle voters included an $8,751,000 Operating and Maintenance Trust Fund. The fund was included in the Levy to ensure that a portion of the rental production program housing was affordable to extremely low-income households (households with incomes at or below 30 percent of median income).

The Operating and Maintenance Trust Fund builds upon the success of the O and M Fund in the 1986 Housing levy. The Levy's authorizing ordinance specifically states that the Operating and Maintenance Trust Fund will be used to fill gaps between eligible operating costs and rental income. Specific eligible operating costs identified include:

- project management
- utilities
- property taxes
- operating and maintenance reserves
- contract services related to project support.

The authorizing ordinance charged the Department of Housing and Human Services with the responsibility of administering the overall Levy, including the Operating and Maintenance Trust Fund. Fund administration will be financed from the Operating and Maintenance Trust Fund.

II. PROGRAM FOCUS

The Department of Housing and Human Services will be seeking funding proposals for multi-unit housing upon the City Council's approval of the Administration and Finance Plan. It is estimated that approximately $190,000 to $200,000 of Operating and Maintenance Trust fund subsidy will be available between 1997 -1998 to organizations providing low income housing. These funds are expected to support between six to eight different housing projects, with an average operating and maintenance subsidy of $20,000 to $25,000.

City Council Resolution 29165 stated that Operating and Maintenance Trust Funds will be targeted to projects serving youth and victims of domestic violence. These projects will be emphasized for operating fund support during the project review process.

Projects serving other populations meeting income and rental production program guidelines will also be considered for support.

No more than one-third of funding will be available to provide "special support" for special needs housing projects. "Special support" includes project management expenses beyond what a traditional housing project would require, or contract services relating to project support.

To administer the Operating and Maintenance Trust Fund during these years DHHS will utilize 5% of each year's O and M allocation. DHHS anticipates the following amounts for 1997 and 1998.

YEAR	ADMINISTRATIVE COST
1997	$5,000
1998	$9,600

III. PROGRAM POLICIES

A. *ELIGIBLE PROJECTS*

Projects developed through the Levy that provide housing to extremely low-income households (at or below 30 percent of median income) are eligible to receive Operating and Maintenance Trust Fund subsidy. Private owners and developers as well as all types of nonprofit agencies, including SHA and Public Development Authorities.

B. *ELIGIBLE HOUSEHOLDS*

There are two qualifications that must be met for a project to receive subsidy with respect to a household. First, the household's income must be equal to or less than 30 percent of area median income (as adjusted for family size). Secondly, the project's operating costs per unit must be more than 35 percent of the household's adjusted gross income. Sponsors are required to certify that households subsidized by the Trust Fund meet the eligibility guidelines.

C. *FUNDING LIMITS*

In order to provide opportunities for as many projects as possible to be funded over the life of the levy, maximum funding of $75,000 per project will be used in the 1996-1998 period. The DHHS Director may approve raising this limit for a project if he or she determines it is necessary to help a project meet the City's housing goals as described in Levy policies and the Consolidated Plan.

D. *DEVELOPMENT STANDARDS*

Projects must provide quality housing with a minimum life of 20 years for rehabilitation projects, and 40 years for new construction projects. Rehabilitation should minimize ongoing maintenance and utility costs. Phased rehabilitation is allowable if completion can be guaranteed and there is a funding source for the work other that the Trust Fund. All buildings are required to meet applicable zoning and building codes.

E. *RENTS*

Rents will be based on a sliding scale. Eligible households pay approximately 35 percent of their income for rent and any tenant-paid utilities associated with a project. Rents in projects which receive funds under the McKinney Act are determined in accordance with section 3 (a) of the 1937 Housing Act (i.e. 30 percent of income for rent and utilities). Income is to be reviewed annually and rental payments may be adjusted by the sponsor. If a household's income changes prior to the annual review (due to loss of a job, addition of a household member, death of a household member, etc.), rents can be adjusted.

Some households may have little or no income when first moving into levy housing. In these instances, the minimum rent may be waived or reduced until the household qualifies for public assistance or becomes employed. The decision to provide the greater subsidy and for how long is determined when Trust Fund subsidy is applied for and may be reevaluated at the time of occupancy. At the annual review, the subsidy amount may be adjusted if it is found that tenants are able to pay rent earlier than projected.

1. Adjustments to Gross Income

When determining rents, two adjustments to a household's gross income may be made. For a household having medical expenses in excess of three percent of their annual income, gross income can be adjusted by the amount in excess of three percent. These expenses can also include non-medical expenses for the assistance and care of household members who are handicapped or disabled.

Another allowable deduction is the amount for child care (for children under 13 years of age) when it is necessary for the employment of an adult household member, or for his or her further education. The estimated cost of care can be deducted from gross income. The amount must reflect the reasonable cost of care and cannot exceed household income.

2. Non-Subsidized Units

When a household subsidized by the Trust Fund has an increase in income greater than 30 percent of the area median income, the unit is no longer eligible to receive subsidy. At the annual review, subsidy would be discontinued. The household may have an adjustment to its rent depending on the project's current operating expenses.

3. Tenant-Paid Utilities

When utilities are separately metered, sponsors are required to annually calculate the estimated cost for tenant-paid utilities. The estimate is to reflect a reasonable usage amount for each type of unit. The annual estimated cost is to be divided by 12 to determine a monthly average amount. This amount would be subtracted from the total tenant payment to produce the monthly rent the tenant would pay the sponsor. In this situation, tenants would be responsible for paying their utilities directly, regardless of the amount.

F. MANAGEMENT PLAN

- ❐ A management plan is required for each application for Trust Fund subsidy. The plan must be consistent with the intent of the Levy and adhere to local laws and regulations. The elements of the plan are listed in Section L of the Rental Production Program portion of this Plan.

G. MAINTENANCE PLAN

Each project must have a maintenance plan that describes how the building will be maintained. It should describe the acceptable condition for each room (living room, bathroom, kitchen, bedroom), common space (hallways, stairs, lobby), building systems (heating and plumbing), and building exterior (roof, walls, foundation, chimney). It should also include a schedule for both exterior and interior maintenance of the building. For example, maintenance standards for interior stairs could be that the stairs have lights that work, and the railings be safe and in good condition. The plan must also describe how long term maintenance will be accomplished.

H. OPERATING BUDGET AND USE OF FUNDS

An operating budget in the required format must be submitted with each application for subsidy. For the annual review, an actual financial statement for the previous year and a proposed operating budget for the following year will be required. The budget must be based on the City's fiscal year which begins January 1.

Eligible uses of subsidy include costs for:

- Support service costs directly related to serving persons in the building funded, including, but not limited to: contract services and on site staff supporting projects related to project support, counseling staff, crisis management staff, case management services, resident manager, service coordination and support, and housing management.
- On-site salaries and benefits including all personnel costs directly associated with operating the building.
- Off-site management including overhead and personnel costs that are necessary to operate the building but are not located at the site.
- The cost of a financial audit. An audit will be required for each project with a Trust Fund subsidy of $25,000 or more. The audit must be obtained by the sponsor. The audit must verify that the Trust Fund subsidized eligible expenses and that actual expenditures correspond to the project's approved operating budget. Projects with a Trust Fund subsidy of less than $25,000 are required to submit a year end financial statement.
- Administrative expenses such as legal, advertising and marketing, insurance, collection loss, property and personal property taxes.
- On-going maintenance expenses such as materials, janitorial supplies, maintenance contracts, security, and other maintenance expenses.
- Long-term maintenance, i.e., repairs to or replacement of building systems and components such as replacing worn out appliances and fixtures, repainting units and buildings, replacing floor coverings, doing major repairs to plumbing and heating systems, re-roofing buildings, and other long-term maintenance needs.
- Project paid utilities

- Maintenance Reserve additions, which are funds set aside monthly by sponsors for future long-term maintenance. The amount added to the reserve will be based on the calculation in Maintenance Reserve Worksheet. The worksheet will be required with each application for Trust Fund subsidy.

  Operating reserve additions budgeted each year to cover unforeseen operating costs. The amount is to be 2.5 percent of all expenses except long-term maintenance. The reserve will be allowed to accumulate until the amount is equal to 50 percent of a year's budget for operating costs. The operating reserve may also be used to pay for work which can not be entirely funded by the maintenance reserve. As part of the management plan, each sponsor must provide their policy, including procedures and eligible costs, for how operating reserve funds may be spent.

  The Trust Fund will not subsidize debt service (including interest).

I. PROJECT SELECTION

In response to a Notice of Funding Availability (NOFA), sponsors will submit proposals for Trust Fund subsidy along with their application for capital funding. Proposal requirements for the Trust Fund will be included in the NOFA.

The project review process considers the following project characteristics:

- The reasonableness of the proposed operating budget;
- The amount of operating support funds leveraged by the project;
- The adequacy of the management plan for the proposed tenant population and building, and the experience of the sponsor;
- The scope of rehabilitation and whether the work minimizes operating expenses
- The adequacy of the maintenance plan in maintaining the building and preventing long-term maintenance problems; and
- The commitment and reasonableness of support services, if necessary, for the proposed tenant population.

J. SUBSIDY TERM

The Department of Housing and Human Services will make a conditional five year commitment for Operating and Maintenance Trust Fund subsidy, with a five year renewal option, to provide subsidies to projects which have been approved. The five year renewal option is subject to the capacity of the Trust Fund to support the units then under management. Projects funded will receive a maximum of twenty years of support.

If during the commitment term the Trust Fund is depleted and cannot provide subsidies to make the units affordable to extremely low-income households, the sponsor can rent the units to any very low-income household who can pay an affordable rent. The sponsor must prepare a plan acceptable to the City before it can do so. The plan must give preference to the lowest income households who can pay such rents.

If the sponsor determines that it is no longer economically feasible to rent units to low-income households, and no other subsidies are available, the sponsor and the City shall jointly develop a plan for operation of the housing.

K. ANNUAL REVIEWS

DHHS will conduct financial, management, operations, and maintenance reviews of projects receiving subsidy each year. DHHS will also review the project and determine the subsidy amount for the following year. For the annual review, the sponsor must provide:

- An actual financial statement for the project compared with the operating budget.
- The existing tenant profile including rental amounts charged and tenant income.
- Phased rehabilitation work planned for the next year, if any, and the source of funds for the work.
- Long-term maintenance work planned for the next year, if any.
- Examination of services outcomes.
- An operating budget for the next year with the projected monthly rent-up schedule.
- A narrative report explaining how the subsidy received in the prior year and the subsidy requested for the next year will allow the sponsor to meet its subsidy goal for extremely low-income households.

L. SUBSIDY PAYMENTS AND ADJUSTMENTS

Subsidy will be paid to projects on a quarterly basis. The amount and the conditions for providing subsidy will be negotiated between DHHS and the sponsor, and established in an annual contract amendment. The amount of subsidy paid each quarter will depend on the operating budget and can not exceed the approved annual amount. Sponsors will be required to provide quarterly financial reports.

Adjustments to the subsidy amounts prior to the annual review will only be made when it is determined by DHHS to be reasonable due to unforeseen circumstances. For example, if a sponsor had tenants with incomes much lower than expected, and adjustment to the subsidy amount may be made. Likewise, if expenses like insurance or utilities take a sudden and dramatic jump, an adjustment to the subsidy amount may be made.

If the need for additional subsidy is due to overestimating the rental income schedule, then the sponsor may be required to provide a new marketing plan and rent-up schedule when requesting a subsidy adjustment. A project which is showing a surplus may be required to make additional contributions to its Operating and Maintenance Reserves, or if those reserve balances are deemed adequate, its subsidy might be adjusted down until the project's cash flow requires the full subsidy again.

