

Ordinance No. 120123

Council Bill No. 113368

The City of Seattle - Legislative Department  
Council Bill/Ordinance sponsored by: ✓

AN ORDINANCE relating to low-income housing, approving the 2001-2002 Administrative and Financial Plan for 1995 Housing Levy Programs established under Ordinance 117711 and for the Operating and Maintenance Trust Fund established under the 1986 Housing Levy; authorizing the use of the Operating and Maintenance Trust Funds for the 1986 and 1995 Housing Levies for interim financing of proposed low-income housing projects; and ratifying and confirming prior acts.

### Committee Action

CF No. \_\_\_\_\_

Date Introduced: <u>9-11-2000</u>	
Date 1st Referred: <u>9-11-2000</u>	To: (committee) <u>Housing, Human Services, Education and Civil Rights</u>
Date Re - Referred:	To: (committee)
Date Re - Referred:	To: (committee)
Date of Final Passage: <u>10-16-00</u>	Full Council Vote: <u>8-0</u>
Date Presented to Mayor: <u>10-17-00</u>	Date Approved: <u>10/20/00</u>
Date Returned to City Clerk: <u>10/20/00</u>	Date Published: <u>4/18</u> T.O. <u>↓</u> F.T. <u>—</u>
Date Vetted by Mayor:	Date Veto Published:
Date Passed Over Veto:	Veto Sustained:

9/13/00 HELD  
9/27/00 Passed As Amended 5-0

10-2-00 Hold 1 week  
10-16-00 Passed As Amended 8-0

(E)  
This file is complete and ready for presentation to Full Council.

Law Department

Law Dept. Review

OMP  
Review

(D)  
City Clerk  
Review

**The City of Seattle - Legislative Department**

Council Bill/Ordinance sponsored by:

*Peter Stamburis*

Councilmember

approving the 2001-2002  
Housing Levy Programs  
for the Operating and  
the 1986 Housing Levy;  
Maintenance Trust Funds for  
financing of proposed low-  
firming prior acts.

**Committee Action:**

9/13/00 HELD *As Amended* *(EJ)*  
9/27/00 Passed ~~5-0~~ PS, RM, HW, RC, JN

10-2-00 Hold 1 week

10-16-00 Passed As Amended 8-0 (Excused: Compton)

This file is complete and ready for presentation to Full Council. Committee: \_\_\_\_\_

(Initial/date)

*Law Department*

Law Dept. Review

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Review

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ORDINANCE 120123

AN ORDINANCE relating to low-income housing, approving the 2001-2002 Administrative and Financial Plan for 1995 Housing Levy Programs established under Ordinance 117711 and for the Operating and Maintenance Trust Fund established under the 1986 Housing Levy; authorizing the use of the Operating and Maintenance Trust Funds for the 1986 and 1995 Housing Levies for interim financing of proposed low-income housing projects; and ratifying and confirming prior acts.

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;

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

WHEREAS, the Office of Housing, in conjunction with the Housing Levy Oversight Committee, has developed the Administrative and Financial Plan for 2001-2002;

WHEREAS, pursuant to Ordinance 112904, the voters of Seattle approved the 1986 Housing Levy, which included an Operating and Maintenance Trust Fund program ("1986 Trust Fund") to provide for long-term affordability of extremely low-income housing developed with 1986 Housing Levy funds;

WHEREAS, by Ordinance 119060 the City Council authorized an amendment to the Cooperation Agreement between The City of Seattle and the Housing Authority of the City of Seattle ("SHA") by which the administration of the 1986 Trust Fund has been consolidated in the City with the administration of the Operating and Maintenance Trust Fund funded by the 1995 Housing Levy ("1995 Trust Fund"); and

WHEREAS, the Housing Levy Oversight Committee voted at its meeting on June 27, 2000, to recommend approval of the draft Administrative and Financial Plan for 2001-2002, and the Housing Director has submitted that Plan for approval with certain further revisions; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

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1           Section 1. The City Council hereby approves the 1995 Seattle Housing Levy  
2 Administrative and Financial Plan for Program Years 2001-2002 attached to this  
3 Ordinance as Exhibit A (the "Plan"). The policies contained in the Plan that specifically  
4 refer to the 1986 Trust Fund and the policies in the part of the Plan entitled "Operating  
5 and Maintenance Trust Fund Program" also shall serve as policies for the 1986 Trust  
6 Fund, except (a) as otherwise provided in the Plan; and (b) to the extent any such  
7 policies may be contrary to the terms of the Cooperation Agreement with SHA  
8 authorized by Ordinance 113562, as amended pursuant to Ordinance 119060, or to the  
9 terms of any agreement between the City and SHA executed pursuant to the Cooperation  
10 Agreement to govern 1986 Trust Fund subsidies to SHA projects.  
11

12           Section 2. The City Council hereby finds that in order to promote efficient, cost-  
13 effective and responsible administration, approximately five percent (5%) of total levy  
14 funding should be authorized for administration of the 1995 Housing Levy programs.  
15 Ordinance 117711 and Resolution 21965 automatically allow sixty percent (60%) of the  
16 amount allocated for administration (or approximately three percent (3%) of the five  
17 percent (5%)), but require express authority to authorize the remaining forty percent  
18 (40%) (or approximately 2% of the 5%). The Council finds that it is appropriate to  
19 authorize the expenditure through December 31, 2002 of the remaining forty percent  
20 (40%) of funds allocated in Ordinance 117711 for the administration of Housing Levy  
21 programs. Therefore, the City Council authorizes the expenditure through December 31,  
22 2002, of the full amount allocated to administration of Housing Levy programs in  
23  
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Ordinance 117711, subject to appropriation of such funds.

Section 3. The City Council, on recommendation of the Housing Director, finds that there has been a change in housing conditions since the passage of the 1986 Housing Levy, in that market forces have made it increasingly difficult and costly for sponsors of proposed low-income housing projects to acquire and maintain control of property for the period necessary to obtain sufficient long-term financing. In light of such changes, the purpose of the 1986 Housing Levy is best served by allowing the use of balances in the subfund established for the 1986 Trust Fund to be used for bridge loans to housing project sponsors, and for a loan to establish a fund for interim financing to housing project sponsors. Such 1986 Trust Fund balances, as well as balances in the 1995 Levy Operating and Maintenance Subfund, and other 1995 Housing Levy fund balances except for funds allocated to home buyer assistance, are hereby made eligible for such loans on terms as described in Exhibit A. The Housing Director is authorized to make, modify, collect, and administer such loans, subject to the expenditure authority in the respective subfunds. Principal and interest payments received by the City on such loans shall be deposited in the subfund from which the loan was made.

Section 4. The OH Director is authorized, in her discretion, and with the agreement of the affected project sponsor, to apply policies set forth in the attached Plan to any housing project to which 1995 Housing Levy funds have previously been allocated, or to which such funds shall be allocated prior to 2001. Any bridge loans consistent with Section 3 above and with the terms of the attached Plan, whether made

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version 2

1 prior to January 1, 2001 or thereafter, are hereby authorized, ratified and confirmed.

2 Section 5. This Ordinance shall take effect and be in force thirty (30) days from  
3 and after its approval by the Mayor, but if not approved and returned by the Mayor within  
4 ten (10) days after presentation, it shall take effect as provided by Municipal Code

5 Section 1.04.020.

6 Passed by the City Council the 16<sup>th</sup> day of October, 2000, and signed by  
7 me in open session in authentication of its passage this 16<sup>th</sup> day of October,  
8 2000.  
9

10  
11 Margaret C. Rogers  
President of the City Council

12  
13 Approved by me this 20<sup>th</sup> day of OCTOBER, 2000.

14 Paul S. Snel  
15 Mayor

16  
17 Filed by me this 20<sup>th</sup> day of October, 2000.

18 Joshua E. Papp  
19 City Clerk

20  
21 (Seal)

22  
23 Attachments:

24 Exhibit A: 1995 Housing Levy Administrative and Financial Plan, Program Years 2001,  
25 2002  
26  
27  
28

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**CITY OF SEATTLE**  
**1995 HOUSING LEVY**

**ADMINISTRATIVE  
AND  
FINANCIAL PLAN**

**Program Years: 2001, 2002**

**EXHIBIT A**

**Paul Schell, Mayor**

**Prepared by:  
Seattle Office of Housing  
Cynthia A. Parker, Director**

**September 22, 2000**

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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, homebuyer 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 Office of Housing (OH) 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 Office of Housing (OH) 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. The first A and F Plan was adopted by City Council in September, 1996, and a second A and F Plan was adopted in September 1999 which applied to program activity through 1999 and 2000. This revised Plan will apply to program activity through 2001 and 2002. The Plan was developed by OH 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.

The contents of this Plan are not intended to confer any legal rights on actual or potential project sponsors, applicants, or other persons. The terms of this Plan are subject to revision by ordinance and to the effect of applicable laws, regulations and ordinances.

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## 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.

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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 OH 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.

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## PROGRAM ADMINISTRATION

Section 8 of Ordinance 117711 identifies the City's Office of Housing (OH) 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 OH 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.

Levy funds available for administration will be used as follows in 2001-2002:

- ☐ Rental Production Program
  - TOTAL funds for administration: \$2,645,053
  - Portion of total to be used for administration in 2001-2002: \$ 788,701.
- ☐ Home Buyer Assistance Program
  - TOTAL funds for administration: \$254,000
  - Portion of total to be used for administration in 2001-2002: \$ 115,317
- ☐ Homeowner Repair Program
  - TOTAL funds for administration: \$184,947
  - Portion of total to be used for administration in 2001-2002: \$ 83,967
- ☐ Operating and Maintenance (O and M) Trust Fund Program
  - Funding for administration of the O and M program will come from trust fund interest earnings during 2001-2002.
  - Total required for administration in 2001-2002 is \$157,471; funding for administration of the O and M programs will come from interest earnings from the 1986 Levy (50%) and the 1995 Levy (50%).

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 OH for administration. The remaining 2% (or 40% of total administrative funding) requires "authority expressly granted by ordinance by the City Council."

Resolution 29165 directed OH 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. OH examined the budget implications of the changes in May: OH 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

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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.

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## PROGRAM FUNDING PLAN

Table 1 shows the anticipated Program Funding Plan for the entire levy period. The Rental Production Program allocated its entire first two years' program amount by the end of 1997. The other two capital programs began their first full year allocation process in 1997. An inflation factor has been built into the model; the annual allocations to projects by OH for the three capital programs increase by 3% each year.

The need for administrative funding does not occur until 1997. Administrative funding for the Operating and Maintenance Trust Fund Program will be provided from that program's interest earnings.

Table 2 shows budget appropriations by levy program out of property tax revenue only, not including interest.

City Council approved the 1999-2000 Administrative and Financial Plan in September 1998. In September 1999, by Ordinance 119660, the Council amended the Plan and reallocated a portion of the 1997, 1998 and 1999 appropriations for the HomeBuyer program to the Homeowner Rehabilitation Program.

The Program Funding Plan, shown in Table 1 on page 8, indicates the amount expected to be spent each year. Table 1 has been revised from the prior Plan to shift all scheduled expenditures for the Homebuyer Assistance Program and Homeowner Rehabilitation Program for 2003, to be allocated proportionately between 2001 and 2002. Given the strong need for funding and a planned Levy renewal in the fall of 2002, funding for these programs in 2003 is anticipated to be from a future Levy. Amounts stated in the Program Funding Plan, and any allocations of funds to specific types of projects within this plan, include only long-term uses of funds, not bridge loans. However, Annual Budgets may include appropriations of additional amounts out of estimated bridge loan repayments, in order to restore original budget authority utilized for bridge loans.

**Bridge Loans:** The Office of Housing may use 1986 and/or 1995 levy funds to make bridge loans to assist in development of low-income housing (for rental or owner occupancy). Bridge loans are intended to provide funding to permit housing projects to proceed in advance of the availability of permanent project funding. Bridge loan funding is available for such project development activity as acquisition and/or construction.

All levy programs may provide funding for bridge loans. Bridge loans may be made when, in the judgement of the OH Director, there is a high likelihood of repayment so funds will be available to fulfill the original purpose of the funds. More on bridge loans is included in the Loan Conditions section of the Rental Production Program; these guidelines will be used for all levy-funded bridge loans.