Your Seattle Department of Housing & Human Services

Venerria L. Knox, Director
Norman B. Rice, Mayor

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Division on Aging
Co-sponsored by King County and United Way of King County

Division of Family and Youth Services

Division of Housing and Community Services

Program Support Division

Office for Education

Mayor's Office for Senior Citizens

Director's Office for Policy Support

MEMORANDUM

TO: The Honorable Jan Drago, President
Seattle City Council

VIA: Tom Tierney, Director
Office of Management and Planning

FROM: Venerria L. Knox, Director
Department of Housing and Human Services

DATE: August 2, 1996

SUBJECT: Legislation Adopting the 1996 - 1997 - 1998 Housing Levy Administrative and Financial Plan

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Housing Levy Ordinance 117711 required that an Administrative and Financial Plan be developed and approved by City Council before 1995 Housing Levy funds can begin to be allocated to specific projects. The plan has been prepared by DHHS through a process that provided opportunity for nonprofits and others with a stake in the new levy to comment and offer suggestions.

The plan has been reviewed by the Housing Levy Oversight Committee. It incorporates all of the Committee's recommendations; the Committee voted at its July 30 meeting to recommend the plan's adoption to City Council.

The plan provides an excellent policy foundation for the new levy. We are delighted to now be moving into the implementation phase of levy development. If you have any questions, please contact Rick Hooper at 4-0338 or Julie Nelson at 4-0510.

VLK/RH/dc

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Replaced with Amended Version 8/28/96

EXHIBIT A

1995 SEATTLE HOUSING LEVY

ADMINISTRATIVE AND FINANCIAL PLAN

Program Years: 1996, 1997, 1998

August 9, 1996

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INTRODUCTION

The 1995 Seattle Housing Levy is a $59.211 million program designed to produce and preserve a minimum of 1,360 units for low- and extremely-low-income households. Levy programs include homeowner rehabilitation, home buyer assistance, rental production and an operating and maintenance trust fund. The levy was approved by Seattle voters in November, 1995, as a program funded by property tax levies for seven years, from 1996 through 2002. The Department of Housing and Human Services (DHHS) will administer all 1995 Seattle Housing Levy programs.

Ordinance 117711, passed by City Council on July 10, 1995, adopted an Affordable Housing Finance Plan, placed the levy on the November ballot and directed the Department of Housing and Human Services (DHHS) to prepare an Administrative and Financial (A and F) Plan covering all Levy programs beginning in 1996. The Plan must be approved by City Council and updated every two years. Because the 1996 Plan is being adopted in third quarter, 1996, the 1996 Plan will run through 1998; the next Plan will begin in January, 1999. The Plan was developed by DHHS using working groups including internal staff and community members, and was reviewed, revised and approved by the Housing Levy Oversight Committee.

Ordinance 117711 requires A and F Plans to include:

- Criteria for evaluating and selecting projects;
- Guidelines for loans or grants;
- Requirements for project sponsors;
- Progress and performance reports on ongoing projects; this section to be included in future plans;
- Program reviews to ensure that levy funds are used for their stated purposes; and
- Financial budgets for each levy program.

This information is incorporated into the program area chapters. Also included in the A and F Plan are guiding principles, program administration information and an appropriation plan.

GUIDING PRINCIPLES

The following principles have been developed by the Housing Levy Oversight Committee to guide program planning and implementation for the 1995 Housing Levy:

(1) Levy programs will be designed and implemented in accordance with the City's Comprehensive Plan core values.
The core values contained within the city's Comprehensive Plan are community, environmental stewardship, economic opportunity and security, and social equity (not in priority order). Levy programs will be designed and implemented in accordance with these core values.

(2) Levy programs will be designed and implemented to insure the long term success of programs and projects and the well-being of residents.
Factors influencing the long term success of programs vary by program type. The following factors cut across many of the levy program areas to ensure the long-term success of programs and projects and the well-being of residents: the longest possible agreement between a developer and the City to maintain affordable rents, superior construction quality, specific funds identified for operating and maintaining projects, and the provision of services for residents with needs.

(3) Levy programs will be designed to meet emerging community needs.
The focus of initial programs will be on working families with children who need affordable housing, people with disabilities who need housing and service support to live independently in the community, people who are elderly and need housing assistance to remain in their homes or who need assisted living alternatives, and families who are victims of domestic violence. Operations and maintenance services funding will be initially targeted to projects serving youth and victims of domestic violence.

Community housing needs will be assessed every two years as the Housing Levy Administrative and Financial Plan is updated. Levy programs will address emerging community needs, with program changes noted within the Administrative and Financial Plan updates.

(4) Levy programs will be designed to maximize the benefit from leverage from private and other public funding sources and still meet low-income housing objectives.
Housing levy resources can leverage a wide variety of other resources. Taking advantage of leveraging opportunities is important in order to:

- Attract and use all available federal, state, and private resources to produce and maintain the greatest number of units possible; and

- Augment Operating and Maintenance Trust Fund resources to enable the maximum number of households with incomes at or below 30% of median to be served over time.

In addition to utilizing existing sources of leverage, new sources of leverage will be sought throughout the levy development period.

(5) Consider levy cash flow issues in developing the Housing Levy Administrative and Financial Plan.
Levy cash flow considerations will be evaluated in developing the Housing Levy and Administrative and Financial Plan.

(6) Levy programs will be planned and implemented in ways that stress the City's administrative efficiency and reduce costs.
Administrative costs should be held to the minimum level to enable DHHS to adequately carry out necessary administrative responsibilities. Opportunities to plan program expenditures in ways that achieve administrative efficiency, thereby saving administrative costs, will be a high priority.

(7) Levy programs will be developed in ways that balance the need to reduce total development costs with costs associated with public funding goals.
Levy program administrators and housing developers will continuously consider and implement ways to reduce total development costs, while recognizing and affirming that certain public values (such as long-term durability, energy efficiency, and fitting into a neighborhood) may increase costs, and that these must be balanced with the objective of keeping costs as low as possible.

(8) Levy programs will be structured to encourage neighborhood involvement with the housing funded and produced.
Specifically:

(a) Housing produced under the housing levy will be consistent with the Comprehensive Plan goals and policies pertaining to neighborhoods and neighborhood planning.
(b) Programs will encourage projects involving creative partnerships and collaborations between project sponsors and affected community groups/residents.
(c) Programs will emphasize projects that help stabilize neighborhoods and create permanent investment in community-neighborhood development.
(d) Programs will emphasize and promote geographic dispersion of subsidized rental housing.

PROGRAM ADMINISTRATION

Section 8 of Ordinance 117711 identifies the City's Department of Housing and Human Services (DHHS) as administrator of levy programs. The Housing Levy included $3,084,000 for administration, 5.2% of total levy funding. This funding was intended to permit DHHS to administer the levy's three capital programs. Administrative funding for the Operating and Maintenance (O and M) Trust Fund Program will come from Trust Fund interest earnings, consistent with administration of the 1986 Housing Levy's O and M Trust Fund Program.

Resolution 29165 was adopted by City Council on July 17, 1995, and provided further intent regarding administration of the new levy's Rental Production Program. For that program, only 3% of total levy program funding (or 60% of total administrative funding available for the Rental Production Program) will be "automatically granted" to DHHS for administration. The remaining 2% (or 40% of total administrative funding) requires "authority expressly granted by ordinance by the City Council."

Resolution 29165 directed DHHS to examine its multifamily project administrative "system" and identify areas for improvement and greater efficiency. Washington Community Development Loan Fund staff were hired to facilitate a process that included extensive involvement by nonprofit organizations. The process began in October 1995, and concluded in June 1996. A final report was published in late June that contains over 60 recommendations. DHHS examined the budget implications of the changes in May: DHHS estimates the full 5% included in the Rental Production Program for administration will be required to administer the 1995 Levy Program. The rental programs in the 1986 Housing Levy required approximately 8% for administration: 5% in levy funds and 3% in supplemental CDBG funding. Administration of the 1995 Levy will not require supplemental CDBG funding. This will be achieved by a 25% reduction in staff capacity.

APPROPRIATION PLAN

Table 1 shows the anticipated Appropriation plan for the entire levy period. The Rental Production Program expects to allocate its entire first year program amount in 1996. The other two capital programs will begin their first full year allocation process in 1997. An inflation factor has been built into the model; the annual allocations for the three capital programs increase by 3% each year.

The need for administrative funding does not begin until 1997. Funding the Operating and Maintenance Trust Fund begins in 1996, and it is expected to be fully capitalized in 2001. Until the Trust Fund is fully capitalized, any unused funding at year end from the other programs, as well as all interest earnings, will go into the Trust Fund to speed up capitalization.

Levy Interest Earnings: Once the Trust Fund is capitalized, it is expected that interest will accrue on unexpended levy funds. A plan for interest earnings will be included in future Administrative and Financial Plans. For the 1996 through 1998 time period, any interest earnings will go into the Operating and Maintenance Trust Fund.

TABLE 1

1995 HOUSING LEVY APPROPRIATION PLAN

FUNDS AVAILABLE:		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
TOTAL:	$59,211,000	$8,458,714	$8,458,714	$8,458,714	$8,458,714	$8,458,714	$8,458,714	$8,458,714		$59,210,998

PROGRAM:		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
HOMEOWNER REHABILITATION	CAPITAL	$190,343	$392,108	$403,871	$415,987	$428,467	$441,321	$454,560	$190,344	$2,917,000
	ADMIN	$0	$24,731	$25,473	$26,237	$27,024	$27,835	$28,670	$29,530	$189,500
	SUBTOTAL	$190,343	$416,839	$429,344	$442,224	$455,491	$469,156	$483,230	$219,874	$3,106,500
HOME BUYER	CAPITAL	$0	$380,687	$392,108	$403,871	$415,987	$428,467	$441,321	$454,560	$2,917,001
	ADMIN	$0	$24,731	$25,473	$26,237	$27,024	$27,835	$28,670	$29,530	$189,500
	SUBTOTAL	$0	$405,418	$417,581	$430,108	$443,011	$456,302	$469,991	$484,090	$3,106,501
RENTAL PRODUCTION	CAPITAL	$5,421,495	$5,584,141	$5,751,665	$5,924,214	$6,101,941	$6,284,999	$6,473,549	$0	$41,542,004
	ADMIN	$0	$344,552	$354,889	$365,535	$376,501	$387,797	$399,430	$411,413	$2,640,118
	SUBTOTAL	$5,421,495	$5,928,693	$6,106,554	$6,289,749	$6,478,442	$6,672,796	$6,872,979	$411,413	$44,182,122
O&M TRUST FUND	AMOUNT AVAILABLE FOR TRUST FUND	$2,846,876	$1,707,764	$1,505,236	$1,296,632	$1,081,769	$348,141	$0	$0	$8,815,875

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SINGLE FAMILY HOMEOWNER REHABILITATION PROGRAM

Single family homeowner rehabilitation is one of the four program areas covered by Seattle's 1996 Low-Income Housing Levy. Over 12,000 very low-income, including elderly, homeowners may need some form of assistance in repairing their homes. Many of these homeowners are on fixed incomes and do not qualify for traditional mortgages with which to make critical home repairs. Also many of these homeowners need more complete explanation of assisted living alternatives. The Levy allocates $2,917,000 to single family rehabilitation over its lifetime. The goal is to help 33 single-family homeowners repair their homes in 1997.

I. PROGRAM OBJECTIVES

The following general program objectives guide the single family homeowner rehabilitation program:

- Annually provide 23 traditional Rehabilitation and Emergency Assistance for City Homeowners (REACH) loans to qualifying homeowners;
- Provide 10 REACH loans in a pilot program to qualifying homeowners who want to share their home with another unrelated person or family;
- Promote and preserve home ownership which contributes to the stability of families and neighborhoods; helps preserve the physical condition of residential properties and addresses the shortage of safe, sanitary, affordable housing by maintaining and enhancing the supply of owner-occupied housing;
- Rehabilitate owner occupied homes which encourages the most efficient use of the City's existing housing stock;
- Create innovative living options which allow homeowners to remain in their homes and reduces their potential of homelessness;
- Provide financial assistance to homeowners who don't qualify for traditional mortgages because of their very low incomes;
- Make all Levy single family homeowner rehabilitation loans to people with incomes of less than 50 percent of the area's median income as determined by the U.S. Department of Housing and Urban Development (HUD).

II. PROGRAM FOCUS

From 1996 through 1998 $1,036,526 will be available for the single family homeowner rehabilitation program including program administration. There are two program components. First, $482,451 will be provided for loans under the current REACH program in 1996 and 1997. These funds will help approximately 23 homeowners annually. Second, $100,000 will be available for REACH loans to homeowners who want to share their home with another unrelated person or family. These funds will be available in 1997 and depending on the success of this pilot home sharing program, the funding may be increased to $200,000 in 1998. If the pilot home sharing program is not successful, then the funds will be used for additional REACH loans.

III. PROGRAM POLICIES

The Single Family Homeowner Rehabilitation program will be implemented in accordance with REACH Program Policies.

HOME BUYER ASSISTANCE PROGRAM

The 1995 Housing Levy included a Home Buyer Assistance Program, which had not been in previous Housing Levies. The purpose of this program is to assist low-income families in becoming home owners. A total of $2,917,000 of Levy funding was allocated for the Home Buyer Assistance Program, not including administration. A goal of assisting 139 low-income households to become homeowners through participation in this program within the first seven years of the Levy has been established. The program will be established as a revolving loan fund, so new loans can be made as loan payments are made. These initial funds are to be expended evenly over the first seven years of the Levy development program.

DHHS staff will continue their work with the staff of the Neighborhood Planning Office (NPO) to coordinate the Levy Program Planning and Implementation with the different neighborhood planning processes. Information will be provided to neighborhood groups upon request and information about the Levy programs will be included in the Housing Options Program and the Housing Work Book. DHHS staff will continue their regularly scheduled meetings with NPO staff throughout the program planning and implementation of the Levy funded programs.

I. PROGRAM OBJECTIVES

The following general program objectives will guide the implementation of the Home Buyer Assistance Program:

- Provide down-payment assistance to eligible borrowers to help them become homeowners in Seattle.
- Help maintain and expand the affordable housing capacity in the City, particularly within the Special Objective Areas (SOAs), by supporting the development of new housing and the renovation of vacant or deteriorated housing.
- Increase the rate of home ownership in Seattle, particularly for low-income households.
- DHHS staff will aggressively pursue other sources of home buyer assistance funds (HOME, etc.) to leverage the available levy dollars.
- Priority for funds will be given to participants who bring highest leverage to the Levy program.
- These funds should be expended utilizing an existing service delivery system.
- Completion of an available appropriate pre-purchase home buyer education program shall be a requirement of applicants receiving loans. Education under the WSHFC program for first-time buyers shall be considered the minimum training necessary for the first year. During the second year, DHHS will review and determine if there needs to be changes with the education requirement.
- The program administrator, or other qualified nonprofit, shall provide post-purchase counseling where necessary and shall act as a clearinghouse for matching the

educational needs of potential borrowers with available training programs. Costs of program administration could be covered by a to-be-determined per transaction fee to be paid by the seller or buyer or both or by a third party where possible.

- An annual financial report will be prepared which will include information such as:
  - number of loans approved,
  - value of loans approved,
  - number of loans in portfolio,
  - value of loans in portfolio,
  - delinquency rate for loans in portfolio,
  - leveraging of other funds,
  - levels of activity of participating agencies and/or financial institutions,
  - number of homes sold to new owners.
- DHHS staff will continue working on program development activities for the expansion of the program into areas such as land trust, coops, etc. A report will be submitted to the Levy Oversight Committee updating them on these activities during 1997.
- An annual program performance report will be prepared which will provide information such as any additional fund sources identified for the home buyer assistance program, and the community development impacts within the Special Objective Areas (SOA) as defined in the City of Seattle Consolidated Plan.

II. PROGRAM FOCUS

- Home Buyer Assistance Program funds shall be used in conformance with the relevant goals and policies set forth in the Comprehensive Plan and Levy Ordinances 117753 and 117711.
- Levy funds will be used exclusively in the SOA's for the first two years, subject to re-evaluation at the end of the second year.
- Alternative forms of home ownership (land trusts, coops, etc.) may be pursued in second and subsequent years using both levy and other sources of funding that may become available.
- All program participants (banks, non-profits, borrowers) must contribute something in order to participate; e.g., loan or development discounts, fee waivers, other down-payment assistance funds for banks; proven lending/administrative track record for nonprofits; adequate cash savings for borrowers, etc.

III. PROGRAM POLICIES

- Initial maximum home cost is $155,000; limit may be adjusted upward in future years, based on rate of inflation and analysis of program results.
- An RFP may be issued to select an experienced program administrator and/or loan servicer.
- Program applicants must be first-time home buyers with household income below 80% of median at the time of application.

First-time home buyers are defined as: any individual who has not owned a home during the three-year period prior to the purchase of a home except that: a) any individual who is a displaced homemaker may not be excluded because that individual, while a homemaker, owned a home with his or her spouse or partner; and b) any individual who is a single parent or guardian of a minor child may not be excluded because that individual, while married, owned a home with his or her spouse or partner.

- ❑ Potential borrowers must successfully complete a pre-purchase home buyer education program and be certified by the agency providing the education program.
- ❑ Potential borrowers must agree to the purchase of a home in Seattle as their principal residence only. Investment properties will not be allowed under this program.
- ❑ Potential borrowers must be able to financially qualify for a first mortgage with a participating lender.
- ❑ Income and asset definitions will be based on those developed by the City of Seattle's Single-Family Housing programs.
- ❑ Gap financing will be provided on an as-needed basis up to a maximum of $25,000 per borrower; borrowers must provide a minimum of $2,500 or 2% of the purchase price, whichever is greater, of their own funds toward the home purchase to match the levy down-payment assistance funds.
- ❑ For gap financing of $2,500 or less, repayments shall be deferred for the first five years; interest will accrue at an annual compounded rate of 3% during this period. Repayments shall begin in the sixth year, at an interest rate of 3%.
- ❑ For gap financing of more that $2,500 a compounded 3% annual interest rate shall also apply during the deferment period; neither the length of the deferment period nor repayment schedule have been determined as yet. The interest rate may be increased and/or the loan term shortened, and/or amortization required, if the property is no longer occupied by a low-income home owner.
- ❑ Borrowers may receive gifts of funds towards their portion of the down-payment; however, gifts must not exceed 25% of the borrower's total down-payment requirement.
- ❑ Borrowers may use proceeds from the sale of assets towards their down-payment requirement, e.g., selling a car, cashing in retirement accounts, etc. Sources of cash must be verified.
- ❑ Loans shall be assumable by another eligible borrower.
- ❑ Loan term may be no less than 25 years for affordability.
- ❑ Any first mortgage products approved by DHHS shall be eligible, including FHA and FNMA products, ARMs and portfolio loans. 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds $5,000.
- ❑ A loan committee shall be established to review loan exceptions; a system to track the performance of loans shall also be established.
- ❑ Borrowers may purchase any type of residential property, whether currently owner or renter occupied or vacant. If tenants are displaced as a result of sale to an owner-occupant under this program, tenant relocation assistance, if any, will not be paid out of levy funds.

- The Department will have the authority to review and revise the financial guidelines as necessary to respond to changes in the financial market.

RENTAL HOUSING PRODUCTION PROGRAM

I. PROGRAM OBJECTIVES

Funding for the Rental Production Program is divided among two categories as follows:

CATEGORY:	TOTAL FUNDING	1996 - 1997 - 1998:
❒ City-wide -- 0 to 50% of median income; subject to restrictions in Consolidated Plan	$39,084,000	$15,765,787
❒ Special Objectives Area -- 50% to 65% of median income	$2,458,000	$991,513

Funding will be used to produce a minimum of 386 units during 1996 - 1997 - 1998.

II. PROGRAM FOCUS

Levy Ordinance 117711 outlined households that will be the focus of the new levy:

- ❒ Working families with children who need affordable housing.
  Examples of individuals working within the targeted income range are sales clerks, secretaries, nurse's aides, grocery clerks, fast food workers, data entry operators, and others struggling to meet their family's basic needs for food, utilities, and medical care because of high rents.
- ❒ People with disabilities who need housing and service support to live independently in the community.
  Examples of individuals in this group are predominantly people currently living on disability income, including people who are homeless.
- ❒ People who are elderly and who need housing assistance to remain in their homes or who need assisted living alternatives.
  Examples are elderly people on fixed incomes who are often unable to obtain a traditional mortgage to make critical home repairs or low-income elderly who can benefit from assistance with medications, personal care, and housekeeping but do not need the costly intensive care of a nursing home.
- ❒ Families who are victims of domestic violence.

Examples are women and children who, for personal safety, must forego the economic benefits of a combined family income.

Oversight Committee members noted particular concern about potential lack of development of units for large families, families needing 3, 4, or 5 bedroom units. The NOFA will include the concern, and encourage production of large family units to appropriately address housing need. Production of large family units will be monitored, and additional requirements imposed if production does not occur or falls short of expectations.

III. PROGRAM AREAS FOR FURTHER DEVELOPMENT

During late 1996 and into 1997 staff will focus further attention on the following program development areas. Work will permit DHHS to be more proactive in better defining the types of projects to be funded through Notice of Funding Ability processes.

- **Coordinating programs to further community development objectives in distressed communities.**

  Time constraints prevented a thorough exploration of how levy programs could be coordinated with each other and with other efforts under way; i.e., OED and LISC initiatives. Meetings will be held with distressed community representatives to identify strategies for using levy resources to further community development objectives.

- **Setting unit-size goals for production of family units.**

  Levy planning included assumptions on numbers of anticipated family units by size but did not set any goals. Staff will review needs data and discuss setting goals with nonprofits that are developing family units. If goals are established, they will be published in Notice of Funding Availability documents. In particular, production of large family units will be monitored and unit goals may be set.

- **Housing assistance needed to help people who are elderly.**

  Staff will work with Seattle Housing Authority to explore the housing needs of people who are low-income and elderly. Assisted living projects will be explored; in particular, to determine the extent to which public funding is needed to help develop assisted living for persons who are low-income.

- **Scattered site production of special needs units.**

  Scattered site production includes groups living in single family homes as well as small numbers of special needs units in larger low-income or mixed-income projects. Special needs "projects" (buildings larger than a single-family house containing only special needs units) will only be funded if it can be demonstrated that a "project" is needed to best serve the residents. In particular, staff will consider the best ways to link McKinney funding to a scattered-site "production model."

- **Participation in mixed-income projects.**

  A small portion of levy funding will again be available to promote more development of low-income units in mixed-income buildings. Eligible projects must contain a majority of non-subsidized units. Funding will have different loan terms and be available as permanent financing only (1986 levy mixed-income, new construction program requirements will be a guide). Up to 10% of RPP funds for the 1996 - 1997 - 1998 period will be available for production of units in mixed-income buildings according to specialized loan terms. Program loan terms will be developed by the end of 1996 and will be reviewed by the Levy Oversight Committee prior to announcement of funding availability.