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**Levy Interest Earnings:** Interest earned on levy capital funds placed in Subfunds 10 and 13 will be used for additional housing unit production according to policies approved for the Rental Production Program, 50% to 65% of median income, and Homebuyer Assistance Program, respectively. Interest earned during 2001 through 2002 on levy capital funds, and the property tax distributions scheduled for the O&M Trust Fund in excess of what is needed to achieve the capital contribution target in the Levy Program Fund Plan, due to earlier use of interest earnings for the O&M Trust Fund, shall be placed in Subfund 11 and will be used for additional program production according to policies approved for Rental Production Program funding available for projects serving people with income less than 50% of median. Of the total funds to be used for additional program production, 5% will be used by OH for administration.

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TABLE 1

## 1995 HOUSING LEVY PROGRAM FUNDING PLAN (CHART REVISED SEPTEMBER 2000)

PROGRAM:		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
HOMEOWNER REHABILITATION	CAPITAL	\$190,343	\$487,081	\$510,265	\$534,144	\$512,814	\$536,492	\$549,732	\$0	\$3,320,871
	ADMIN	\$0	\$24,137	\$24,861	\$25,607	\$26,375	\$41,576	\$42,391	\$0	\$184,947
	SUBTOTAL	\$190,343	\$511,218	\$535,126	\$559,751	\$539,189	\$578,068	\$592,123	\$0	\$3,505,818
HOME BUYER	CAPITAL	\$0	\$285,714	\$285,714	\$285,714	\$331,640	\$655,746	\$668,601	\$0	\$2,513,129
	ADMIN	\$0	\$33,149	\$34,143	\$35,168	\$36,223	\$57,098	\$58,219	\$0	\$254,000
	SUBTOTAL	\$0	\$318,863	\$319,857	\$320,882	\$367,863	\$712,844	\$726,820	\$0	\$2,767,129
RENTAL 50-65% PRODUCTION	CAPITAL	\$319,741	\$329,333	\$339,213	\$349,390	\$359,871	\$370,667	\$389,785	\$0	\$2,458,000
	ADMIN	\$0	\$21,795	\$22,449	\$23,122	\$23,816	\$24,530	\$25,266	\$26,022	\$167,000
	SUBTOTAL	\$319,741	\$351,128	\$361,662	\$372,512	\$383,687	\$395,197	\$415,051	\$0	\$2,625,000
RENTAL < 50% PRODUCTION	CAPITAL	\$5,101,754	\$5,254,808	\$5,412,451	\$5,574,824	\$5,742,069	\$5,914,331	\$716,665	\$0	\$40,162,902
	ADMIN	\$0	\$323,403	\$333,105	\$343,098	\$353,391	\$363,993	\$374,912	\$386,151	\$2,478,053
	SUBTOTAL	\$5,101,754	\$5,578,211	\$5,745,556	\$5,917,922	\$6,095,460	\$6,278,324	\$7,483,632	\$0	\$42,640,955
O&M TRUST FUND	AMOUNT AVAILABLE									
	FOR TRUST FUND	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$171,240	\$0	\$7,672,098
TOTALS		\$6,861,981	\$8,009,563	\$8,212,344	\$8,421,210	\$8,636,342	\$9,214,576	\$9,388,866	\$412,173	\$59,211,000



TABLE 2

**PROPERTY TAX DISTRIBUTION BY PROGRAM (CHART REVISED SEPTEMBER 1999)**  
**1995 HOUSING LEVY APPROPRIATION PLAN FOR SUPPORT FUND APPROPRIATION**

FUNDS AVAILABLE:		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
TOTAL:		\$59,211,000	\$8,458,714	\$8,458,714	\$8,458,714	\$8,458,715	\$8,458,714	\$8,458,715	\$8,458,714	\$59,211,000

  

PROGRAM:		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
HOMEOWNER REHABILITATION	CAPITAL	\$416,714	\$511,687	\$523,108	\$534,871	\$501,061	\$416,715	\$416,715	\$0	\$3,328,871
	ADMIN	\$26,421	\$26,421	\$26,421	\$26,421	\$26,421	\$26,421	\$26,421	\$0	\$184,947
	SUBTOTAL	\$443,135	\$538,108	\$549,529	\$561,292	\$474,640	\$443,136	\$443,136	\$0	\$3,503,818
HOME BUYER	CAPITAL	\$416,714	\$321,741	\$310,320	\$298,557	\$332,367	\$416,715	\$416,715	\$0	\$2,513,129
	ADMIN	\$36,286	\$36,286	\$36,286	\$36,286	\$36,286	\$36,285	\$36,285	\$0	\$254,000
	SUBTOTAL	\$453,000	\$358,027	\$346,606	\$334,843	\$368,653	\$453,000	\$453,000	\$0	\$2,767,129
RENTAL/50-65% PRODUCTION	CAPITAL	\$351,143	\$351,143	\$351,143	\$351,143	\$351,143	\$351,143	\$351,142	\$0	\$2,498,000
	ADMIN	\$23,857	\$23,857	\$23,857	\$23,857	\$23,857	\$23,857	\$23,858	\$0	\$167,000
	SUBTOTAL	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$0	\$2,625,000
RENTAL <50% PRODUCTION	CAPITAL	\$5,583,429	\$5,583,429	\$5,583,429	\$5,583,429	\$5,583,428	\$5,583,428	\$5,583,428	\$0	\$39,004,000
	ADMIN	\$354,007	\$354,007	\$354,007	\$354,008	\$354,008	\$354,008	\$354,008	\$0	\$2,478,055
	SUBTOTAL	\$5,937,436	\$5,937,436	\$5,937,436	\$5,937,437	\$5,937,436	\$5,937,436	\$5,937,436	\$0	\$41,562,055
O&M TRUST FUND		\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,142	\$0	\$8,751,060
TOTALS		\$8,458,714	\$8,458,714	\$8,458,714	\$8,458,715	\$8,458,714	\$8,458,715	\$8,458,714	\$0	\$59,211,000

## SINGLE FAMILY HOME REPAIR PROGRAM

Single family home repair 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. The Mayor and City Council have increased the original allocation in the Levy ordinance, so as to allocate \$3,320,871 to single family home repair over its lifetime. The goal is to help a minimum of 52 single-family homeowners repair their homes in 2001-2002. During fall 1999 and the first half of 2000, the Office of Housing has engaged users, nonprofit agencies, lenders and other interested parties in a redesign process for its home repair programs. The Reach program has been replaced with the HomeWise Program, which merges the home repair and weatherization activities into a combined program.

### I. PROGRAM OBJECTIVES

The following general program objectives guide the single family home repair program:

- ☐ Annually provide a minimum of 26 HomeWise-Weatherization and Home Repair loans to qualifying homeowners;
- ☐ 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;
- ☐ Assist elderly and/or disabled homeowners to remain in their homes.
- ☐ Make all Levy single-family home repair 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).
- ☐ Improve energy efficiency and sustainability of housing stock.
- ☐ Add to the housing stock by providing funds and assistance for a pilot program for Accessory Dwelling Units (ADUs).

### II. PROGRAM FOCUS

From 2001 through 2002 \$1,170,191 in Levy funds will be available for the HomeWise-Weatherization and Home Repair Program including program administration. HomeWise focuses on preserving single family homes, maintaining the City's supply of low-moderate income housing, enhancing neighborhoods and building communities. HomeWise incorporates sustainable building practices and design principles and the use of recycled materials.

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HomeWise offers qualifying homeowners low-interest home improvement loans and Weatherization grants. Housing levy funds are used only for loans. Weatherization grants come from a variety of federal, state and local funds. In 2001-2002 there will be \$1,086,224 available for home repair loans, plus the Office of Housing expects to enter into partnership or referral arrangements with local lenders to increase the private capital available for the HomeWise program. The number of loans expected to be made during 2001-2002 will be increased compared to the number made in 1999-2000. The average loan amount was \$21,390 in 1999 and is expected to increase during 2001-2002 due to rising construction costs and funding homes in poorer physical condition. The maximum loan amount for HomeWise loans shall be \$45,000. The maximum loan amount may be exceeded, up to a total loan of \$55,000, with approval of the OH Director, provided that the purpose of the loan is for health and safety repairs.

The Single Family Home Repair program will be implemented using the program policies and procedures established by the OH Director for the HomeWise program, as they may be amended from time to time, except where those policies or procedures are inconsistent with requirements of the Housing Levy ordinance or this plan.

## **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-moderate income families (80% of median income) in becoming homeowners. A total of \$2,513,129 of Levy funding is allocated for the HomeBuyer Assistance Program, not including administration. A goal has been established of assisting 120 low-moderate households to become homeowners through participation in this program. The program will be established as a revolving loan fund, so new loans can be made as loan payments are made. The Office of Housing plans to enter into an agreement during 2000 with HomeSight to implement a portion of the lending. OH staff will continue their work with the staff of the Department of Neighborhoods (DON) 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 has been included in the Housing Options Program and the Housing Work Book.

### **III. PROGRAM OBJECTIVES**

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

- ☐ Provide downpayment 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 (SOA's), 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.
- ☐ Aggressively pursue other sources of homebuyer assistance funds (HOME, etc.) to leverage the available levy dollars.
- ☐ Give priority for funds 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. OH will conduct bi-annual reviews and determine if there needs to be changes with the education requirement.
- ☐ The program administrator, or other qualified nonprofit(s), 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.
- ☐ 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.
- ☐ OH staff will continue working on program development activities for the expansion of the program into areas such as land trust, coops, etc.
- ☐ 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.

#### IV. 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 SOAs.
- ☐ Alternative forms of home ownership (land trusts, coops, etc.) may be pursued 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 downpayment assistance funds for banks; proven lending/administrative track record for nonprofits; adequate cash savings for borrowers, etc.

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## V. PROGRAM POLICIES

- ☐ Initial maximum home cost is the same as the FHA limit, as adjusted annually.
- ☐ An RFP may be issued to select an experienced program administrator and/or loan servicer for each two-year program cycle.
- ☐ Potential borrowers must be first-time homebuyers 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 five 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 homebuyer 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. Homes with an accessory dwelling unit are eligible, provided that the borrower is an owner-occupant of the home. A lease to own contract may be considered a purchase.
- ☐ 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 \$35,000 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 downpayment assistance funds.
- ☐ For gap financing, repayments shall be determined by a promissory note and deed of trust approved by the Office of Housing. The repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest, loan term, period of payment deferral, if any, and contingent interest or share of appreciation, if any. The Office of Housing shall report repayment terms in summary format to the Levy Oversight Committee.
- ☐ Borrowers may receive gifts of funds towards their portion of the downpayment; however, gifts must not exceed 25% of the borrower's total downpayment requirement.
- ☐ Borrowers may use proceeds from the sale of assets towards their downpayment requirement; e.g., selling a car, cashing in retirement accounts, etc. Sources of cash must be verified.
- ☐ The terms of each loan made to a home buyer shall provide that the City may collect the entire balance owing upon sale of the home, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible borrower.
- ☐ Loan term will generally be 25 years. OH may allow earlier repayment or shorter terms.

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- ☐ Any first mortgage products approved by OH shall be eligible, including FHA and FannieMae products, and portfolio loans. 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds \$5,000.
- ☐ A loan committee may 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.
- ☐ Priority will be given to borrowers who live in Seattle, are public employees working in Seattle or are other households with at least one person employed within the City of Seattle.
- ☐ The Office of Housing will have the authority to revise the maximum loan amount if increases in interest rates or sales prices create difficulty in qualifying low-income households as homebuyers in Seattle. The Director of the Office of Housing may increase the maximum loan amount after five working days notice to the Mayor and City Council. The final decision of the OH Director will be made with responses from the Mayor and City Council taken into account.

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## RENTAL HOUSING PRODUCTION PROGRAM

### VI. PROGRAM OBJECTIVES

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

CATEGORY:	TOTAL FUNDING: 2001	TOTAL FUNDING: 2002
<input type="checkbox"/> City-wide -- 0 to 50% of median income; subject to restrictions in Consolidated Plan	\$39,084,000	\$11,998,094
<input type="checkbox"/> Special Objectives Area -- 50% to 65% of median income	\$2,458,000	\$760,452

Funding will be used to produce a minimum of 340 units during 2001-2002.

### VII. PROGRAM FOCUS

Levy funds will be focused on the following priority areas in 2001-2002. These priorities will be included in NOFA documents, and are not listed in priority order:

☐ **Family Housing (defined as units containing two or more bedrooms).**

During the first 3 years of the Levy, production of 2+ bedroom units had not kept up with levy unit goals established in 1995. During 1999-2000, the Levy Oversight Committee approved a significant increase in funds designated for developments with 50% or more units being 2+ bedroom (family) housing, and the production of this type of housing increased substantially compared to prior years. In order to continue sufficient production of housing for families, 40% of funds that will be available for citywide rental production in 2001-2002 will be available and reserved as a priority for predominately 2+ bedrooms. If there are not sufficient funded applications for family projects to fully use the 40% setaside, the balance of funds may be used for other types of low-income housing.