- **Assistance to "HUD Preservation Projects."**

  HUD funding for "Preservation Projects" appears to be ending. Staff will follow the status of these projects to determine the extent to which City funding assistance will be needed. Periodic status reports will be provided to the Levy Oversight Committee.

- **Ongoing monitoring --- performance measures.**

  Staff will work with nonprofits during the fourth quarter 1996 to identify performance measures for the Rental Production Program. These measures will help identify project information that applicants will be required to report on annually.

  Staff will also work with other public funders that require annual project reporting to coordinate requirements.

IV. PROGRAM POLICIES

A. USE OF FUNDS

Program funds can be used to pay for acquisition and/or rehabilitation costs associated with preserving existing vacant or occupied buildings, for new construction projects, and for permanent or "take-out" financing of newly constructed units.

DHHS may approve funding for a "project" that will consist of one or more entire buildings, individual unit(s) within a building, portions of a building, or individual unit(s) or portions of several different buildings, consistent with the policies described in this plan.

Eligible acquisition costs include reasonable costs associated with building or land purchase, such as:

- Purchase price
- Option costs
- Financing fees
- Appraisal costs
- Closing costs
- Interest
- Inspection fees

- Title insurance

Eligible rehabilitation and new construction costs include but are not limited to:

- Architectural/engineering fees
- Construction costs
- Relocation costs
- Operating losses during project rent-up
- Hazardous materials abatement

Eligible permanent or "take out" financing costs include all costs related to the acquisition, development and construction of the units.

In instances where nonprofit developers negotiate purchase agreements with sellers which provide for acquisition payments spread over two or more years, DHHS will have the option to precommit funds from future year allocations, subject to appropriation by City Council, to cover future payments relating to project purchase.

Reasonable development fees will also be an eligible use of Levy funds. Development fees must be consistent with DHHS's Development Fee Policy and will be considered as part of the development budget for a proposed project. DHHS will review the proposed development fee for nonprofit agencies that receive other City funds for their operation to insure that Levy and other City funds are not being used for the same purpose.

For projects selected for funding, up-front development costs incurred prior to a project's selection will be eligible for Levy reimbursement. Examples of up-front costs include earnest money agreements, legal costs, and preliminary architectural or engineering costs. The Washington Community Development Loan Fund (WCDLF), funded in part by Community Development Block Grant funds, is a potential source of up-front development costs for nonprofit agencies. The WCDLF is generally repaid from loan funds if a project is approved. Levy funds can be used to repay WCDLF.

B. ELIGIBLE PROJECTS

Levy program funding may be used for projects described below. Eligible projects may include entire buildings, individual unit(s) within a building, portions of a building, or individual unit(s) or portions of several different buildings, consistent with the policies described below.

Levy funds can be used for projects which combine residential and other uses. The proportion of Levy funding to total development cost must reflect the amount of residential space in a building serving eligible households.

For projects serving special needs populations, the proportion of Levy funding to total development costs must reflect the amount of residential space in a building serving special needs households with incomes less than 30% of median income. In these projects, accessory space (such as office space or space for provision of on-site social services) which is necessary for the viability of the project may also be considered for Levy funding.

Residential space includes:

- ❒ Common areas for resident use such as television or reading rooms;
- ❒ Areas for cooking, eating, bathing;
- ❒ Corridors, stairwells, storage areas;
- ❒ Management office space; and
- ❒ Building lobby area.

Levy funds can be used in non-residential areas of mixed-use buildings only for work necessary to produce the residential units; e.g., work that is part of overall exterior building improvements (masonry repairs) or work necessary to insure the structural integrity of the building. Costs associated with commercial tenant improvements are not eligible for Levy funding.

DHHS acknowledges that mixed-use buildings will require financing for non-housing portions of a project. While levy funds may not be used for non-housing portions, DHHS will help applicants identify other project funding or innovative fund sources to cover non-housing project costs.

Where it is impractical to segregate construction or rehabilitation costs between Levy funded units and other portions of a mixed-use or mixed-income project, the DHHS Director may permit such costs to be prorated between Levy funding and other funding sources based on any reasonable formula.

C. ELIGIBLE TENANTS

Tenant households must generally have incomes at or below 50% of area median to be eligible to live in units assisted through the Rental Production Program. A portion of program funding may be used to produce units affordable to households with income at or below 65% of median income. Detailed rent requirements are outlined in Section G, Occupancy and Rent Requirements.

Projects involving new construction, acquisition and/or rehabilitation of existing buildings may include some units occupied by households who can live independently but who have support service needs; e.g., people who abuse substances and/or are mentally ill, and who may or may not participate in treatment programs. Projects providing transitional housing will be required to link support services directly to households in those units, but on-site services will not be required.

D. ELIGIBLE SPONSORS

Eligible sponsors of housing produced through the Levy are:

- ❒ Private nonprofit agencies;
- ❒ Public Development Authorities;
- ❒ Seattle Housing Authority;
- ❒ Private for-profit owners/sponsors.

Private nonprofit agencies will be required to submit articles of incorporation and an IRS letter as proof of nonprofit status. Eligible nonprofits must have a charitable purpose which may or may not include the provision of housing. DHHS' preference is to provide funding to nonprofit sponsors that have established housing as a primary purpose of the organization. Through the project selection process, priority will be given to nonprofit agencies which have demonstrated ability to develop and/or manage low-income housing, and to limited partnerships or other organizations through which such nonprofit agencies obtain tax credits to help finance a project.

Sponsors ordinarily must demonstrate previous experience in the development, management, and ownership of housing projects similar to the project being proposed. If the nonprofit sponsor does not have previous experience in one or more of those areas, the sponsor will be expected to propose an appropriate relationship with another entity in order to demonstrate required experience.

If a sponsor cannot demonstrate previous experience in housing or if an agency is not primarily providing housing/housing related services, DHHS will encourage and work with the sponsor to strengthen the development team to ensure project viability, including possible sponsor affiliation with an established housing organization or creation of a subsidiary housing nonprofit organization. DHHS will evaluate the experience of a sponsor's management/development team, staff, Board of Directors, and other project and program experience to determine whether formation of, or affiliation with, another nonprofit would be required as a condition of funding.

E. MAXIMUM CITY SUBSIDY PER UNIT

The maximum City loan amount a project may receive is based on the number of units in a project. The City has established per unit subsidy amounts which are used to calculate the maximum City subsidy available to a project.

The City's maximum per unit subsidy includes all DHHS administered funds which may be combined to finance a project, including funds from the Housing Levy, the Community Development Block Grant Program, HOME Program, Rental Rehabilitation Program, Growth-Related Housing Program, Housing Bonus Program, Transfer of Development Rights Program, Seattle Matching Fund, and any special mitigation funds.

City maximum per unit subsidy amounts are not meant to reflect per unit total development costs for a project. Leveraging other non-City resources is strongly encouraged, and required for most projects. The established per unit maximum figures will be reviewed in light of actual project experience when future Plans are prepared and will be revised if necessary.

Waivers may be granted by the DHHS Director on a project by project basis to permit per unit costs in excess of the stated amount. The DHHS Director may approve an increase in City subsidy of up to 15% of the stated maximum per unit amounts for projects which clearly demonstrate the need for a policy waiver.

Waivers may be considered on a case by case basis for projects meeting one or more of the following criteria.

(a) Projects which are located in an area with little or no subsidized, low-income housing, or in an area identified in the City's comprehensive plan or other adopted policies as one in which low-income subsidized housing should be encouraged.

(b) Projects that provide special amenities and/or unique design features for the proposed tenant population. This may include projects that contain larger units for families; or projects that require reconfiguration of units to meet the needs of the proposed population; or special design features resulting from the participation of potential tenants and/or community members in project development.

(c) Projects for which maximum leveraging of other public fund sources is not possible due to timing considerations, i.e. sources not available at time project should proceed. DHHS may ask sponsors to apply for other fund sources later, if appropriate.

DHHS will use costs of previously funded, comparable projects as a guide in determining if a waiver is justified; however, waiver decisions will be made on a case by case basis based on specifics of the particular project or situation.

Three cost-per-unit maximum figures will be used: a limit for small units, a limit for large units, and a limit for each bedroom in a shared, single family house.

1. Small Unit: Single-room-occupancy, studio, or one-bedroom units.

   Limit: $47,000

   Plus 15% for new construction or substantial rehabilitation project; plus 15% for special needs unit. The 15% add-ons are compounded; a project eligible for both add-ons would have a $62,158 per unit limit. With 15% waiver, the total maximum would be $71,482.

2. Large Unit: Two, three, four or more bedroom units.

   Limit: $53,000

   Plus 15% for new construction or substantial rehabilitation project; plus 15% for special needs unit. The 15% add-ons are compounded; a project eligible for both add-ons would have a $70,093 per unit limit. With 15% waiver, the total maximum would be $80,606.

3. Bedroom Unit in a shared single family house.

   Limit: $29,200

   With 15% waiver, the total maximum would be $33,580.

F. LOCATION, SITING, AND NOTIFICATION

1. LOCATION

Projects serving very low-income tenants may be located in all neighborhoods, subject to requirements and restrictions in the City's Consolidated Plan. Project serving households with income up to 65% of median are restricted to Special Objective Areas identified in the City's Consolidated Plan.

2. SITING

The following siting criteria will be considered during the project selection process to determine if the location of a proposed project promotes a quality environment for the population to be served:

(a) proximity to transit, goods and services necessary for the specific population;
(b) relationship and compatibility of the project with other uses in the area;
(c) safety and security of the location for the proposed population;
(d) special amenities (e.g., availability of safe and secure outdoor play space for children in family housing projects).

These locational and siting criteria will apply equally to both permanent and transitional housing projects. An important goal will be to disperse low-income subsidized housing units whenever possible.

3. NOTIFICATION

The City of Seattle requires sponsors of projects which it funds to engage in a community notification effort. Clear, open communication is the first step in establishing a positive long term relationship with neighborhood residents.

While notification is an excellent way to begin to address the potential concerns and questions that neighbors and community members may have about a housing project, long term success with the neighborhood will come from a long term commitment to a relationship with project neighbors. Through its funding processes, the City seeks to balance its support for specific projects which it funds with the desire that those projects sponsors make a good faith commitment to positive, constructive relationships with the neighborhood.

Sponsors will be required to include a description of their community notification process in project applications. The community notification process for projects that involve site acquisition must begin no later than upon achieving site control as defined in DHHS funding announcement documents. The process for projects that do not involve acquisition must begin at least one month prior to submission of an application to DHHS. Sponsors will be required to notify immediate neighbors and appropriate community groups. Sponsors must use notification and good neighbor guidelines developed by DHHS as they work with community members to site projects. A notification plan and the results of the notification process activities must be included in funding applications to DHHS. Applicants will be required to conduct notification activities outlined in DHHS funding announcement documents.

Community support will be considered a positive factor in reviewing a project; however, community support of a project will not be a requirement of funding. Consistent with fair housing requirements, community opposition based on any discriminatory motivation, including opposition to families with children or persons with disabilities, shall not be taken into account.

Failure to comply with notification guidelines may result in rejection of an application, denial of funding, deferral of funding pending further notification efforts, or other remedies as determined by the DHHS Director.

G. OCCUPANCY AND RENT REQUIREMENTS

1. DEFINITIONS

In general, as used in the Rental Production Program section of this Administrative and Financial Plan, the following terms shall have the following meanings unless the context otherwise clearly requires:

- "Affordable rent" for low-income tenants means annual rent not exceeding 35% of 65% of median income; for very low-income tenants means an annual rent not exceeding 35% of 50% of median income; and for extremely low-income tenants means an annual rent not exceeding 35% of 30% of median income.
- "Extremely low-income" means income not exceeding 30% of median income.
- "Income" means household income computed in conformity with requirements of the federal HOME program, unless the DHHS Director shall permit another method of computation for a particular project or class of projects.
- "Low-income" means income not exceeding 65% of median income.
- "Median income" means annual median income for the Seattle-Everett Metropolitan Statistical Area, adjusted for household size, as estimated from time to time by HUD.
- "Rent" means all amounts charged for the use or occupancy of the project (whether or not denominated as rent or constituting rent under state law), plus a utility allowance for heat, gas, electricity, water, sewer, and refuse collection (to the extent such items are not paid for tenants by Owner).

The DHHS Director may adopt further refinements or interpretations of the above definitions.

2. INCOME ELIGIBLE TENANTS AND AFFORDABLE RENT LEVELS

- Tenants with incomes that rise above the eligibility levels become "over-income tenants." Rents for over-income tenants may be increased above program affordable rent levels described above. City funding will not be available for units occupied by income ineligible residents; however, the City may ask that such units, although not

City-funded, become rent-regulated under a City Regulatory Agreement when occupancy changes.

- Extremely low-income tenant households (30% of median and below) in units subsidized through the Operating and Maintenance Trust Fund may contribute up to 35% of income toward rent (including utilities) consistent with City Council policy direction for the Trust Fund.

3. RENT INCREASES

- After-rehabilitation rents for Levy-funded units generally should not exceed before-rehabilitation rents. Tenant displacement due to after-rehabilitation rent increases should be avoided. Higher after-rehabilitation rents will be considered only if necessary to insure adequate project operating funds. After-rehabilitation rents for vacant units and rents for newly constructed units should generally not exceed an average of the rents for comparable occupied units.
- During the loan term, rents can be increased only to cover increases in project operating costs, and/or other project expenses acceptable to DHHS.
- Operating costs shall be established by sponsors in operating proforma approved by DHHS. Operating costs shall include taxes, insurance, utilities, salaries, management fees, replacement reserves, maintenance supplies and services, and other such expenses as shall be allowed by DHHS.
- At no time during the term of the loan can rents for units occupied by income-eligible tenants exceed "affordable levels" as defined above.
- Rents for over-income tenants may be increased above "affordable rent levels."
- Rents may not be increased in one project to subsidize operating losses/costs of another project owned or operated by the same sponsor.

4. AFFORDABILITY POLICY

Levy Program funds are subject to the following affordability policy:

- At least 50% of Levy Rental Production Program funds available for households with income under 50% of median income shall be used for housing affordable to and occupied by households at and below 30% of median income; and
- Remaining funds available for households with income under 50% of median income shall be used for housing affordable to and occupied by households with income between 30% and 50% of median income.

The affordability policy is administered by DHHS across the Levy program as a whole, not on an individual project-by-project basis. The policy is administered on a two year cycle. All projects approved for Levy program funding from September 1, 1996 through December 31, 1998 shall be included in calculating City affordability policy goals for the 1997-1998 period.

5. OTHER POLICIES

- Project sponsors must obtain DHHS approval for a change in low-income population to be served if some event occurs, such as loss of services funding, that requires a change in the tenant population.
- Commercial space rental income should be used to reduce residential rents whenever possible.
- For any project utilizing funds for projects serving households with income between 50% and 65% of median income and receiving a direct HUD capital or operating subsidy, including rent assistance or vouchers, the DHHS Director may allow HUD occupancy requirements to supersede Levy requirements, provided that all households receiving subsidy or residing in subsidized unit have incomes below 80% of median income at initial occupancy. The DHHS Director may alternatively allow sponsor to provide substitute low-income units that are not restricted by an agreement with the City for households with incomes above 80% of median income.
- Rent levels for units assisted under both the Housing Levy Program policies and directly under federal HUD programs shall be determined in accordance with Section 3(a) of the United States Housing Act of 1937, as amended, 42 U.S.C. Section 1437a(a), and regulations thereunder, or under any other federal law or regulations now or hereafter requiring specific rent levels in low-income housing projects assisted with federal funds provided that housing for very low-income households must remain affordable to such households.
- When Housing Levy Operating and Maintenance Trust Fund subsidies are used for a project, the rent requirements contained in the Trust Fund Administrative and Financial Plan shall apply to that project and shall supersede any other rent limitations otherwise applicable, except as stated in the preceding paragraph.

H. LOAN CONDITIONS

The intent of the Levy is to provide long-term low-income housing for permanent or transitional occupancy. Loan conditions are meant to promote and encourage long-term use of properties for low income housing. If a property is ever sold during the loan term, City proceeds should be used to produce replacement low-income housing consistent with then current City low-income housing policy.

The DHHS Director may deviate from the loan terms and conditions contained in this Plan:

(a) for tax credit partnerships, where such loan terms may impair the availability of tax benefits; or

(b) when the sponsor expects to receive other funding sources from which full or partial repayment of the City loan can be made prior to the normal maturity date.

Debt service requirements may be established depending on income level served, operating budgets, and extent of other subsidies used.

1. Loan Terms

Loan terms will be a minimum of 40 years.

2. Interest Rate

The interest rate will generally be 1% for nonprofit-sponsored projects, 3% for private for-profit-sponsored projects, and will be set according to the project's ability to support debt service. For for-profit sponsored projects, the interest rate may be lowered to a rate not less than 1% if necessary to provide rents affordable to extremely low-income households. Interest on program loans will accrue annually as simple interest until year 20. Between year 20 and year 40, interest will be forgiven at the rate of 5% (of the total interest accrued as of the end of year 20) each year.

3. Deferred Payment

DHHS will make deferred payment loans which must be repaid upon sale, change of use, or at the end of the loan term. Borrowers may further defer payment of principal, deferred interest, and contingent interest by extending the loan term.

4. Transfer and Assumption

The DHHS Director may permit the transfer and assumption of the loan, and the transfer of the property acquired, constructed or rehabilitated with the proceeds of the loan, without requiring repayment of principal, interest or other amounts owing under the loan at the time of the transfer, under any of the following circumstances:

(a) The loan is assumed by a tax credit partnership and the partnership makes a substantial equity investment in the low-income housing;
(b) The property is transferred by a tax credit partnership to a nonprofit corporation or public agency approved by the Director, including without limitation a transfer to the general partner pursuant to the terms of an option agreement made in connection with the formation of the limited partnership; or
(c) The property is transferred, with the approval of the Director, to a qualified nonprofit corporation or public agency, without substantial consideration to the transferor other than assumption by the transferee of outstanding obligations.

5. Covenant

A covenant will be recorded against the property which requires continued use of the property for low-income housing for the term of the loan. Sponsors must have the City's consent to sell a property before the end of the covenant period. If a sponsor sells a property before the end of the covenant period, and invests in replacement low-income housing approved by DHHS, the DHHS Director may permit the covenant to be released and moved to the replacement low-income housing for the number of years remaining on the original covenant period.

6. Contingent Interest

City participation in project equity in the event of change of use or sale of property (contingent interest) shall be required for all Rental Production Program projects except those developed under the Mixed-Income component. The Mixed Income component guidelines are outlined in Attachment 1. Upon sale, change of use, or repayment of the loan, loan principal plus the greater of either deferred interest or contingent interest shall be due. Contingent interest shall be calculated according to a formula established by DHHS.

The City's contingent interest should reflect the amount of City funds contributed as permanent financing to a project and should be modified by any additional funds contributed during the loan term, such as capital contributions approved by the City or sponsor subsidy necessary to cover operating losses. For example, if City funds are 50% of total project costs, the City should receive 50% of proceeds remaining after repayment of project debt (but not including contingent interest owing to other project lenders).

7. Prepayment Premium

If a sponsor repays the City loan (principal plus the greater of interest or contingent interest) during the first 15 years of the loan term, a prepayment premium shall also be due.

The prepayment premium shall be 50% of the original loan principal if the loan is repaid during the first five years of the loan term. The prepayment will decline by 5% per year in years 6 through 15. There will be no prepayment premium after 15 years.

Prepayment premiums shall not be due in the event of involuntary prepayment, due to casualty or condemnation.

8. Loan Term Extension

At the end of a loan term, sponsors will be encouraged to extend the loan term and continue to defer all repayment requirements. If the loan term is extended for a total of 75 years, loan principal and contingent interest will be forgiven at the end of the 75th year.

9. Use of Funds Owing to the City

Sale of projects during the loan term requires City consent. If a nonprofit-sponsored project is sold during the loan term, the nonprofit sponsor should have the first opportunity to reuse all funds owed to the City for low-income housing. The replacement project must be consistent with then current City low-income housing policies and appropriate project selection criteria, and be approved by DHHS.

Loan funds returned to the City will be deposited in the Low-Income Housing Fund. Funds will not necessarily be reallocated to the Levy program from which they were committed. Except for funds reused by a project sponsor as described above, funds returned from all Levy programs will be reallocated by DHHS to low-income housing projects according to priorities established in the current Administrative and Financial Plan or appropriate City policy plans as determined by DHHS.

10. Additional Project Subsidies

At the end of the loan term and at the borrower's request any time during the loan term, the City and the borrower should review the status of a project and evaluate its continued feasibility. The City recognizes that a capital subsidy may be needed to assure the continued life of the project. If capital and operating subsidies necessary to maintain project viability are not available, the City and the borrower should in good faith use their best efforts to jointly develop strategies to maintain affordability and project viability. Remedies to maintain project viability may include additional City, other public, or private resources, as well as City-approved adjustments in rent levels or number of project units that must remain low-income.

11. Property Standards

Project sponsors will be required to provide well-maintained and well-managed housing. Loan conditions will require sufficient replacement and operating reserves to help ensure projects are well maintained and managed.

12. Non-Recourse

Loans shall be made on a non-recourse basis, with the City's remedy limited to its security in the project, project rents, and project reserves, except in cases of fraud, waste or other circumstances determined by the DHHS Director to justify recourse against the sponsor.

13. Leases

Site control through ownership of property is preferred to site control through a long-term lease except in cases where the lessor and lessee agree to accept the loan conditions described above. Projects involving a lease where lessor and lessee do not both accept these terms and conditions will be permitted only if the project represents a unusual cost-effective opportunity or furthers other community development objectives. Project sponsors will be required to provide well-maintained and well managed housing.

The following conditions will apply to leased properties where the owner does not agree to accept the normal loan terms and conditions above:

- **Repayment**

  Loans involving leases must be structured to provide for repayment over the life of the lease, subject to normal loan forgiveness provisions. The DHHS Director may modify the normal repayment terms, as appropriate, by requiring different terms from or in addition to those generally specified by this Administrative and Financial Plan.

- **Construction standard**

  Projects must meet construction standards appropriate for and consistent with the length of the lease term. Replacement reserves should be sufficient to maintain decent, safe, and sanitary housing during the lease term. Replacement reserve funds remaining at the end of the lease term should be used in other low-income housing projects.

- **Sponsor equity**

  Project sponsors must contribute equity to the project. DHHS will establish the appropriate requirement for each project.

- **Interest rate**

  Maximum of 3% for nonprofit or for-profit sponsors. The interest rate may be lowered to a rate not less than 1% if necessary to provide rents affordable to extremely low-income households.

- **Lease term**

  Minimum lease term is 25 years with preference for longer terms when feasible. The lease term must exceed the City loan term by at least six months.

- **Security**

  Security for the City loan should be appropriate to protect the City's interest in repayment of the loan.

- **Percentage of Levy funds available for leased projects**

  Up to 10% of 1996 - 1997 - 1998 program funds is available for projects that are subject to lease provisions.