☐ **Neighborhood Plans**

Projects that implement strategies identified in City-accepted Neighborhood Plans will be a priority. NOFA documents will provide more specific guidance regarding this important area of focus.

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☐ **Senior Housing**

Assisted living will continue to be an area of priority.

☐ **Housing for people who are homeless and/or disabled**

Recommendations from the Seattle-King County 1999-2000 Homelessness Response report, the United Way Homeless Initiative, and priorities established in the Seattle-King County Continuum of Care applications will be used to establish Office of Housing funding priorities, with specific funding emphasis to be included in NOFA documents.. Housing for persons participating in the Gates Foundation Healthy Families Initiative, welfare to work or employment programs for homeless will also receive priority.

☐ **Section 8 Preservation and Expiring Use Projects**

Preserving units with expiring project-based federal operating subsidy and other developments with expiring affordability restrictions will be a priority during 2001-2002; specific funding emphasis guidelines will be included in future NOFA documents.

☐ **Housing Units for Households at 30% of median income or lower**

Developments including a substantial proportion of units serving households with incomes of 30% or less of the median income will receive priority in order to achieve the Levy Affordability Policy in Section G.4. below.

☐ **Transit Oriented Development**

Projects located within ½ mile of a light rail station or major transit center which incorporate pedestrian uses and transit access into their design will be a priority.

## **VIII. 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, including refinancing of existing loans.

OH 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, OH 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 OH's Development Fee Policy as now in effect and as it may be amended by the Director from time to time, and will be considered as part of the development budget for a proposed project. OH 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. Impact Capital (IC), is a potential source of up-front development costs for nonprofit agencies. Impact Capital is generally repaid from loan funds if a project is approved. Levy funds can be used to repay Impact Capital.

#### **B. ELIGIBLE PROJECTS**

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

Levy funds can be used for projects that combine residential and other uses, and/or that combine subsidized housing with market-rate units. The sponsor must demonstrate that City funding is attributable to the Levy-eligible housing and that costs of other parts of the project are paid from funds eligible for that purpose.

Residential space includes:

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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.

For projects serving special needs populations, accessory space (such as office space serving the housing or space for provision of on-site social services to residents) that is necessary for the viability of the project may be considered part of the Levy-eligible housing.

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

OH 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, nor for housing for ineligible tenants, OH 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 OH Director may permit such costs to be prorated between Levy funding and other funding sources based on any reasonable formula. In order to facilitate development of the Levy-eligible units, OH may allow Levy funds to be used for the full amount of a cost item (such as purchase price) that is partially attributable to non-residential or market-rate space, if there is adequate assurance that sufficient funding from appropriate sources will be provided to pay for a share of total project costs equal to the full amount allocable to such space and that final cost certification will confirm the allocation of costs of such space to such sources.

### **C. ELIGIBLE TENANTS**

Tenant households must generally have incomes at or below 50% of area median income, adjusted for household size, 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, adjusted for household size. 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 have a history of substance abuse and/or are mentally ill, and who may or may not participate in treatment programs.

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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. The City's preference is to provide funding to nonprofit sponsors, including public agencies, that have established housing as a primary purpose of the organization. Through the project selection process, priority will be given to nonprofit and public 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, OH 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. OH 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 PROJECT**

The City's maximum subsidy per project includes all OH administered capital funds which may be combined to finance a project, including funds from the Housing Levy, the Community Development Block Grant Program, HOME Program, Growth-Related Housing Program, Housing Bonus Program, Transfer of Development Rights Program, any special mitigation funds, program income, or other long-term city capital subsidy.



For purposes of Section E, project is defined as those units in a building(s) that are City funded and rent-regulated.

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

The maximum per project amount that the City will contribute is 40% of total development costs of City-funded affordable units. Total development costs are all components of typical development budgets, including acquisition (land and/or building), construction costs, and soft costs.

Waivers may be granted by the OH Director on a project-by-project basis to permit City funding in excess of the percentage stated in the previous paragraph. The OH Director may approve an increase in City subsidy of an additional 10%, up to a total of 50% of a project's total development costs for projects that 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 where other public funders have made their maximum award or 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. OH may ask sponsors to apply for other fund sources later, if appropriate.

OH 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. Additional waivers permitting higher City subsidy amounts may be granted if the OH Director finds that the leveraging potential of other fund sources is very limited and higher City subsidy is warranted. In this limited circumstance, funding in excess of 50% of total development costs of the City-funded units is permissible, as long as the project also fits within an area of program focus outlined in section VII above and is a relatively low number of units or relatively low total city funding amount.

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## **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. Levy funded units serving households with incomes from 50% of median 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 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 that 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 that 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 OH 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 OH. Sponsors will be required to notify immediate neighbors (300 foot radius from property lines) and appropriate community groups prior to submittal of a project application in response to a NOFA deadline. Sponsors must use notification either by mail or flyers delivered door to door, and good neighbor guidelines developed by OH 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 OH. Applicants will be required to conduct notification activities outlined in OH 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 OH 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 30% of 80% of median income; affordable rent for very low-income tenants means an annual rent not exceeding 30% of 50% of median income; and affordable rent 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 OH Director shall permit another method of computation for a particular project or class of projects.
- ☐ "Low-income" means income not exceeding 80% of median income.
- ☐ "Median income" means annual family median income for the Seattle-Bellevue-Everett Primary Metropolitan Statistical Area, as published from time to time by HUD, and as adjusted for household size according to the method used by HUD for income limits in subsidized housing. For purposes of rent limits, median income generally is adjusted according to the presumed family size based on the number of bedrooms in a unit, consistent with HUD rules for the HOME program.
- ☐ "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 the owner).
- ☐ "Very low-income" means income not exceeding 50% of median income. The OH Director may adopt further refinements or interpretations of the above definitions to improve compatibility with other funding sources and to assure adequate cash flow on a project-specific basis.

### **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

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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.

- ☐ Non Levy funds may be used for units occupied by households with incomes from 50% to 80% of median where an existing project is acquired for very low income occupancy and some units are occupied by households with incomes over 50% of median. (See Comprehensive Plan policy H33).
- ☐ 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 ensure 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, reserve deposits, asset management fees and/or other project expenses or low-income housing purposes acceptable to OH.
- ☐ Sponsors shall establish operating costs in operating proforma approved by OH. 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 OH.
- ☐ 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."
- ☐ If Sponsors propose to use surplus income from one project to subsidize another project, OH shall closely review the finances of the affected developments to assure that such a use would not jeopardize the affordability requirements or financial viability of either project.

### 4. AFFORDABILITY POLICY

Levy Program funds for rental production 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 households with incomes at 30% of median income and occupied by households with incomes 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 households with incomes not exceeding 50% of median income.

- ☐ A limited amount of rental production funds, set at \$760,452 for 2001-2002, shall be used for housing in Special Objectives Areas for units serving households with incomes between 50 to 65% of median income.

OH administers the affordability policy 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 January 1, 2001 through December 31, 2002 shall be included in calculating City affordability policy goals for the 2001-2002 period.

#### **5. OTHER POLICIES**

- ☐ Project sponsors must obtain OH 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.
- ☐ 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.
- ☐ For so long as Housing Levy Operating and Maintenance Trust Fund subsidies are provided with respect to a unit, the rent requirements contained in the portion of this Administrative and Financial Plan governing the Trust Fund shall apply to that unit 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 and City funding returned, City proceeds should be used to produce replacement low-income housing consistent with then current City low-income housing policy.

The OH 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. "Tax credit partnerships" may include limited liability companies or other entities organized to utilize low-income housing tax credits and/or other tax credits.

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### **1. Loan Terms**

Loan terms will be a minimum of 50 years.

### **2. Interest Rate**

The interest rate for projects not using low-income housing tax credits 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. The interest rate for projects using low-income housing tax credits will be a minimum of 1% simple interest and a maximum of the Applicable Federal Rate for the purposes of Section 42 of the Internal Revenue Code, depending on the project's projected capacity for repayment. The actual interest rate for projects using low-income housing tax credits will generally range from 1-3% and will be set on a case-by-case basis. The interest rate will exceed 1% where there is a net financial benefit to the project. The purpose of establishing a range for the interest rate on Levy funds is to provide flexibility in financial structuring to maximize tax credit equity contributions and to help preserve long-term affordability. Interest on program loans will accrue annually as simple interest.

### **3. Repayment**

OH will generally make deferred payment loans which must be repaid upon availability of surplus, residual income, 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. Amortizing loans will be required if project budgets can afford repayment and meet required rent levels. Amount of repayment required will be established as each project is reviewed.

### **4. Transfer and Assumption**

The OH 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

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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 funds owed to the City instead in replacement low-income housing approved by OH, the OH 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 Section H.14 below. 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 OH.

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**

Prepayment of loans under the Rental Production Program will be subject to Office of Housing approval. Such approval shall not be unreasonably withheld if the sponsor provides adequate assurances of future compliance with the affordability and occupancy restrictions in the regulatory agreement and recorded covenant. 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**

Any unpaid principal balance and accrued, but unpaid interest on OH loans will be due and payable at the end of the 50 year loan term; however, borrowers shall have the option of extension, or, in certain circumstances, forgiveness of the OH debt. At the end of the loan term, sponsors will be encouraged to extend the loan term and continue to extend the period of affordability restrictions for an additional 25 years,

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provided the property continues to be in compliance with the OH affordability requirements

- a) **Projects Serving Extremely Low-Income.** Projects serving extremely low-income households shall be defined as projects with 50% of more units with rents affordable to residents with incomes at 30% or less of median income... For such projects, debt is forgivable under the following terms: if the loan term is extended for 25 years, the loan principal and accrued, unpaid interest will be forgiven at the rate of 4% per year (of the total principal balance and accrued interest obligation as of the end of the initial loan term), so long as the sponsor and the property remain in compliance with OH loan documents.
- b) **Other Low-Income Housing Projects.** For any other types of projects, debt is not forgivable, but if the period of affordability restrictions is extended for an additional 25 years, the borrower may extend the repayment term for 25 years and continue to pay the outstanding debt only from surplus, residual receipts.

#### 9. Use of Funds Owing to the City

Sale of projects during the loan term requires City consent. 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 OH to low-income housing projects according to priorities established in the current Administrative and Financial Plan or appropriate City policy plans as determined by OH.

#### 10. Refinancing

OH shall establish a policy for allowing refinancing of properties with OH loans. OH may allow refinancing of the existing private debt in cases that result in additional capital investment in the project, that result in a lower interest rate, or that produce some other long-term project benefit. In general, OH will subordinate its deed of trust to new financing on reasonable terms if the outstanding principal balance of the new loan does not exceed the existing balance, or if the additional debt is used to repay a portion of the OH loan or for low-income housing purposes approved by OH, or some combination of these uses. OH shall review refinancing proposals, including the proposed new financing terms, proposed transaction costs, an assessment of the capital needs of the development and the adequacy of reserve accounts, and may define additional submittal requirements.

#### 11. 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

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continued feasibility. Projects will be underwritten with the goal of having a financing plan that achieves self-sufficiency for each project, so that repairs and improvements can be fully covered from the project's operating income or reserves. The City recognizes that in some cases 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, consistent with City policy and other applicable laws and regulations. The Office of Housing may use a portion of Levy Rental Production funds to meet the capital needs of existing city-funded projects if the projects meets the following criteria: a) the property has a critical capital need or code violation that cannot be addressed through the property's cash flow, reserves or other available resources, b) a public benefit will be realized as a result of the additional City funds, c) the sponsor will make a significant financial contribution, and d) the sponsor has demonstrated a plan for capable management and fiscal operations of the property. Such funds may be provided as shorter-term loans or added to existing long-term OH loans, as OH may determine based on the circumstances of the project.

#### **12. 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.

#### **13. 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 OH Director to justify recourse against the sponsor.

#### **14. 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 and the City receives security in both leasehold and fee interests. Projects involving a sponsor that is a lessee 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 properties where the sponsor is the lessee and the owner does not agree to accept the normal loan terms and conditions above:

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- **Repayment**

Loans involving leases must be structured to provide for repayment over the life of the lease, subject to normal loan forgiveness provisions. The OH 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. OH will establish the appropriate requirement for each project.

- **Interest rate**

The interest rate shall be consistent with Section H.2. above.

- **Lease term**

Minimum lease term is 50 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.

#### **15. 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.

#### **16. Mixed-Income Program Component**

Up to 10% of 2001-2002 program funds is available for mixed-income projects consistent with program guidelines shown below:

*Program Purpose:*

Make City funding available to permit low-income housing units to be included in primarily market rate housing projects. All Housing Levy Rental Production Program

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policies apply except as noted below or as noted in specific policy sections of the Levy Administrative and Financial Plan.

**a. Loan Conditions:**

- Loans are expected to amortize;
- 3% interest rate;
- Minimum 30-year loan terms;
- Contingent interest does not apply.

**b. Application Process:**

Application process will be established annually by the Office of Housing.

**17. 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.

**18. Bridge Loans**

The terms described above apply to long-term loans of Levy funds. OH also may make short-term "bridge loans" from Levy funds, including Operations and Maintenance Trust Fund reserves, or other available funds. A bridge loan may be made to enable property acquisition, construction, or rehabilitation to proceed when the sponsor can provide assurance satisfactory to OH that permanent funding will be provided from other sources on acceptable terms within a reasonable period of time, in order to repay the bridge loan, but that the sponsor is not reasonably able to obtain interim financing from other sources. The term of bridge loans shall be two years or less. OH shall require payment of a reasonable rate of interest, which shall be no less than 3% simple interest, and/or a loan fee for providing the bridge loan. Bridge loans shall be made (except as noted below) only to projects also receiving long-term loans of Levy funds or of other permanent take-out funds made available on terms similar to those applicable to long-term loans. A bridge loan may be provided to the Washington Community Investment Fund for a longer term at 2% simple interest, provided that WCIF uses the funds for reserves, predevelopment loans or other interim financing to projects within the City of Seattle. A bridge loan may be made as a component of a larger Levy loan in order to minimize documentation. Bridge loans may be provided in excess of maximum City funding per project limits included in section E above.

Bridge loans may be made to Section 8 Preservation projects to facilitate transfer of ownership to a group prequalified by OH to acquire these projects. Bridge loans may

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also be made to assist in the acquisition of buildings in certain neighborhood areas when needed to implement Neighborhood Plan identified strategies and advocated by a neighborhood community organization(s). In these situations, projects do not need to come through a NOFA competitive process for bridge loan assistance. Bridge loans are not included in computing the City subsidy per project, but may not be used to fund construction or rehabilitation of commercial space or housing not serving eligible households. OH may permit the conversion of all or a portion of a bridge loan into a long-term Levy loan where cost per project limits would not then be exceeded and when a project needs additional permanent funding or when additional eligible households may then be served. For a project in which fewer than all of the units in a building or complex are initially funded by the City, conversion to a long-term loan may be conditioned upon dedication of additional units to Levy-eligible housing.

**19. Preliminary Short-term Loans — when funding is made available for special production program for development of 2+ bedroom units**

OH may make loans on a preliminary basis in special circumstances, for example when there is a very favorable opportunity for property acquisition, before the feasibility of a project can be reasonably determined, with the loan to convert to a long-term loan only when various conditions are satisfied, such as other financing, environmental and land use decisions, and/or further discretionary decisions by OH. In such cases, if the loan is not converted to long-term status, the property will be sold and the City repaid.

**20. Conduit Financing**

In order to take advantage of opportunities or to respond to requirements of particular projects, the Director may provide Levy funds to a project indirectly, for example by a loan to a sponsor that then relends the funds to a project owner or lessee. Such financing may include, without limitation, acquisition of tax-exempt bonds from a conduit financing agency where the proceeds are used for an eligible project. In general, the project owner or lessee in such cases must agree to the regulatory terms described above and must provide a deed of trust that is assigned to the City.

**I. WMBE UTILIZATION**

Women and minority business enterprise (WMBE) utilization shall be encouraged for all Rental Production Program projects in accordance with the City's nondiscrimination and fair contracting ordinance.

**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

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are strongly encouraged. Sponsors are encouraged to consider Levy funds as matching funds for other fund sources.

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. 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 OH 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 redevelopment changes 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 OH 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 residential and commercial 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 OH 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 and to persons with disabilities
- ☐ 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.
- ☐ Schedule for periodic capital needs assessment of life cycle cost analysis for the replacement of major building components to ensure the replacement reserve is adequate for the life of the project.

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 OH in response to a general Notice of Funding Availability (NOFA). OH will publish the NOFA schedule at the beginning of each year. The NOFA will describe when applications may be submitted and outline application requirements. All applications must include information requested in the NOFA. Incomplete applications will be returned to applicants; minor deficiencies may be

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corrected during the review process-major deficiencies will cause the application to be withdrawn from the funding round.

All applicants must attend a project pre-application conference with OH staff prior to submitting an application for funding, consistent with requirements outlined in the NOFA. Funding applications will first be reviewed by OH staff. Staff will review project proposals for consistency with levy policies and develop funding conditions, if appropriate.

The Director may reserve a portion of any year's Levy appropriation in order to provide additional funding for approved projects if required due to unforeseen cost increases or unavailability of other funds expected at the time of approval. If additional funds become available, for example, due to cancellation of a project or cost savings, the Director may apply such funds to any such necessary increase and/or to projects for which qualifying applications were received in response to a prior NOFA but that could not be funded, or could not be fully funded, due to insufficient funds then available.

Funding recommendations shall be made by a Levy Credit Committee, comprised of persons appointed by the OH Director. The Levy Credit Committee shall include private and public sector housing finance professionals, as well as representatives of the Mayor's Office and City Council, if available, and other persons with expertise in affordable housing. The OH Director, whose decisions on funding shall be final, will make project selection decisions. Results will be reported to the Housing Levy Oversight Committee. Project selection will be based on, but not limited to, the following general criteria:

- Reasonable Cost --- project cost comparison.
- Project readiness --- is the applicant ready to move the project forward in a timely way; is the timing of the other funding sources sequenced appropriately?
- Program Focus --- which projects best meet program focus objectives?
- Overall investment opportunity --- which projects provide the most public benefit for the City?
- Community Development Opportunity --- which projects offer community benefit beyond provision of housing units?
- Sponsor's track record --- has applicant demonstrated successful development and operation of affordable housing, is applicant agency current with all reporting information on previously funded projects; are previously funded projects proceeding on schedule?

The criteria will be published in NOFA documents, with more explanation on how criteria will be applied.

There are three points when a project could be refused consideration for funding: (1) at the time of the project applicant eligibility conference described in the NOFA; (2) if an application is submitted for funding and has been determined to be substantially incomplete; and (3) at the time of final project selection. Applicants may submit requests for reconsideration of staff decision at these three points to the OH Director. Request requirements, along with time frame for submittal, will be published in the NOFA.





Except for applicants which do not meet minimum qualifications or which have submitted applications that are substantially incomplete, all applications received in a timely manner will receive consideration for funding.

- Decisions to fund projects, when announced by the Director, are preliminary and not binding on the City until a formal commitment letter is signed by both the Director and the applicant. After funding decisions are announced, the Director may revoke or reduce funding to any project based on a number of factors, such as failure of the applicant to obtain other funding; noncompliance by the applicant with City policies; determination of inaccuracies in the information submitted; increased costs or other factors affecting feasibility; results of environmental or other reviews; or failure to the applicant to agree to loan conditions. The Director also may increase funds to a project after initial funding decisions are made if reasonably necessary to assure success of the project or maximum public benefit, based on new information not available at the time of the initial decision.

#### **N. PROJECT PROPOSAL REQUIREMENTS**

OH will release Notice of Fund Availability (NOFA) and/or 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, and 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 15 year operating proforma with proposed rents and justification for operating subsidy, if requested.



- ☐ 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 50 years, will constitute site control. OH 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 OH 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 OH, 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, and 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 may 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 population to be served and demonstrate how project will serve that population. Sponsor must demonstrate extent of "market" or level of need for proposed project and describe project's impact on the target population.
- ☐ Evidence of site suitability - explanation why site is suitable for homeless group being served.

#### **O. CONSTRUCTION REQUIREMENTS**

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





Project sponsors will be expected to provide quality housing that will last for 50 years or longer. 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 Maintenance 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 OH for approval. A decision to phase rehabilitation will be made by OH within the context of a complete building evaluation that includes a total scope of rehabilitation and a cost for the entire project.

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. Sponsors that wish to select a contractor through negotiated bid or other process must obtain advance approval from the Director of the Office of Housing. OH 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 OH 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 OH 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.

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Construction contracts shall encourage employment of female, minority and economically disadvantaged workers. 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. OH 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 OH'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 OH's satisfaction that use of a project labor agreement would be beneficial for project development may require a project labor agreement.

Units financed through the Mixed-Income component will be reviewed by OH to determine that the design and construction standards and materials will be the same for both the low-income and market-rate units.

**PROJECT MONITORING**

The OH 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, based on "Outcomes for Housing Project Operations" listed below. Performance Measures will be based on the following principles:

- Measures must be based on information that is relatively accessible and easy to collect;
- Measures must reflect what other funders require; information unique to City requirements will be kept to a minimum;
- Information will be requested at times coinciding with requests from other fund sources;
- City staff monitoring project site visits will be coordinated with other fund sources;
- Reports provided for other fund sources will be acceptable for City monitoring purposes whenever possible.





### **Outcomes For Housing Project Operations**

The ten desired outcomes of the City's multifamily low-income housing program are listed below:

**1. Rents and Occupancy**

The housing has rents affordable to low-income households as specified in contractual agreements with the City.

**2. Safe and Sanitary Condition**

The housing is continually in safe and sanitary condition, and is in conformance with the Seattle Housing Code, the Seattle Building Code, and Housing Quality Standards. The housing project is providing all the common facilities and design features originally constructed, or altered through mutual consent, in the project.

**3. Sound Project Fiscal Management**

The project is being operated according to sound fiscal management practices.

**4. Sound Sponsor Fiscal Health**

The project sponsor is in sound fiscal health.

**5. Management Plan**

The project is operated according to the agency's original, or amended, management plan.

**6. Project Serves Intended Population**

A project which is designed for a particular population or housing need, such as persons who are mentally ill or have substance abuse problems is serving the group approved by City and is providing services as specified in the agency's management plan, as specified in contractual agreements with the City

**7. Affirmative Marketing and Nondiscrimination**

The housing is being affirmatively marketed and nondiscriminatory treatment for all applicants and occupants is assured.

**8. Project a Good Neighbor**

The housing project is a good neighbor which is measured by good maintenance and responsiveness to neighborhood concerns and complaints.

**9. Programs Serve a Variety of People**

Collectively, the housing funded by City of Seattle programs is serving the variety of low-income households, ethnic groups, and persons with special needs which have been identified as in need of multifamily housing assistance.

**10. Operations and Maintenance Subsidy**

For projects in receipt of operations and maintenance subsidy, the subsidy is being utilized by eligible households, and the need for the subsidy is documented on an annual basis.

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**P. 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 and persons with disabilities. 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 OH 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.

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## OPERATING AND MAINTENANCE TRUST FUND PROGRAM

### IX. PROGRAM OBJECTIVES

The 1995 Housing Levy passed by Seattle voters included an \$8,751,000 Operating and Maintenance (O and M) 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 O and M Trust Fund builds upon the success of the O and M Trust 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 Office of Housing with the responsibility of administering the overall Levy, including the O and M Trust Fund.

Except as noted, policies outlined in part III below will also apply to the 1986 Housing Levy O and M Trust Fund Program. Effective July 1, 1998, OH began administering the 1986 O and M Program. These policies begin to apply to the 1986 Levy O and M Program funds upon adoption of this A and F Plan by City Council.

Administration of both the 1986 Trust Fund and 1995 Trust Fund programs will be financed from the 1986 and 1995 O and M Trust Fund Program interest earnings. Interest will be used during 2001-2002, 50% from 1986 Levy and 50% from 1995 Levy, to fund one full-time staff person (including benefits and pro-rata share of related budget costs) within OH. Administration costs will total no more than the following amounts:

2001: \$77,785.

2002: \$79,356.

### X. PROGRAM FOCUS --- 1995 LEVY FUNDING

The Office of Housing will be seeking funding proposals for multi-unit housing upon the City Council's approval of the A and F Plan. It is estimated that approximately \$125,000 of O and M Trust fund subsidy will be available in 2001-2002 to organizations providing

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low-income housing. Average subsidy amounts will be based on sponsor demonstration of need and costs for comparable projects, with priority given to projects that secure significant non-city operating or service funds. City Council Resolution 29165 stated that O and M 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.

Up to one-third of funding will be available to provide "special support" for special needs housing projects. "Special support" includes project management or support service expenses beyond what a traditional housing project would require, or contract services relating to project support.