14. Special Needs Projects

It is likely that sponsors may change the special needs or target population group being served in a project sometime during the 40-year loan term. If an event occurs requiring a change in population group served, sponsors of special needs projects will first be required to serve another special needs population approved by the City. If that is not feasible or appropriate, a general low-income population must be served.

15. Mixed-Income Program Component

Up to 10% of 1996 - 1997 - 1998 program funds is available for mixed-income projects consistent with loan terms outlined below. All program requirements included in the 1996 - 1997 - 1998 Administrative and Financial Plan, except as modified below, shall apply. Other projects may involve units in mixed-income buildings, but not on the terms below.

LOAN TERMS TO BE DEVELOPED AND INSERTED

16. Use of Levy Projects as Security for Other Low-Income Projects

Sponsors may use Levy-funded projects as security for other low-income housing projects if sponsors can demonstrate that using a Levy-funded project as security for another project will not jeopardize the viability of the Levy-funded projects.

I. WMBE UTILIZATION

Women and minority business enterprise (WMBE) utilization shall be required for all Rental Production Program projects in accordance with the City's WMBE policy (Seattle Municipal Code 20.46A --Women's and Minority Business Enterprise Utilization Ordinance) except as follows.

WMBE set-asides do not apply to the Mixed-Income component because Levy funds will be used for permanent rather than construction financing; however, affirmative efforts to use WMBEs shall be required.

J. LEVERAGING

A goal of the Levy is to leverage non-City resources for capital, operating, and supportive services whenever possible. Project sponsors are encouraged to combine Levy funds with resources from federal and State programs, e.g., McKinney Homeless Assistance Act, State Housing Trust Fund. Leveraging of foundation and grant funds, and owner equity are strongly encouraged. Sponsors are encouraged to consider Levy funds as matching funds for other fund sources.

Lower rents are a more important consideration than leveraging private bank financing which requires debt service. Leveraging debt financing is particularly encouraged and expected when project subsidies (Section 8, etc.) are sufficient to allow debt financing.

In the project selection process, projects will be evaluated on the extent to which non-City funds are included while, at the same time, affordable rents are maintained for low-income households. The amount of Levy funds in a project can exceed other funds to help reduce project rents.

In cases where sponsors request 100% Levy funding for a project, the sponsor will be required to explain why other public and private funds were not leveraged. Sponsors will have to demonstrate consideration and/or pursuit of other non-City resources and explain why Levy funds are critical for project success. Projects may be approved contingent on sponsor application for funding from appropriate non-City, public fund sources that may reduce the need for Levy funds.

Use of the low-income housing tax credit and historic preservation tax credit programs will be encouraged whenever possible. In general, project equity available as a result of participation in a tax credit program after a reasonable allowance for the costs of obtaining such equity shall be used to reduce the City's share of project funding. The DHHS Director may allow a portion of the equity funding from tax credits to reduce the other funding sources' shares of project financing or be used to subsidize operating expenses of special needs projects.

K. RELOCATION AND DISPLACEMENT

In general, the City will not assist projects which result in the permanent displacement of low-income tenants. In limited cases, such as when reconfiguration reduces the number of units in a project, the City recognizes that permanent displacement may occur. In such cases, the applicable City, State and/or federal relocation guidelines shall apply.

Sponsors are strongly encouraged to consult DHHS as soon as possible for information regarding relocation when they are considering acquisition and/or rehabilitation of an occupied building. Even in projects where tenants will not be temporarily relocated, sponsors will be required to provide appropriate notification of acquisition/rehabilitation plans to existing tenants .

L. MANAGEMENT PLAN

Good management is critical to the overall success of projects. Project sponsors will be required to submit a management plan to DHHS for approval. Management plans should include the following:

- ❒ The occupancy standard (minimum and maximum number of persons for each type of unit) for the project.
- ❒ Rent collection policies and procedures for dealing with late payments of rent and damage to units.
- ❒ Description of management philosophy and experience serving proposed client population.
- ❒ Identification of key staff position(s) both on and off-site involved in managing the building including a description of staff responsibilities, previous experience, and program for staff training.
- ❒ Description of process for determining rent increase, and for informing tenants of rent increases.
- ❒ Description of procedures for dealing with late payment of rent and damage to units.
- ❒ Policies for making budget adjustments including expenditures of operating reserves.
- ❒ Description of long-term maintenance plan, including a schedule for both exterior and interior maintenance of the building.
- ❒ Description of building security and emergency plan.
- ❒ Description of the tenant screening and selection process.
- ❒ Plan describing how vacant units will be filled.
- ❒ Commitment to the City's Just Cause Eviction Ordinance.
- ❒ Referral process from programs serving households who are homeless.
- ❒ Affirmative Marketing Plan -- plan must include marketing methods designed to reach tenants who are persons of color.
- ❒ Because a substantial number of persons who are homeless are persons of color, it will be important for proposals serving people who are homeless to demonstrate

sponsor understanding of the need to serve tenants who are persons of color and efforts to be taken to ensure persons of color are served appropriately.

- Description of ongoing community education and involvement strategy, including steps that would be taken to address complaints or issues raised by tenants and neighbors about the building or tenants.
- Copy of leases or rental agreements to be used.
- Description of the process for determining rent increases, and for informing tenants of rent increases.
- Policies for making budget adjustments including expenditure of operating reserves.

Management plans for special needs housing, transitional housing, or other housing requesting support services funding should also include the following information:

- Description of service support program to be provided to tenant households.
- Description of process for selecting/referring homeless households living in emergency shelters to the transitional housing project.
- Demonstration that adequate funding is available for the service support program component.
- Identification of key staff responsible for coordinating or providing supportive services.
- If different agencies are responsible for managing the housing units and the supportive services program, description of relationship between agencies and copies of written agreements between the agencies.
- Involvement of tenants in project governance.
- Description of performance or outcome measures.

M. PROJECT SELECTION

Project sponsors will submit proposals to DHHS in response to a general Notice of Funding Availability (NOFA) or a Request for Qualifications (RFQ). DHHS will publish a NOFA at the beginning of each year; it will describe when applications may be submitted and outline application requirements.

Proposal requirements for DHHS' project selection processes will be outlined in funding announcements which will reflect the Levy plan policies and requirements. Funding announcements will reflect the City's highest priority, which is to provide housing at rents affordable to low, very low, and extremely low-income households while maintaining sufficient project income to provide for maintenance and operation of the housing. Projects for Housing Levy Trust Fund subsidies will be selected within these project selection processes.

A Notice of Funding Availability (NOFA) will be issued by DHHS at the beginning of each year. The NOFA will include Levy plan policies, requirements, and City funding priorities and goals. All applications must include information requested in the NOFA. The NOFA will describe how often during the year that proposals will be accepted.

All applicants must attend a project pre-application conference with DHHS staff prior to submitting an application for funding, consistent with requirements outlined in NOFAs issued by DHHS. Generally proposals will be reviewed by a Review Team made up of DHHS staff and may include community members with service, development, design, and finance expertise, as appropriate. In appropriate circumstances, as determined by DHHS, staff from other City Departments may be included in review teams.

Funding recommendations will be prepared by staff and reviewed by the Levy Oversight Committee. The Oversight Committee will review the project selection process for consistency with the policies and requirements of this Plan. Final project selection decisions will be made by the DHHS Director.

The review team will evaluate project feasibility based on the following:

- Rent levels;
- Length of low-income housing commitment;
- Location/Siting issues;
- Community notification and involvement (note: community involvement is an important element of project success, but community support of a project will not be a requirement of funding);
- Cost per unit;
- Leverage of other non-City funds;
- Operating budget; development budget; supportive services budget;
- Stability of funding for the project;
- Experience of development team; experience of the sponsor (development, ownership, housing management, supportive service delivery);
- Scope of rehabilitation/construction, including a phased rehabilitation plan if work is to be postponed;
- Design appropriate for tenant occupancy;
- Tenant displacement;
- Tenant relocation plan (if applicable);
- Support services, if necessary and appropriate for proposed tenant population;
- Target homeless population to be served (if applicable);
    - segment of homeless group proposed to be served;
    - level of need of target homeless population;
    - impact on homelessness;
    - suitability of proposed housing and supportive services to serve target population;
- Tenant involvement in management.

N. PROJECT PROPOSAL REQUIREMENTS

DHHS will release Notice of Fund Availability (NOFA) and Request for Qualification (RFQ) documents that outline specific project proposal requirements. Project sponsors will be required to submit information on proposed projects that may include, but not be limited to, the items below. Information will be requested from sponsors in a manner and time appropriate to the specific type of project selection process.

- Project description, including location, number of units, current rents, special characteristics.

- ❑ Evidence demonstrating project sponsor experience:
  - Development experience
  - Ownership experience
  - Management experience
  - Experience serving proposed population.

  Proposal should indicate who will carry out activities listed above and demonstrate appropriate prior experience and capacity to carry out activities.

- ❑ Experience of development team -- description of development team members and their experience with the type of project proposed.
- ❑ Construction description -- proposed rehabilitation/development plan including total scope of work, detailed cost estimates, drawings, reports and evidence of predesign conference with Department of Construction and Land Use (DCLU).
- ❑ Development schedule -- timetable for development of the project.
- ❑ Asbestos/hazardous materials survey -- a survey to identify the presence and amount of asbestos and/or any other hazardous materials within the building or elsewhere on site and a description of proposed abatement measures.
- ❑ Development budget including acquisition, rehabilitation or new construction costs, and any relocation costs.
- ❑ Operating budget, including proposed rents and justification for operating subsidy.
- ❑ Fund sources -- description of all project fund sources including amounts and evidence of funding commitments.
- ❑ Tenant profile -- description of proposed and existing tenants, household size, estimate and source of tenant income, discussion of the need for and extent of relocation.
- ❑ Support services -- budget and description of all services to be provided on and off site as appropriate, for the tenant population to be served.
- ❑ Evidence of site control -- In addition to fee simple ownership, an option to purchase, an earnest money agreement, a lease (or option to lease) with a minimum term of 25 years, will constitute site control. DHHS will consider projects where the underlying ownership is through a real estate contract if the contract holder is willing to subordinate his/her interest to the DHHS loan or if there is adequate provision for the sponsor to discharge the underlying contract and obtain fee title.
- ❑ Appraisal -- an appraised value based on the highest and best use at the time of property acquisition will be used to assess whether or not a fair price is paid for land or a building. Appraisals, or letter of opinion, will be ordered by DHHS, or may be used if ordered by another project lending source acceptable to the City. Project applicants should make acquisition offers subject to verification by appraisals acceptable to the City.
- ❑ Community notification -- description of results of community notification process and any results at time of application and plans for additional notification activities. Proposal must describe how community issues or concerns raised will be addressed.
- ❑ Zoning -- description of zoning exception required, if applicable (examples of zoning exceptions: variance, special exception, design departure, conditional use). Zoning

exception approval not required at time of project application but will be required prior to final loan commitment.

- ❒ Mixed-income projects proposed by private developer/owner --- description of linkage developed with an appropriate nonprofit agency that can assist in referring and screening eligible low-income tenants to help make sure low-income units are occupied by eligible tenants consistent with City occupancy requirements; the nonprofit should also help ensure that annual reporting requirements are met.

In addition to information listed above, projects serving special needs populations will be required to submit the following:

- ❒ Project description -- including description of housing and supportive services program. Sponsor must describe homeless population to be served and demonstrate how project will serve that population. Sponsor must demonstrate extent of homeless "market" for proposed project and describe project's impact on homelessness.
- ❒ Evidence of site suitability - explanation why site is suitable for homeless group being served.