## **XI. PROGRAM POLICIES -- 1995 AND 1986 LEVY FUNDING**

### **A. ELIGIBLE PROJECTS**

Projects developed through each Levy that provide housing to extremely low-income households (at or below 30 percent of median income) are eligible to receive O and M Trust Fund subsidy from that Levy. Private owners and developers as well as all types of nonprofit agencies, including SHA and Public Development Authorities are eligible to participate in the program. These policies shall apply to all renewals of trust fund subsidy agreements for years beginning after December 31, 1998 except to the extent that there is a binding contract in effect providing that the City will renew an agreement on specific terms established when prior policies were in effect. In such cases, renewals shall be based upon the terms of the existing agreement, except to the extent that OH and the project sponsor shall agree to substitute different terms consistent with these policies.

### **B. ELIGIBLE HOUSEHOLDS**

To be eligible for O and M subsidy, units must be occupied by households that have incomes equal to or less than 30% of area median income (as adjusted for household size).

### **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 2001-2002 period. The OH 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 50 years or more, assuming ongoing capitalization and use of replacement reserves. Rehabilitation should minimize ongoing maintenance and utility costs. Phased rehabilitation is allowable if fund sources

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can be identified for completion and there is a funding source for the work other than the Trust Fund. All buildings are required to meet applicable zoning and building codes.

#### **E. RENTS**

Eligible households will generally be expected to pay 35% of adjusted monthly gross income for rent and any tenant-paid utilities associated with a project. Borrowers may request alternate rent schedules to meet unique program objectives; specific requirements will be outlined in subsidy contracts. Annual project budgets should reflect estimated rental income based on program design unique to each 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

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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 unless the recipient receives written permission from OH to use a different fiscal year.

Subsidy funds under the 1986 Levy must be used for "operating and maintenance costs" as defined in Section 8.C of Ordinance 112904.

Eligible uses of 1995 Levy Trust Fund 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 coordinator 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, or from sponsors receiving a total of \$50,000 in total Trust fund subsidies for multiple projects. 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 not required to submit an audit, but are required to submit a detailed year end financial statement.

- ☐ Administrative expenses such as legal, advertising and marketing, insurance, collection loss, property and personal property taxes.
- ☐ Ongoing 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.
- ☐ Replacement 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 OH regulatory document requirements and periodic Capital Plans to be prepared by sponsors evaluating capital needs and the schedule for required replacement reserve expenditures.

Operating reserve additions budgeted each year to cover unforeseen operating costs. The amount is normally to be 2.5 percent of all expenses except long-term replacement reserve items. 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 requirements and limits on replacement and operating reserves may be adjusted periodically, and/or for specific projects, by the Office of Housing based on a review of the capital needs and operating risks of projects and of other public funder standards.

The Trust Fund will not subsidize debt service (including interest); program subsidy may be used in projects that have private debt when needed to support a small number of units for people who are homeless included in the larger projects.

#### **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 Office of Housing will make funding available up to a maximum of twenty years from the date of project completion, subject to availability of funding and to annual reviews that may result in adjustments to subsidy amounts or discontinuance of subsidy, in the discretion of OH. For example, subsidies to Trust Fund units may be reduced or discontinued if increasing revenues from other housing units, commercial space, or alternative subsidy sources are available to a project, or if insufficiency of currently available or projected Trust Fund resources requires OH to prioritize among projects receiving subsidy.

If during the originally expected subsidy term the Trust Fund subsidy is discontinued or reduced, and if the sponsor therefore cannot meet operating expenses of the Trust Fund units with rents affordable to extremely low-income households, the sponsor can rent the units to any very low-income households who can pay rents sufficient to allow the sponsor to cover operating costs of the units, but not to exceed affordable rents. 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.

#### **K. ANNUAL REVIEWS**

OH will conduct financial, management, operations, and maintenance reviews of projects receiving subsidy each year. OH 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, and audit, if applicable, for the project compared with the operating budget. The statement should include cumulative balances for replacement and operating reserves.
- ☐ 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. Schedule for periodic completion of a capital needs assessment that includes a life cycle cost analysis for the major building components and a 20-year schedule of replacement reserve deposits and expected expenditures.
- ☐ 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 generally be paid to projects on a quarterly basis. The amount and the conditions for providing subsidy will be negotiated between OH 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.

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Sponsors will be required to provide quarterly financial reports. Sponsors may request subsidy readjustment at any time.

Adjustments to the subsidy amounts prior to the annual review will only be made when it is determined by OH 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.

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## City of Seattle

Paul Schell, Mayor

**Executive Department - Office of Housing**  
Cynthia A. Parker, Director

### MEMORANDUM

DATE: August 28, 2000

TO: The Honorable Margaret Pageler  
President, Seattle City Council

VIA: Joan Walters, Director, City Budget Office

ATTN: Pascal St. Gerard, Budget Analyst

FROM: Cynthia A. Parker, Director

SUBJECT: Ordinance adopting Housing Levy Administrative and Financial Plan for  
2001-2002

Attached for City Council consideration is an ordinance adopting the Housing Levy Administrative and Financial (A and F) Plan for 2001-2002. The Ordinance that put the Housing Levy on the ballot in 1995 requires updating the Levy's A and F Plan every two years; the current Plan was updated in 1998.

The A and F Plan for 2001-2002, attached to the ordinance as Exhibit A, has been reviewed by nonprofit stakeholders and the Housing Levy Oversight Committee. The Oversight Committee voted to recommend approval of the updated Plan at their meeting on June 27, 2000.

The revised Plan makes a number of policy changes; these changes are currently under discussion with the Council's Housing, Human Services, Education and Civil Rights Committee.

If you have any questions, please contact Bill Rumpf, at 615-1577.

cc: Trang Tu, Mayor's Office  
Traci Ratzliff, Council Central Staff

Alaska Building, 618 Second Avenue, 8th Floor, Seattle, WA 98104  
Tel: (206) 684-0721, TDD: (206) 684-0274, Fax: (206) 233-7117, M/S 15-08-01

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#### Fiscal Note For Levy A and F Plan

Each piece of legislation that is financial in nature requires a fiscal note. The fiscal note should be drafted by department staff and should identify operating, capital, revenue, and FTE impacts of the legislation. After preparation by departmental staff, the City Budget Office will review and make necessary revisions before transmittal to Council.

<b>Department:</b> Office of Housing	<b>Contact Person/Phone:</b> Rick Hooper / 684-0338	<b>CBO Analyst/Phone:</b> Pascal St. Gerard / 684-8085
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**Legislation Title:**

An Ordinance relating to low-income housing, approving the 2001-2002 Administrative and Financial Plan for the 1995 Housing Levy Programs established under Ordinance 117711 and for the Operating and Maintenance Trust Fund established under the 1986 Housing Levy.

**Summary of the Legislation:**

The ordinance would adopt the Levy A and F Plan for 2001-2002 (Exhibit A to the ordinance). Housing Levy Ordinance 117711 requires updating the A and F Plan every two years; the last update was in 1998.

**Background (Include justification for the legislation and funding history, if applicable):**

The A and F Plan is updated every two years; it was last updated in 1998. The Plan changes were reviewed with nonprofit stakeholders and the Housing Levy Oversight Committee. The Oversight Committee voted to recommend approval of the changes at their June 27, 2000 meeting.

**Public Private Partnership Review Status:**

Is the project referenced in the legislation subject to P4 review? If yes, identify P4 review to date.

**Is the legislation subject to public hearing requirements?** If yes, what public hearings have been held to date?

Not subject to public hearing.

**Fiscal Sustainability Issues (related to grant awards):**

1. Use of interest earnings in 2001-2002---each Plan needs to identify how interest earnings from the Rental Production and Homeowner Rehabilitation Programs will be spent; the proposal is to use interest earnings during 2001-2002 for more Rental Production Program units.

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2. Moving funds forward from 2003 to 2001-2002---The Levy's capital funding plan showed funding available in 2003 for the Homeowner Rehabilitation and HomeBuyer Programs; the proposal is to move that funding up, 50% in 2001 and 50% in 2002.
3. Capital funding in 2002---The Operating and Maintenance Program will be fully capitalized in 2002; early because interest earnings were used in the early years of the Levy to speed up capitalization. A total of \$1,078,901 will not be needed for capitalization purposes and is proposed to be used for additional Rental Production Program units in 2002.

**Estimated Expenditure Impacts:**

FUND (List # and/or Account)	2000	2001	2002
1. Interest earnings		\$388,000	\$388,000
2. Moving \$\$ forward from 2003 to 2001-2002		\$322,450	\$322,451
3. Capital funding in 2002			\$1,078,901
<b>TOTAL</b>		<b>\$710,450</b>	<b>\$1,789,352</b>

One-time \$ XXX

On-going \$ \_\_\_\_\_

**Estimated Revenue Impacts:None**

FUND (List # and/or Account)	2000	2001	2002
<b>TOTAL</b>			

One-time \$ \_\_\_\_\_

On-going \$ \_\_\_\_\_

**Estimated FTE Impacts:None**

FUND	2000	2001	2002
<b>TOTAL</b>			

# Full Time \_\_\_\_\_ # Part Time \_\_\_\_\_ # TES \_\_\_\_\_

Do positions sunset in the future? If yes, identify sunset date?N/A

Other Issues (including long-term implications of the legislation):None

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**CITY OF SEATTLE**  
**1995 HOUSING LEVY**  
**EXHIBIT A**  
**ADMINISTRATIVE**  
**AND**  
**FINANCIAL PLAN**

**Program Years: 2001, 2002**

Paul Schell, Mayor

Prepared by:  
Seattle Office of Housing  
Cynthia A. Parker, Director

August 28, 2000

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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, homebuyer 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 Office of Housing (OH) 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 Office of Housing (OH) 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. The first A and F Plan was adopted by City Council in September, 1996, and a second A and F Plan was adopted in September 1999 which applied to program activity through 1999 and 2000. This revised Plan will apply to program activity through 2001 and 2002. The Plan was developed by OH 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.

The contents of this Plan are not intended to confer any legal rights on actual or potential project sponsors, applicants, or other persons. The terms of this Plan are subject to revision by ordinance and to the effect of applicable laws, regulations and ordinances.

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## 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.

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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 OH 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.

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## PROGRAM ADMINISTRATION

Section 8 of Ordinance 117711 identifies the City's Office of Housing (OH) 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 OH 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.

Levy funds available for administration will be used as follows in 2001-2002:

- ☐ Rental Production Program
  - TOTAL funds for administration: \$2,645,053
  - Portion of total to be used for administration in 2001-2002: \$ 788,701.
- ☐ Home Buyer Assistance Program
  - TOTAL funds for administration: \$254,000
  - Portion of total to be used for administration in 2001-2002: \$ 115,317
- ☐ Homeowner Repair Program
  - TOTAL funds for administration: \$184,947
  - Portion of total to be used for administration in 2001-2002: \$ 83,967
- ☐ Operating and Maintenance (O and M) Trust Fund Program
  - Funding for administration of the O and M program will come from trust fund interest earnings during 2001-2002.
  - Total required for administration in 2001-2002 is \$157,471; funding for administration of the O and M programs will come from interest earnings from the 1986 Levy (50%) and the 1995 Levy (50%).

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 OH for administration. The remaining 2% (or 40% of total administrative funding) requires "authority expressly granted by ordinance by the City Council."

Resolution 29165 directed OH 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. OH examined the budget implications of the changes in May. OH 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

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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.

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## PROGRAM FUNDING PLAN

Table 1 shows the anticipated Program Funding Plan for the entire levy period. The Rental Production Program allocated its entire first two years' program amount by the end of 1997. The other two capital programs began their first full year allocation process in 1997. An inflation factor has been built into the model; the annual allocations to projects by OH for the three capital programs increase by 3% each year.

The need for administrative funding does not occur until 1997. Administrative funding for the Operating and Maintenance Trust Fund Program will be provided from that program's interest earnings.

Table 2 shows budget appropriations by levy program out of property tax revenue only, not including interest.

City Council approved the 1999-2000 Administrative and Financial Plan in September 1998. In September 1999, by Ordinance 119660, the Council amended the Plan and reallocated a portion of the 1997, 1998 and 1999 appropriations for the Home Buyer program to the Homeowner Rehabilitation Program.

The Program Funding Plan, shown in Table 1 on page 8, indicates the amount expected to be spent each year. Table 1 has been revised from the prior Plan to shift all scheduled expenditures for the Homebuyer Assistance Program and Homeowner Rehabilitation Program for 2003, to be allocated proportionately between 2001 and 2002. Given the strong need for funding and a planned Levy renewal in the fall of 2002, funding for these programs in 2003 is anticipated to be from a future Levy. Amounts stated in the Program Funding Plan, and any allocations of funds to specific types of projects within this plan, include only long-term uses of funds, not bridge loans. However, Annual Budgets may include appropriations of additional amounts out of estimated bridge loan repayments, in order to restore original budget authority utilized for bridge loans.

**Levy Interest Earnings:** Interest earned on levy capital funds placed in Subfunds 10 and 13 will be used for additional housing unit production according to policies approved for the Rental Production Program, 50% to 65% of median income, and Homebuyer Assistance Program, respectively. Interest earned during 2001 through 2002 on levy capital funds, and the property tax distributions scheduled for the O&M Trust Fund in excess of what is needed to achieve the capital contribution target in the Levy Program Fund Plan, due to earlier use of interest earnings for the O&M Trust Fund, shall be placed in Subfund 11 and will be used for additional program production according to policies approved for Rental Production Program funding available for projects serving people with income less than 50% of median. Of the total funds to be used for additional program production, 5% will be used by OH for administration.

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TABLE 1

## 1995 HOUSING LEVY PROGRAM FUNDING PLAN (CHART REVISED SEPTEMBER 1999)

PROGRAM:		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
HOMEOWNER REHABILITATION	CAPITAL	\$190,343	\$487,081	\$510,265	\$534,144	\$512,814	\$536,492	\$549,732	\$0	\$3,320,871
	ADMIN	\$0	\$24,137	\$24,861	\$25,607	\$26,375	\$41,576	\$42,391	\$0	\$184,947
	SUBTOTAL	\$190,343	\$511,218	\$535,126	\$559,751	\$539,189	\$578,068	\$592,123	\$0	\$3,505,818
HOME BUYER	CAPITAL	\$0	\$285,714	\$285,714	\$285,714	\$331,640	\$655,746	\$668,601	\$0	\$2,513,129
	ADMIN	\$0	\$33,149	\$34,143	\$35,168	\$36,223	\$57,098	\$58,219	\$0	\$254,000
	SUBTOTAL	\$0	\$318,863	\$319,857	\$320,882	\$367,863	\$712,844	\$726,820	\$0	\$2,767,129
RENTAL 50-65% PRODUCTION	CAPITAL	\$319,741	\$329,333	\$339,213	\$349,390	\$359,871	\$370,667	\$389,785	\$0	\$2,458,000
	ADMIN	\$0	\$21,795	\$22,449	\$23,122	\$23,816	\$24,530	\$25,266	\$26,022	\$167,000
	SUBTOTAL	\$319,741	\$351,128	\$361,662	\$372,512	\$383,687	\$408,208	\$428,062	\$0	\$2,625,000
RENTAL < 50% PRODUCTION	CAPITAL	\$5,101,754	\$5,254,808	\$5,412,451	\$5,574,824	\$5,742,069	\$5,914,331	\$6,083,763	\$0	\$39,084,000
	ADMIN	\$0	\$323,403	\$333,105	\$343,098	\$353,391	\$557,068	\$374,912	\$386,151	\$2,478,053
	SUBTOTAL	\$5,101,754	\$5,578,211	\$5,745,556	\$5,917,922	\$6,095,460	\$6,471,399	\$6,651,751	\$0	\$41,562,053
O&M TRUST FUND	AMOUNT AVAILABLE									
	FOR TRUST FUND	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,142	\$0	\$8,751,000
TOTALS		\$6,861,981	\$8,009,563	\$8,212,344	\$8,421,210	\$8,636,342	\$9,214,576	\$9,442,811	\$412,173	\$59,210,999

TABLE 2

PROPERTY TAX DISTRIBUTION BY PROGRAM (CHART REVISED SEPTEMBER 1999)  
1995 HOUSING LEVY APPROPRIATION PLAN FOR SUPPORT FUND APPROPRIATION

FUNDS AVAILABLE:	1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
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TOTAL:	\$59,211,000	\$8,458,714	\$8,458,714	\$8,458,714	\$8,458,715	\$8,458,714	\$8,458,715	\$8,458,714		\$59,211,000
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PROGRAM:		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
HOMEOWNER	CAPITAL	\$416,714	\$511,687	\$523,108	\$534,871	\$501,061	\$416,715	\$416,715	\$0	\$3,320,871
REHABILITATION	ADMIN	\$26,421	\$26,421	\$26,421	\$26,421	\$26,421	\$26,421	\$26,421	\$0	\$184,947
	SUBTOTAL	\$443,135	\$538,108	\$549,529	\$561,292	\$474,640	\$443,136	\$443,136	\$0	\$3,505,818
HOME	CAPITAL	\$416,714	\$321,741	\$310,320	\$298,557	\$332,367	\$416,715	\$416,715	\$0	\$2,513,129
BUYER	ADMIN	\$36,286	\$36,286	\$36,286	\$36,286	\$36,286	\$36,285	\$36,285	\$0	\$254,000
	SUBTOTAL	\$453,000	\$358,027	\$346,606	\$334,843	\$368,653	\$453,000	\$453,000	\$0	\$2,767,129
RENTAL/50-65%	CAPITAL	\$351,143	\$351,143	\$351,143	\$351,143	\$351,143	\$351,143	\$351,142	\$0	\$2,458,000
PRODUCTION	ADMIN	\$23,857	\$23,857	\$23,857	\$23,857	\$23,857	\$23,857	\$23,858	\$0	\$167,000
	SUBTOTAL	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$0	\$2,625,000
RENTAL <50%	CAPITAL	\$5,583,429	\$5,583,429	\$5,583,429	\$5,583,429	\$5,583,428	\$5,583,428	\$5,583,428	\$0	\$39,004,000
PRODUCTION	ADMIN	\$354,007	\$354,007	\$354,007	\$354,008	\$354,008	\$354,008	\$354,008	\$0	\$2,478,053
	SUBTOTAL	\$5,937,436	\$5,937,436	\$5,937,436	\$5,937,437	\$5,937,436	\$5,937,436	\$5,937,436	\$0	\$41,562,053
O&M		\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,142	\$0	\$8,751,000
TRUST FUND										
TOTALS		\$8,458,714	\$8,458,714	\$8,458,714	\$8,458,715	\$8,458,714	\$8,458,715	\$8,458,714	\$0	\$59,211,000



Draft for Discussion August 21, 2000



## SINGLE FAMILY HOME REPAIR PROGRAM

Single family home repair 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. The Mayor and City Council have increased the original allocation in the Levy ordinance, so as to allocate \$3,320,871 to single family home repair over its lifetime. The goal is to help a minimum of 52 single-family homeowners repair their homes in 2001-2002. During fall 1999 and the first half of 2000, the Office of Housing has engaged users, nonprofit agencies, lenders and other interested parties in a redesign process for its home repair programs. The Reach program has been replaced with the HomeWise Program, which merges the home repair and weatherization activities into a combined program.

### I. PROGRAM OBJECTIVES

The following general program objectives guide the single family home repair program:

- ☐ Annually provide a minimum of 26 HomeWise-Weatherization and Home Repair loans to qualifying homeowners;
- ☐ 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;
- ☐ Assist elderly and/or disabled homeowners to remain in their homes.
- ☐ Make all Levy single family home repair 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).
- ☐ Improve energy efficiency and sustainability of housing stock.
- ☐ Add to the housing stock by providing funds and assistance for a pilot program for Accessory Dwelling Units (ADUs).

### II. PROGRAM FOCUS

From 2001 through 2002 \$1,170,191 in Levy funds will be available for the HomeWise-Weatherization and Home Repair Program including program administration. HomeWise focuses on preserving single family homes, maintaining the City's supply of low-moderate income housing, enhancing neighborhoods and building communities. HomeWise incorporates sustainable building practices and design principles and the use of recycled materials.

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HomeWise offers qualifying homeowners low-interest home improvement loans and Weatherization grants. Housing levy funds are used only for loans. Weatherization grants come from a variety of federal, state and local funds. In 2001-2002 there will be \$51,086,224 available for home repair loans, plus the Office of Housing expects to enter into partnership or referral arrangements with local lenders to increase the private capital available for the HomeWise program. The number of loans expected to be made during 2001-2002 will be increased compared to the number made in 1999-2000. The average loan amount was \$21,390 in 1999 and is expected to increase during 2001-2002 due to rising construction costs and funding homes in poorer physical condition. The maximum loan amount for HomeWise loans shall be \$45,000. The maximum loan amount may be exceeded, up to a total loan of \$55,000, with approval of the OH Director, provided that the purpose of the loan is for health and safety repairs. Program Policies

The Single Family Home Repair program will be implemented using the program policies and procedures established by the OH Director for the HomeWise program, as they may be amended from time to time, except where those policies or procedures are inconsistent with requirements of the Housing Levy ordinance or this plan.

## 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-moderate income families (80% of median income) in becoming homeowners. A total of \$2,513,129 of Levy funding is allocated for the HomeBuyer Assistance Program, not including administration. A goal has been established of assisting 120 low-moderate households to become homeowners through participation in this program. The program will be established as a revolving loan fund, so new loans can be made as loan payments are made. The Office of Housing plans to enter into an agreement during 2000 with HomeSight to implement a portion of the lending. OH staff will continue their work with the staff of the Department of Neighborhoods (DON) 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 has been included in the Housing Options Program and the Housing Work Book.

### III. 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 (SOA's), 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.
- ☐ Aggressively to pursue other sources of home buyer assistance funds (HOME, etc.) to leverage the available levy dollars.
- ☐ Give priority for funds 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. OH will conduct bi-annual reviews and determine if there needs to be changes with the education requirement.
- ☐ The program administrator, or other qualified nonprofit(s), 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.
- ☐ 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.
- ☐ OH staff will continue working on program development activities for the expansion of the program into areas such as land trust, coops, etc.
- ☐ 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.

#### IV. 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.
- ☐ Alternative forms of home ownership (land trusts, coops, etc.) may be pursued 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.



## V. PROGRAM POLICIES

- ☐ Initial maximum home cost is the same as the FHA limit, as adjusted annually.
- ☐ An RFP may be issued to select an experienced program administrator and/or loan servicer for each two-year program cycle.
- ☐ Potential borrowers must be first-time homebuyers 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 five 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 homebuyer 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. Homes with an accessory dwelling unit are eligible, provided that the borrower is an owner-occupant of the home. A lease to own contract may be considered a purchase.
- ☐ 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 \$35,000 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, repayments shall be determined by a promissory note and deed of trust approved by the Office of Housing. The repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest, loan term, period of payment deferral, if any, and contingent interest or share of appreciation, if any. The Office of Housing shall report repayment terms in summary format to the Levy Oversight Committee.
- ☐
- ☐ 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.
- ☐ The terms of each loan made to a home buyer shall provide that the City may collect the entire balance owing upon sale of the home, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible borrower.
- ☐ Loan term will generally be 25 years. OH may allow earlier repayment or shorter terms.

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- ☐ Any first mortgage products approved by OH shall be eligible, including FHA and FannieMae products, and portfolio loans. 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds \$5,000.
- ☐ A loan committee may 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 real estate or financial market.

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## RENTAL HOUSING PRODUCTION PROGRAM

### VI. PROGRAM OBJECTIVES

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

CATEGORY:	TOTAL FUNDING:	-2001-2002::
<input type="checkbox"/> City-wide -- 0 to 50% of median income; subject to restrictions in Consolidated Plan	\$39,084,000	\$ 11,998,094
<input type="checkbox"/> Special Objectives Area -- 50% to 65% of median income	\$2,458,000	\$760,452

Funding will be used to produce a minimum of 340 units during -2001-2002 .

### VII. PROGRAM FOCUS

Levy funds will be focused on the following priority areas in 2001-2002. These priorities will be included in NOFA documents, and are not listed in priority order:

- ☐ **Family Housing (defined as units containing two or more bedrooms).**

During the first 3 years of the Levy, production of 2+ bedroom units had not kept up with levy unit goals established in 1995. During 1999-2000, the Levy Oversight Committee approved a significant increase in funds designated for developments with 50% or more units being 2+ bedroom (family) housing, and the production of this type of housing increased substantially compared to prior years. In order to continue sufficient production of housing for families, 40% of funds that will be available for citywide rental production in 2001-2002 will be available and reserved as a priority for predominately 2+ bedrooms. If there are not sufficient funded applications for family projects to fully use the 40% setaside, the balance of funds may be used for other types of low-income housing.