O. REHABILITATION AND CONSTRUCTION REQUIREMENTS

The following rehabilitation and construction requirements will apply unless otherwise noted. These requirements apply equally to both permanent and transitional housing projects.

1. Rehabilitation Standards

Project sponsors will be expected to provide quality housing that will last for 20 to 40 years. Rehabilitation standards will be flexible to accommodate a wide variety of unit and building types.

Buildings will be required at a minimum to meet health and safety requirements of the Seattle Housing and Building Codes. Rehabilitation work will largely focus on repair/replacement of major building systems necessary to insure viable long-term housing. In addition, overall design of the project and proposed improvements must be appropriate to tenants to be housed.

❒ **Phased Rehabilitation**

Phased rehabilitation refers to work items identified when a project is initially inspected but postponed until a later date. Work which could be postponed includes building components which have some remaining useful life or items like windows which could be replaced over several years. Work which would cause previously completed improvements to be redone cannot be phased.

Phased rehabilitation will be considered provided that all work items identified at the time a project is considered for funding and postponed until a future date have an identified funding source. Project budgets must either be structured to allow sufficient reserve funds to build up to pay for work postponed, or another source of funding must be identified.

Project sponsors must present a phased rehabilitation plan to DHHS for approval. A decision to phase rehabilitation will be made by DHHS within the context of a complete building evaluation that includes a total scope of rehabilitation and a cost for the entire project.

Complete plans for addressing project rehabilitation needs, based on thorough building inspections, will be required when projects are considered for funding. Plans must include work items to be accomplished immediately following project selection, and those items proposed to be phased over time. All major work items generally should be included at the time a project is funded.

- **Contracting Policies**

All projects where cost of construction work exceeds $25,000 will be bid competitively; however, DHHS Director may approve a change in this requirement if necessary to promote inclusion of levy-funded units in mixed-use and/or mixed-income buildings, if necessary to meet federal McKinney Act program deadlines, or if necessary because the DHHS Director determines that competitive bidding is not practical. DHHS must approve contractor qualifications for projects prior to the start of construction. Unqualified contractors will be rejected. Pre-qualification of contractors will be allowed for purposes of establishing a defined list of qualified contractors for competitive bidding.

Bids will be opened publicly. Bid openings will occur at a location to be determined by applicants; bids can be opened at DHHS at the request of applicants.

Applicants, including nonprofit agencies and private owners, will in some cases be able to manage their own construction projects with DHHS approval. Applicants will be required to have had prior experience managing a construction project and to have staff available to coordinate necessary work. In addition, the scope of work should appropriately match the agency's self-contracting experience and staff expertise.

Construction contracts shall require compliance with the affirmative action provisions applicable to contractors on City public works contracts, which include employment goals of 20% women, 21% minority, and a 4.5% minority female sub-goal. In addition, a 20% goal shall be considered for the hiring of economically disadvantaged or Job Training Partnership Act (JTPA) eligible individuals so as to provide opportunities to graduates of training programs and the unemployed. Hiring of people who are homeless will be encouraged.

- **Wage Rates**

State residential prevailing wage rates shall apply to the Levy's Rental Production Program except for the Mixed-Income Component; wage rate requirements will apply to the entire building, regardless of the amount of Levy funding in the project. State residential prevailing wage rates shall be the minimum rates paid for project construction. DHHS Director may approve a change in these requirements if necessary to promote inclusion of levy funded units in mixed-income and/or mixed use buildings. When federal funds are also used in a project, the higher of either the

State residential prevailing wage rates (unless modified as stated above) or Davis-Bacon wage rates (if applicable under federal law) will apply.

- **Apprenticeship Program Participation**
  Applicants are encouraged to require contractors to participate in State-approved apprenticeship programs. Applicants who demonstrate to DHHS's satisfaction that requiring contractors to have previous experience with State-approved apprenticeship programs would be beneficial for project development can also include that requirement.
- **Project Agreements**
  Applicants who demonstrate to DHHS's satisfaction that use of a project labor agreement would be beneficial for project development may require a project labor agreement.

2. New Construction Standards

Projects are to be constructed with a life expectancy of 40 years or longer. Project components must meet or exceed all applicable local, state, and federal code requirements. All work must meet or exceed industry standards for similar types of work.

Funding will generally not be available to pay for infrastructure improvements imposed by City Departments in excess of what would be required for rehabilitation projects. The standards for rehabilitation projects and new construction projects are expected to be the same for low-income housing projects funded by the City.

Units financed through the Mixed-Income component will be reviewed by DHHS to determine that the design and construction standards and materials will be the same for both the low-income and market-rate units. Neither State prevailing wage rates nor WMBE will apply since Levy funds will be used to finance completed units at the end of construction.

P. PROJECT MONITORING

The DHHS Director shall require reporting from sponsors annually, or at any time upon reasonable advance notice, containing information on the status of the project. Specific requirements will be included in loan documents, and may generally include:

- Rent levels to insure compliance with program rent requirements;
- Affirmative marketing efforts undertaken;
- Tenant characteristics and income;
- Status of reserve accounts.

Q. AFFIRMATIVE MARKETING

Both nonprofit and for-profit sponsors receiving Levy program loan assistance will be required to affirmatively market vacant units. Sponsors must use marketing methods designed to reach persons of color. In addition, owners are strongly encouraged to inform providers of emergency shelters and transitional housing about their projects and to promote access to households ready to move into permanent housing. Owners will be required to maintain records of their affirmative marketing efforts and to report annually to DHHS on those efforts.

Sponsors of transitional housing will be required to develop processes to assure that homeless individuals or families coming out of emergency shelters have equal access to transitional housing projects.

OPERATING AND MAINTENANCE TRUST FUND PROGRAM

I. PROGRAM OBJECTIVES

The 1995 Housing Levy passed by Seattle voters included an $8,751,000 Operating and Maintenance Trust Fund. The fund was included in the Levy to ensure that a portion of the rental production program housing was affordable to extremely low-income households (households with incomes at or below 30 percent of median income).

The Operating and Maintenance Trust Fund builds upon the success of the O and M Fund in the 1986 Housing levy. The Levy's authorizing ordinance specifically states that the Operating and Maintenance Trust Fund will be used to fill gaps between eligible operating costs and rental income. Specific eligible operating costs identified include:

- project management
- utilities
- property taxes
- operating and maintenance reserves
- contract services related to project support.

The authorizing ordinance charged the Department of Housing and Human Services with the responsibility of administering the overall Levy, including the Operating and Maintenance Trust Fund. Fund administration will be financed from the Operating and Maintenance Trust Fund.

II. PROGRAM FOCUS

The Department of Housing and Human Services will be seeking funding proposals for multi-unit housing upon the City Council's approval of the Administration and Finance Plan. It is estimated that approximately $190,000 to $200,000 of Operating and Maintenance Trust fund subsidy will be available between 1997 -1998 to organizations providing low income housing. These funds are expected to support between six to eight different housing projects, with an average operating and maintenance subsidy of $20,000 to $25,000.

City Council Resolution 29165 stated that Operating and Maintenance Trust Funds will be targeted to projects serving youth and victims of domestic violence. These projects will be emphasized for operating fund support during the project review process.

Projects serving other populations meeting income and rental production program guidelines will also be considered for support.

No more than one-third of funding will be available to provide "special support" for special needs housing projects. "Special support" includes project management expenses beyond what a traditional housing project would require, or contract services relating to project support.

To administer the Operating and Maintenance Trust Fund during these years DHHS will utilize 5% of each year's O and M allocation. DHHS anticipates the following amounts for 1997 and 1998.

YEAR	ADMINISTRATIVE COST
1997	$5,000
1998	$9,600

III. PROGRAM POLICIES

A. ELIGIBLE PROJECTS

Projects developed through the Levy that provide housing to extremely low-income households (at or below 30 percent of median income) are eligible to receive Operating and Maintenance Trust Fund subsidy. Private owners and developers as well as all types of nonprofit agencies, including SHA and Public Development Authorities.

B. ELIGIBLE HOUSEHOLDS

There are two qualifications that must be met for a project to receive subsidy with respect to a household. First, the household's income must be equal to or less than 30 percent of area median income (as adjusted for family size). Secondly, the project's operating costs per unit must be more than 35 percent of the household's adjusted gross income. Sponsors are required to certify that households subsidized by the Trust Fund meet the eligibility guidelines.

C. FUNDING LIMITS

In order to provide opportunities for as many projects as possible to be funded over the life of the levy, maximum funding of $75,000 per project will be used in the 1996-1998 period. The DHHS Director may approve raising this limit for a project if he or she determines it is necessary to help a project meet the City's housing goals as described in Levy policies and the Consolidated Plan.

D. DEVELOPMENT STANDARDS

Projects must provide quality housing with a minimum life of 20 years for rehabilitation projects, and 40 years for new construction projects. Rehabilitation should minimize ongoing maintenance and utility costs. Phased rehabilitation is allowable if completion can be guaranteed and there is a funding source for the work other that the Trust Fund. All buildings are required to meet applicable zoning and building codes.

E. RENTS

Rents will be based on a sliding scale. Eligible households pay approximately 35 percent of their income for rent and any tenant-paid utilities associated with a project. Rents in projects which receive funds under the McKinney Act are determined in accordance with section 3 (a) of the 1937 Housing Act (i.e. 30 percent of income for rent and utilities). Income is to be reviewed annually and rental payments may be adjusted by the sponsor. If a household's income changes prior to the annual review (due to loss of a job, addition of a household member, death of a household member, etc.), rents can be adjusted.

Some households may have little or no income when first moving into levy housing. In these instances, the minimum rent may be waived or reduced until the household qualifies for public assistance or becomes employed. The decision to provide the greater subsidy and for how long is determined when Trust Fund subsidy is applied for and may be reevaluated at the time of occupancy. At the annual review, the subsidy amount may be adjusted if it is found that tenants are able to pay rent earlier than projected.

1. Adjustments to Gross Income

When determining rents, two adjustments to a household's gross income may be made. For a household having medical expenses in excess of three percent of their annual income, gross income can be adjusted by the amount in excess of three percent. These expenses can also include non-medical expenses for the assistance and care of household members who are handicapped or disabled.

Another allowable deduction is the amount for child care (for children under 13 years of age) when it is necessary for the employment of an adult household member, or for his or her further education. The estimated cost of care can be deducted from gross income. The amount must reflect the reasonable cost of care and cannot exceed household income.

2. Non-Subsidized Units

When a household subsidized by the Trust Fund has an increase in income greater than 30 percent of the area median income, the unit is no longer eligible to receive subsidy. At the annual review, subsidy would be discontinued. The household may have an adjustment to its rent depending on the project's current operating expenses.

3. Tenant-Paid Utilities

When utilities are separately metered, sponsors are required to annually calculate the estimated cost for tenant-paid utilities. The estimate is to reflect a reasonable usage amount for each type of unit. The annual estimated cost is to be divided by 12 to determine a monthly average amount. This amount would be subtracted from the total tenant payment to produce the monthly rent the tenant would pay the sponsor. In this situation, tenants would be responsible for paying their utilities directly, regardless of the amount.

F. MANAGEMENT PLAN

- ❑ A management plan is required for each application for Trust Fund subsidy. The plan must be consistent with the intent of the Levy and adhere to local laws and regulations. The elements of the plan are listed in Section L of the Rental Production Program portion of this Plan.

G. MAINTENANCE PLAN

Each project must have a maintenance plan that describes how the building will be maintained. It should describe the acceptable condition for each room (living room, bathroom, kitchen, bedroom), common space (hallways, stairs, lobby), building systems (heating and plumbing), and building exterior (roof, walls, foundation, chimney). It should also include a schedule for both exterior and interior maintenance of the building. For example, maintenance standards for interior stairs could be that the stairs have lights that work, and the railings be safe and in good condition. The plan must also describe how long term maintenance will be accomplished.