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- ☐ **Neighborhood Plans**

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Projects that implement strategies identified in City-approved Neighborhood Plans will be a priority. NOFA documents will provide more specific guidance regarding this important area of focus.

☐ **Senior Housing**

Assisted living will continue to be an area of priority.

☐ **Housing for people who are homeless and/or disabled**

Recommendations from the Seattle-King County 1999-2000 Homelessness Response report, the United Way Homeless Initiative, and priorities established in the Seattle-King County Continuum of Care applications will be used to establish Office of Housing funding priorities, with specific funding emphasis to be included in NOFA documents. Housing for persons participating in the Gates Foundation Healthy Families Initiative, welfare to work or employment programs for homeless will also receive priority.

☐ **Section 8 Preservation and Expiring Use Projects**

Preserving units with expiring project-based federal operating subsidy and other developments with expiring affordability restrictions will be a priority during 2001-2002; specific funding emphasis guidelines will be included in future NOFA documents.

☐ **Housing Units for Households at 30% of median income or lower**

Developments including a substantial proportion of units serving households with incomes of 30% or less of the median income will receive priority in order to achieve the Levy Affordability Policy in Section G.4. below.

## **VIII. 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, including refinancing of existing loans.

OH 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, OH 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 OH's Development Fee Policy, as now in effect and as it may be amended by the Director from time to time, and will be considered as part of the development budget for a proposed project. OH 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. Impact Capital (IC), is a potential source of up-front development costs for nonprofit agencies. Impact Capital is generally repaid from loan funds if a project is approved. Levy funds can be used to repay Impact Capital.

#### **B. ELIGIBLE PROJECTS**

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

Levy funds can be used for projects that combine residential and other uses, and/or that combine subsidized housing with market-rate units. The sponsor must demonstrate that City funding is attributable to the Levy-eligible housing and that costs of other parts of the project are paid from funds eligible for that purpose.

Residential space includes:

Common areas for resident use such as television or reading rooms;

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Areas for cooking, eating, bathing;  
Corridors, stairwells, storage areas;  
Management office space; and  
Building lobby area.

For projects serving special needs populations, accessory space (such as office space serving the housing or space for provision of on-site social services to residents) that is necessary for the viability of the project may be considered part of the Levy-eligible housing.

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

OH 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, nor for housing for ineligible tenants, OH 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 OH Director may permit such costs to be prorated between Levy funding and other funding sources based on any reasonable formula. In order to facilitate development of the Levy-eligible units, OH may allow Levy funds to be used for the full amount of a cost item (such as purchase price) that is partially attributable to non-residential or market-rate space, if there is adequate assurance that sufficient funding from appropriate sources will be provided to pay for a share of total project costs equal to the full amount allocable to such space and that final cost certification will confirm the allocation of costs of such space to such sources.

### **C. ELIGIBLE TENANTS**

Tenant households must generally have incomes at or below 50% of area median income, adjusted for household size, 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, adjusted for household size. 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 have a history of substance abuse 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.

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#### **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. The City's preference is to provide funding to nonprofit sponsors, including public agencies, that have established housing as a primary purpose of the organization. Through the project selection process, priority will be given to nonprofit and public 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, OH 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. OH 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 PROJECT**

The City's maximum subsidy per project includes all OH administered capital funds which may be combined to finance a project, including funds from the Housing Levy, the Community Development Block Grant Program, HOME Program, Growth-Related Housing Program, Housing Bonus Program, Transfer of Development Rights Program, any special mitigation funds, program income, or other long-term city capital subsidy. For purposes of Section E, project is defined as those units in a building(s) that are City funded and rent-regulated.

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

The maximum per project amount that the City will contribute is 40% of total development costs of City-funded affordable units. Total development costs are all components of typical development budgets, including acquisition (land and/or building), construction costs, and soft costs.

Waivers may be granted by the OH Director on a project by project basis to permit City funding in excess of the percentage stated in the previous paragraph. The OH Director may approve an increase in City subsidy of an additional 10%, up to a total of 50% of a project's total development costs for projects that 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 where other public funders have made their maximum award or 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. OH may ask sponsors to apply for other fund sources later, if appropriate.

OH 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. Additional waivers permitting higher City subsidy amounts may be granted if the OH Director finds that the leveraging potential of other fund sources is very limited and higher City subsidy is warranted. In this limited circumstance, , funding in excess of 50% of total development costs of the City-funded units is permissible, as long as the project also fits within an area of program focus outlined in section VI above and is a relatively low number of units or relatively low total city funding amount.

## **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. Levy funded units serving households with incomes from 50% of median 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 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 that 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 that 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 OH 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 OH. Sponsors will be required to notify immediate neighbors (300 foot radius from property lines) and appropriate community groups prior to submittal of a project application in response to a NOFA deadline. Sponsors must use notification either by mail or flyers delivered door to door, and good neighbor guidelines developed by OH 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 OH. Applicants will be required to conduct notification activities outlined in OH 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 OH Director.

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## **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 30% of 80% of median income; affordable rent for very low-income tenants means an annual rent not exceeding 30% of 50% of median income; and affordable rent 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 OH Director shall permit another method of computation for a particular project or class of projects.
- ☐ "Low-income" means income not exceeding 80% of median income
- ☐ "Median income" means annual family median income for the Seattle-Bellevue-Everett Primary Metropolitan Statistical Area, as published from time to time by HUD, and as adjusted for household size according to the method used by HUD for income limits in subsidized housing. For purposes of rent limits, median income generally is adjusted according to the presumed family size based on the number of bedrooms in a unit, consistent with HUD rules for the HOME program.
- ☐ "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 the owner).
- ☐ "Very low-income" means income not exceeding 50% of median income.  
The OH Director may adopt further refinements or interpretations of the above definitions to improve compatibility with other funding sources and to assure adequate cash flow on a project-specific basis.

### **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.
- ☐ Non Levy funds may be used for units occupied by households with incomes from 50% to 80% of median where an existing project is acquired for very low income occupancy and some units are occupied by households with incomes over 50% of median. (See Comprehensive Plan policy H33).
- ☐ Extremely low-income tenant households (30% of median and below) in units subsidized through the Operating and Maintenance Trust Fund may contribute up to

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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, reserve deposits, asset management fees and/or other project expenses or low-income housing purposes acceptable to OH.
- ☐ Operating costs shall be established by sponsors in operating proforma approved by OH. 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 OH.
- ☐ 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."

### 4. AFFORDABILITY POLICY

Levy Program funds for rental production 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 households with incomes at 30% of median income and occupied by households with incomes 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 households with incomes not exceeding 50% of median income.
- ☐ A limited amount of rental production funds, set at \$760,452 for 2001-2002, shall be used for housing in Special Objectives Areas for units serving households with incomes between 50 to 65% of median income.

OH administers the affordability policy 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 January 1, 2001 through December 31, 2002 shall be included in calculating City affordability policy goals for the 2001-2002 period.

### 5. OTHER POLICIES

- ☐ Project sponsors must obtain OH 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.

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- ☐ Commercial space rental income should be used to reduce residential rents whenever possible.
- ☐ 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.
- ☐ For so long as Housing Levy Operating and Maintenance Trust Fund subsidies are provided with respect to a unit, the rent requirements contained in the portion of this Administrative and Financial Plan governing the Trust Fund shall apply to that unit 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 and City funding returned, City proceeds should be used to produce replacement low-income housing consistent with then current City low-income housing policy.

The OH 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. "Tax credit partnerships" may include limited liability companies or other entities organized to utilize low-income housing tax credits and/or other tax credits.

##### **1. Loan Terms**

Loan terms will be a minimum of 50 years.

##### **2. Interest Rate**

The interest rate for projects not using low-income housing tax credits 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.. The interest rate for projects using low-income housing tax credits will be a minimum of 1% simple interest and a maximum of the Applicable Federal Rate for the purposes of Section 42 of the Internal Revenue Code, depending on the project's projected capacity for repayment. The actual interest rate for projects using low-income housing tax credits will generally range from 1-3% and will be set on a case-by-case



basis. The interest rate will exceed 1% where there is a net financial benefit to the project. The purpose of establishing a range for the interest rate on Levy funds is to provide flexibility in financial structuring to maximize tax credit equity contributions and to help preserve long-term affordability. Interest on program loans will accrue annually as simple interest.

### **3. Repayment**

OH will generally make deferred payment loans which must be repaid upon availability of surplus, residual income, 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. Amortizing loans will be required if project budgets can afford repayment and meet required rent levels. Amount of repayment required will be established as each project is reviewed.

### **4. Transfer and Assumption**

The OH 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 funds owed to the City instead in replacement low-income housing approved by OH, the OH 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 Section H.14 below. Upon sale, change of use, or repayment of the loan, loan principal plus the greater of either deferred interest or

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contingent interest shall be due. Contingent interest shall be calculated according to a formula established by OH.

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**

Prepayment of loans under the Rental Production Program will be subject to Office of Housing approval. Such approval shall not be unreasonably withheld if the sponsor provides adequate assurances of future compliance with the affordability and occupancy restrictions in the regulatory agreement and recorded covenant. 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**

Any unpaid principal balance and accrued, but unpaid interest on OH loans will be due and payable at the end of the 50 year loan term; however, borrowers shall have the option of extension, or, in certain circumstances, forgiveness of the OH debt. At the end of the loan term, sponsors will be encouraged to extend the loan term and continue to extend the period of affordability restrictions for an additional 25 years, provided the property continues to be in compliance with the OH affordability requirements

- a) **Projects Serving Extremely Low-Income.** Projects serving extremely low-income households shall be defined as projects with 50% of more units with rents affordable to residents with incomes at 30% or less of median income... For such projects, debt is forgivable under the following terms: if the loan term is extended for 25 years, the loan principal and accrued, unpaid interest will be forgiven at the rate of 4% per year (of the total principal balance and accrued interest obligation as of the end of the initial loan term), so long as the sponsor and the property remain in compliance with OH loan documents.



9. b) Other Low-Income Housing Projects. For any other types of projects, debt is not forgivable, but if the period of affordability restrictions is extended for an additional 25 years, the borrower may extend the repayment term for 25 years and continue to pay the outstanding debt only from surplus, residual receipts. Use of Funds Owing to the City

Sale of projects during the loan term requires City consent. 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 OH to low-income housing projects according to priorities established in the current Administrative and Financial Plan or appropriate City policy plans as determined by OH.

10. Refinancing

11. OH shall establish a policy for allowing refinancing of properties with OH loans. OH may allow refinancing of the existing private debt in cases that result in additional capital investment in the project, that result in a lower interest rate, or that produce some other long-term project benefit. In general, OH will subordinate its deed of trust to new financing on reasonable terms if the outstanding principal balance of the new loan does not exceed the existing balance, or if the additional debt is used to repay a portion of the OH loan or for low-income housing purposes approved by OH, or some combination of these uses. OH shall review refinancing proposals, including the proposed new financing terms, proposed transaction costs, an assessment of the capital needs of the development and the adequacy of reserve accounts, and may define additional submittal requirements. 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. Projects will be underwritten with the goal of having a financing plan that achieves self-sufficiency for each project, so that repairs and improvements can be fully covered from the project's operating income or reserves. The City recognizes that in some cases 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, consistent with City policy and other applicable laws and regulations. The Office of Housing may use a portion of Levy Rental Production funds to meet the capital needs of existing city-funded

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projects if the projects meets the following criteria: a) the property has a critical capital need or code violation that cannot be addressed through the property's cash flow, reserves or other available resources, b) a public benefit will be realized as a result of the additional City funds, c) the sponsor will make a significant financial contribution, and d) the sponsor has demonstrated a plan for capable management and fiscal operations of the property. Such funds may be provided as shorter-term loans or added to existing long-term OH loans, as OH may determine based on the circumstances of the project.

#### **12. 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.

#### **13. 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 OH Director to justify recourse against the sponsor.

#### **14. 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 and the City receives security in both leasehold and fee interests. Projects involving a sponsor that is a lessee 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 properties where the sponsor is the lessee and 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 OH 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.

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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. OH will establish the appropriate requirement for each project.

- **Interest rate**

The interest rate shall be consistent with Section H.2. above.

- **Lease term**

Minimum lease term is 50 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.

#### **15. 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.

#### **16. Mixed-Income Program Component**

Up to 10% of 2001-2002 program funds is available for mixed-income projects consistent with program guidelines shown below:

*Program Purpose:*

Make City funding available to permit low-income housing units to be included in primarily market rate housing projects. All Housing Levy Rental Production Program policies apply except as noted below or as noted in specific policy sections of the Levy Administrative and Financial Plan.

a. **Loan Conditions:**

- Loans are expected to amortize.
- 3% interest rate.
- Minimum 30 year loan terms
- Contingent interest does not apply.