H. OPERATING BUDGET AND USE OF FUNDS

An operating budget in the required format must be submitted with each application for subsidy. For the annual review, an actual financial statement for the previous year and a proposed operating budget for the following year will be required. The budget must be based on the City's fiscal year which begins January 1.

Eligible uses of subsidy include costs for:

- Support service costs directly related to serving persons in the building funded, including, but not limited to: contract services and on site staff supporting projects related to project support, counseling staff, crisis management staff, case management services, resident manager, service coordination and support, and housing management.
- On-site salaries and benefits including all personnel costs directly associated with operating the building.
- Off-site management including overhead and personnel costs that are necessary to operate the building but are not located at the site.
- The cost of a financial audit. An audit will be required for each project with a Trust Fund subsidy of $25,000 or more. The audit must be obtained by the sponsor. The audit must verify that the Trust Fund subsidized eligible expenses and that actual expenditures correspond to the project's approved operating budget. Projects with a Trust Fund subsidy of less than $25,000 are required to submit a year end financial statement.
- Administrative expenses such as legal, advertising and marketing, insurance, collection loss, property and personal property taxes.
- On-going maintenance expenses such as materials, janitorial supplies, maintenance contracts, security, and other maintenance expenses.
- Long-term maintenance, i.e., repairs to or replacement of building systems and components such as replacing worn out appliances and fixtures, repainting units and buildings, replacing floor coverings, doing major repairs to plumbing and heating systems, re-roofing buildings, and other long-term maintenance needs.
- Project paid utilities

- Maintenance Reserve additions, which are funds set aside monthly by sponsors for future long-term maintenance. The amount added to the reserve will be based on the calculation in Maintenance Reserve Worksheet. The worksheet will be required with each application for Trust Fund subsidy.

  Operating reserve additions budgeted each year to cover unforeseen operating costs. The amount is to be 2.5 percent of all expenses except long-term maintenance. The reserve will be allowed to accumulate until the amount is equal to 50 percent of a year's budget for operating costs. The operating reserve may also be used to pay for work which can not be entirely funded by the maintenance reserve. As part of the management plan, each sponsor must provide their policy, including procedures and eligible costs, for how operating reserve funds may be spent.

  The Trust Fund will not subsidize debt service (including interest).

I. PROJECT SELECTION

In response to a Notice of Funding Availability (NOFA), sponsors will submit proposals for Trust Fund subsidy along with their application for capital funding. Proposal requirements for the Trust Fund will be included in the NOFA.

The project review process considers the following project characteristics:

- The reasonableness of the proposed operating budget;
- The amount of operating support funds leveraged by the project;
- The adequacy of the management plan for the proposed tenant population and building, and the experience of the sponsor;
- The scope of rehabilitation and whether the work minimizes operating expenses
- The adequacy of the maintenance plan in maintaining the building and preventing long-term maintenance problems; and
- The commitment and reasonableness of support services, if necessary, for the proposed tenant population.

J. SUBSIDY TERM

The Department of Housing and Human Services will make a conditional five year commitment for Operating and Maintenance Trust Fund subsidy, with a five year renewal option, to provide subsidies to projects which have been approved. The five year renewal option is subject to the capacity of the Trust Fund to support the units then under management. Projects funded will receive a maximum of twenty years of support.

If during the commitment term the Trust Fund is depleted and cannot provide subsidies to make the units affordable to extremely low-income households, the sponsor can rent the units to any very low-income household who can pay an affordable rent. The sponsor must prepare a plan acceptable to the City before it can do so. The plan must give preference to the lowest income households who can pay such rents.

If the sponsor determines that it is no longer economically feasible to rent units to low-income households, and no other subsidies are available, the sponsor and the City shall jointly develop a plan for operation of the housing.

K. ANNUAL REVIEWS

DHHS will conduct financial, management, operations, and maintenance reviews of projects receiving subsidy each year. DHHS will also review the project and determine the subsidy amount for the following year. For the annual review, the sponsor must provide:

- An actual financial statement for the project compared with the operating budget.
- The existing tenant profile including rental amounts charged and tenant income.
- Phased rehabilitation work planned for the next year, if any, and the source of funds for the work.
- Long-term maintenance work planned for the next year, if any.
- Examination of services outcomes.
- An operating budget for the next year with the projected monthly rent-up schedule.
- A narrative report explaining how the subsidy received in the prior year and the subsidy requested for the next year will allow the sponsor to meet its subsidy goal for extremely low-income households.

L. SUBSIDY PAYMENTS AND ADJUSTMENTS

Subsidy will be paid to projects on a quarterly basis. The amount and the conditions for providing subsidy will be negotiated between DHHS and the sponsor, and established in an annual contract amendment. The amount of subsidy paid each quarter will depend on the operating budget and can not exceed the approved annual amount. Sponsors will be required to provide quarterly financial reports.

Adjustments to the subsidy amounts prior to the annual review will only be made when it is determined by DHHS to be reasonable due to unforeseen circumstances. For example, if a sponsor had tenants with incomes much lower than expected, and adjustment to the subsidy amount may be made. Likewise, if expenses like insurance or utilities take a sudden and dramatic jump, an adjustment to the subsidy amount may be made.

If the need for additional subsidy is due to overestimating the rental income schedule, then the sponsor may be required to provide a new marketing plan and rent-up schedule when requesting a subsidy adjustment. A project which is showing a surplus may be required to make additional contributions to its Operating and Maintenance Reserves, or if those reserve balances are deemed adequate, its subsidy might be adjusted down until the project's cash flow requires the full subsidy again.

HRT/KRH
August 5, 1996
(Ver. 3)

ORDINANCE ______________

AN ORDINANCE relating to low-income housing, approving the 1996-98 Administrative and Financial Plan for 1995 Housing Levy Programs established under Ordinance 117711, directing the Department of Housing and Human Services to submit a status report to the City Council on the administration of Housing Levy funds, and authorizing expenditure of certain funds allocated to the administration of Housing Levy programs, subject to appropriation.

WHEREAS, pursuant to Ordinance 117711, as amended, the voters of The City of Seattle approved the levy of property taxes for the purpose of financing low-income housing, including housing for very low-income households under RCW 84.52.105; and

WHEREAS, Ordinance 117711 and the Affordable Housing Financing Plan attached thereto provide for periodic submission to the City Council of an Administrative and Financial Plan for programs funded by the 1995 Housing Levy ("Levy Programs"); and

WHEREAS, the Department of Housing and Human Services, in conjunction with the Oversight Committee for the Levy Programs, has developed the initial Administrative and Financial Plan; and

WHEREAS, Ordinance 117711 allocated funds to the administration of Housing Levy programs, and further provided that expenditure of forty percent (40%) of such funds would require authority expressly granted by ordinance; and

WHEREAS, The City Council will benefit from a status report from the Department of Housing and Human Services on the administration of Housing Levy funds; Now, Therefore,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council hereby approves the 1995 Seattle Housing Levy Administrative and Financial Plan for Program Years 1996-98 attached to this Ordinance as Exhibit A.

Section 2. The City Council hereby finds that in order to promote the efficient, cost-effective and responsible administration of Levy Programs, it is appropriate to authorize the expenditure through December 31, 1998, of the remaining forty percent (40%) of funds allocated in Ordinance 117711 for the administration of Housing Levy Programs. Therefore, the City Council authorizes the expenditure through December 31, 1998, of the full amount allocated to administration of Housing Levy programs in Ordinance 117711, subject to appropriation of such funds.

Section 3. The City Council directs the Department of Housing and Human Services (DHHS) to develop and submit to the

HRT/KRH
August 5, 1996
(Ver. 3)

City Council a status report on DHHS' administration of 1995 Housing Levy funds, which report shall address the present and projected costs of administration of 1995 Housing Levy funds, and shall be submitted to Council by September 1, 1997.

Section 4. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if

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not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of ____________, 1996, and signed by me in open session in authentication of its passage this _____ day of ________________, 1996.

____
President ______ of the City Council

Approved by me this _____ day of ________________, 1996.

____
Mayor

Filed by me this _____ day of ___________________, 1996.

____
City Clerk

(Seal)

Exhibits:

A: Administrative and Financial Plan

Planord3.doc

STATE OF WASHINGTON - KING COUNTY

72304
City of Seattle, City Clerk

—ss.

No. ORDINANCE TI

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on September 3, 1996, and published here by title only, will be mailed, at no cost, upon request for two months after this publication. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 118257

AN ORDINANCE authorizing acceptance of a grant from the State of Washington; authorizing implementing agreements; and increasing the expenditure allowance in the 1996 Budget of the City Light Department for the purpose of fulfilling the grant requirements, all by a three-fourths vote of the City Council.

ORDINANCE NO. 11[illegible]

AN ORDINANCE relating to low-income housing, approving the 1996-98 Administrative and Financial Plan for 1995 Housing Levy Programs established under Ordinance 117711, directing the Department of Housing and Human Services to submit a status report to the City Council on the administration of Housing Levy funds, and authorizing expenditure of certain funds allocated to the administration of Housing Levy programs, subject to appropriation.

ORDINANCE NO. 11[illegible]

AN ORDINANCE relating to the Police Department; authorizing the execution of a grant agreement with the Washington State Traffic Safety Commission via the 3-Flags Equipment Grant program for financial assistance to purchase six moving radar units; accepting the money when received; increasing expenditure allowances in the 1996 Budget of the Police Department; and making an appropriation therefor, all by a three-fourths vote of the City Council.

ORDINANCE NO. 11[illegible]

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

Publication ordered by JUDITH PIPPIN, City Clerk.

Date of official publication in the Daily Journal of Commerce, Seattle, September 16, 1996. 9/16(72304)

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CTOT:118257-118260

was published on

09/16/96

The amount of the fee charged for the foregoing publication is the sum of $, which amount has been paid in full.

Subscribed and sworn to before me on

09/16/96

Notary Public for the State of Washington, residing in Seattle

Affidavit of Publication

TIME AND DATE STAMP

SPONSORSHIP

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

[illegible]

FOR CITY COUNCIL PRESIDENT USE ONLY

COMMITTEE(S) REFERRED TO:

PRESIDENT'S SIGNATURE

96-238

City of Seattle

Executive Department—Office of Management and Planning

COPY RECEIVED
96 AUG -5 PM 2:55
SEATTLE CITY ATTORNEY

Thomas M. Tierney, Director
Norman B. Rice, Mayor

August 5, 1996

The Honorable Mark Sidran
City Attorney
City of Seattle

approved,
Kathleen Hennes
Kathleen Hennes,
Law Dept.
Asst. City Atty.

Dear Mr. Sidran:

The Mayor is proposing to the City Council that the enclosed legislation be adopted.

REQUESTING DEPARTMENT:	Housing and Human Services
SUBJECT:	AN ORDINANCE relating to low-income housing, approving the 1996-98 Administrative and Financial Plan for 1995 Housing Levy Programs established under Ordinance 117711, directing the Department of Housing and Human Services to submit a status report to the City Council on the administration of Housing Levy funds, and authorizing expenditure of certain funds allocated to the administration of Housing Levy programs.

Pursuant to the City Council's S.O.P. 100-014, the Executive Department is forwarding this request for legislation to your office for review and drafting.

After reviewing this request and any necessary redrafting of the enclosed legislation, return the legislation to OMP. Any specific questions regarding the legislation can be directed to Joan LaFrance 684-8070.

Sincerely,

Norman B. Rice
Mayor

by
Cia Fadke Zaruya for
TOM TIERNEY
Director

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Enclosure