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**b. Application Process:**

Application process will be established annually by the Office of Housing.

**17. 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.

**18. Bridge Loans**

The terms described above apply to long-term loans of Levy funds. OH also may make short-term "bridge loans" from Levy funds, including Operations and Maintenance Trust Fund reserves, or other available funds. A bridge loan may be made to enable property acquisition, construction, or rehabilitation to proceed when the sponsor can provide assurance satisfactory to OH that permanent funding will be provided from other sources on acceptable terms within no more than 2 years, in order to repay the bridge loan, but that the sponsor is not reasonably able to obtain interim financing from other sources. OH shall require payment of a reasonable rate of interest, which shall be no less than 3% simple interest, and/or a loan fee for providing the bridge loan. Bridge loans shall be made (except as noted below) only to projects also receiving long-term loans of Levy funds or of other permanent take-out funds made available on terms similar to those applicable to long-term loans. A bridge loan may be provided to the Washington Community Investment Fund for a longer term at 2% simple interest, provided that WCIF uses the funds for reserves, predevelopment loans or other interim financing to projects within the City of Seattle with terms of no more than 2 years. A bridge loan may be made as a component of a larger Levy loan in order to minimize documentation. Bridge loans may be provided in excess of maximum City funding per project limits included in section E above.

Bridge loans may be made to Section 8 Preservation projects to facilitate transfer of ownership to a group prequalified by OH to acquire these projects. Bridge loans may also be made to assist in the acquisition of buildings in certain neighborhood areas when needed to implement Neighborhood Plan identified strategies and advocated by a neighborhood community organization(s). In these situations, projects do not need to come through a NOFA competitive process for bridge loan assistance.

Bridge loans are not included in computing the City subsidy per project, but may not be used to fund construction or rehabilitation of commercial space or housing not serving eligible households. OH may permit the conversion of all or a portion of a bridge loan into a long-term Levy loan where cost per project limits would not then be exceeded and when a project needs additional permanent funding or when additional eligible households may then be served. For a project in which fewer than

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all of the units in a building or complex are initially funded by the City, conversion to a long-term loan may be conditioned upon dedication of additional units to Levy-eligible housing.

**19. Preliminary Short-term Loans — when funding is made available for special production program for development of 2+ bedroom units**

OH may make loans on a preliminary basis in special circumstances, for example when there is a very favorable opportunity for property acquisition, before the feasibility of a project can be reasonably determined, with the loan to convert to a long-term loan only when various conditions are satisfied, such as other financing, environmental and land use decisions, and/or further discretionary decisions by OH. In such cases, if the loan is not converted to long-term status, the property will be sold and the City repaid.

**20. Conduit Financing**

In order to take advantage of opportunities or to respond to requirements of particular projects, the Director may provide Levy funds to a project indirectly, for example by a loan to a sponsor that then relends the funds to a project owner or lessee. Such financing may include, without limitation, acquisition of tax-exempt bonds from a conduit financing agency where the proceeds are used for an eligible project. In general, the project owner or lessee in such cases must agree to the regulatory terms described above and must provide a deed of trust that is assigned to the City.

**I. WMBE UTILIZATION**

Women and minority business enterprise (WMBE) utilization shall be encouraged for all Rental Production Program projects in accordance with the City's nondiscrimination and fair contracting ordinance . .

**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.

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. 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 OH

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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 redevelopment changes 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 OH 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 residential and commercial 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 OH 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 and to persons with disabilities
- ☐ 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.
- ☐ Schedule for periodic capital needs assessment of life cycle cost analysis for the replacement of major building components to ensure the replacement reserve is adequate for the life of the project.

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 OH in response to a general Notice of Funding Availability (NOFA). OH will publish the NOFA schedule at the beginning of each year. The NOFA will describe when applications may be submitted and outline application requirements. All applications must include information requested in the NOFA. Incomplete applications will be returned to applicants; minor deficiencies may be corrected during the review process---major deficiencies will cause the application to be withdrawn from the funding round.

All applicants must attend a project pre-application conference with OH staff prior to submitting an application for funding, consistent with requirements outlined in the NOFA. Funding applications will first be reviewed by OH staff. Staff will review project proposals for consistency with levy policies and develop funding conditions, if appropriate.

The Director may reserve a portion of any year's Levy appropriation in order to provide additional funding for approved projects if required due to unforeseen cost increases or unavailability of other funds expected at the time of approval. If additional funds become available, for example, for example due to cancellation of a project or cost savings, the Director may apply such funds to any such necessary increase and/or to projects for which qualifying applications were received in response to a prior NOFA but that could not be funded, or could not be fully funded, due to insufficient funds then available.





Funding recommendations shall be made by a Levy Credit Committee, comprised of persons appointed by the OH Director. The Levy Credit Committee shall include private and public sector housing finance professionals, as well as representatives of the Mayor's Office and City Council, if available, and other persons with expertise in affordable housing. The OH Director, whose decisions on funding shall be final, will make project selection decisions. Results reported to the Housing Levy Oversight Committee, based on, but not limited to, the following general criteria:

- Reasonable Cost --- project cost comparison.
- Project readiness --- is the applicant ready to move the project forward in a timely way; is the timing of the other funding sources sequenced appropriately?
- Program Focus --- which projects best meet program focus objectives?
- Overall investment opportunity --- which projects provide the most public benefit for the City?
- Community Development Opportunity --- which projects offer community benefit beyond provision of housing units?
- Sponsor's track record --- has applicant demonstrated successful development and operation of affordable housing, is applicant agency current with all reporting information on previously funded projects; are previously funded projects proceeding on schedule?

The criteria will be published in NOFA documents, with more explanation on how criteria will be applied.

There are two points when a project could be refused consideration for funding: (1) at the time of the project applicant eligibility conference described in the NOFA; and (2) if an application is submitted for funding and has been determined to be substantially incomplete. Applicants may submit requests for reconsideration of staff decision at these two points to the OH Director. Request requirements, along with time frame for submittal, will be published in the NOFA.

- Decisions to fund projects, when announced by the Director, are preliminary and not binding on the City until a formal commitment letter is signed by both the Director and the applicant. After funding decisions are announced, the Director may revoke or reduce funding to any project based on a number of factors, such as failure of the applicant to obtain other funding; noncompliance by the applicant with City policies; determination of inaccuracies in the information submitted; increased costs or other factors affecting feasibility; results of environmental or other reviews; or failure to the applicant to agree to loan conditions. The Director also may increase funds to a project after initial funding decisions are made if reasonably necessary to assure success of the project or maximum public benefit, based on new information not available at the time of the initial decision.

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#### **N. PROJECT PROPOSAL REQUIREMENTS**

OH will release Notice of Fund Availability (NOFA) and/or 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, and 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 15 year operating proforma with proposed rents and justification for operating subsidy, if requested.
- ☐ 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 50 years, will constitute site control. OH 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 OH 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 OH, or may be used

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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, and 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 may 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 population to be served and demonstrate how project will serve that population. Sponsor must demonstrate extent of "market" or level of need for proposed project and describe project's impact on the target population.
- ☐ Evidence of site suitability - explanation why site is suitable for homeless group being served.

#### **O. CONSTRUCTION REQUIREMENTS**

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

Project sponsors will be expected to provide quality housing that will last for 50 years or longer. 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 Maintenance 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

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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 OH for approval. A decision to phase rehabilitation will be made by OH within the context of a complete building evaluation that includes a total scope of rehabilitation and a cost for the entire project.

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. Sponsors that wish to select a contractor through negotiated bid or other process must obtain advance approval from the Director of the Office of Housing. OH 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 OH 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 OH 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 encourage employment of female, minority and economically disadvantaged workers... 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. OH 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 OH's satisfaction that requiring contractors to have previous experience with State-approved apprenticeship

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programs would be beneficial for project development can also include that requirement.

☐ **Project Labor Agreements**

Applicants who demonstrate to OH's satisfaction that use of a project labor agreement would be beneficial for project development may require a project labor agreement.

Units financed through the Mixed-Income component will be reviewed by OH to determine that the design and construction standards and materials will be the same for both the low-income and market-rate units.

**PROJECT MONITORING**

The OH 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, based on "Outcomes for Housing Project Operations" listed below. Performance Measures will be based on the following principles:

- Measures must be based on information that is relatively accessible and easy to collect;
- Measures must reflect what other funders require; information unique to City requirements will be kept to a minimum;
- Information will be requested at times coinciding with requests from other fund sources;
- City staff monitoring project site visits will be coordinated with other fund sources;
- Reports provided for other fund sources will be acceptable for City monitoring purposes whenever possible.

**Outcomes For Housing Project Operations**

The ten desired outcomes of the City's multifamily low-income housing program are listed below:

**1. Rents and Occupancy**

The housing has rents affordable to low income households as specified in contractual agreements with the City.

**2. Safe and Sanitary Condition**

The housing is continually in safe and sanitary condition, and is in conformance with the Seattle Housing Code, the Seattle Building Code, and Housing Quality Standards. The housing project is providing all the common facilities and design features originally constructed, or altered through mutual consent, in the project.

**3. Sound Project Fiscal Management**

The project is being operated according to sound fiscal management practices.

**4. Sound Sponsor Fiscal Health**



The project sponsor is in sound fiscal health.

**5. Management Plan**

The project is operated according to the agency's original, or amended, management plan.

**6. Project Serves Intended Population**

A project which is designed for a particular population or housing need, such as persons who are mentally ill or have substance abuse problem is serving the group approved by City and is providing services as specified in the agency's management plan.

**7. Affirmative Marketing and Nondiscrimination**

The housing is being affirmatively marketed and nondiscriminatory treatment for all applicants and occupants is assured.

**8. Project a Good Neighbor**

The housing project is a good neighbor which is measured by good maintenance and responsiveness to neighborhood concerns and complaints.

**9. Programs Serve a Variety of People**

Collectively, the housing funded by City of Seattle programs is serving the variety of low-income households, ethnic groups, and persons with special needs which have been identified as in need of multifamily housing assistance.

**10. Operations and Maintenance Subsidy**

For projects in receipt of operations and maintenance subsidy, the subsidy is being utilized by eligible households, and the need for the subsidy is documented on an annual basis.

**P. 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 and persons with disabilities. 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 OH 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.

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## OPERATING AND MAINTENANCE TRUST FUND PROGRAM

### IX. PROGRAM OBJECTIVES

The 1995 Housing Levy passed by Seattle voters included an \$8,751,000 Operating and Maintenance (O and M) 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 O and M Trust Fund builds upon the success of the O and M Trust 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 Office of Housing with the responsibility of administering the overall Levy, including the O and M Trust Fund.

Except as noted, policies outlined in part III below will also apply to the 1986 Housing Levy O and M Trust Fund Program. Effective July 1, 1998, OH began administering the 1986 O and M Program. These policies begin to apply to the 1986 Levy O and M Program funds upon adoption of this A and F Plan by City Council.

Administration of both the 1986 Trust Fund and 1995 Trust Fund programs will be financed from the 1986 and 1995 O and M Trust Fund Program interest earnings. Interest will be used during 2001-2002, 50% from 1986 Levy and 50% from 1995 Levy, to fund one full-time staff person (including benefits and pro-rata share of related budget costs) within OH. Administration costs will total no more than the following amounts:

2001: \$577,785.

2002: \$579,356.

### X. PROGRAM FOCUS --- 1995 LEVY FUNDING

The Office of Housing will be seeking funding proposals for multi-unit housing upon the City Council's approval of the A and F Plan. It is estimated that approximately \$5125,000 of O and M Trust fund subsidy will be available in 2001-2002 to organizations

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providing low-income housing. Average subsidy amounts will be based on sponsor demonstration of need and costs for comparable projects, with priority given to projects that secure significant non-city operating or service funds. City Council Resolution 29165 stated that O and M 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.

Up to one-third of funding will be available to provide "special support" for special needs housing projects. "Special support" includes project management or support service expenses beyond what a traditional housing project would require, or contract services relating to project support.

## **XI. PROGRAM POLICIES --- 1995 AND 1986 LEVY FUNDING**

### **A. ELIGIBLE PROJECTS**

Projects developed through each Levy that provide housing to extremely low-income households (at or below 30 percent of median income) are eligible to receive O and M Trust Fund subsidy from that Levy. Private owners and developers as well as all types of nonprofit agencies, including SHA and Public Development Authorities are eligible to participate in the program. These policies shall apply to all renewals of trust fund subsidy agreements for years beginning after December 31, 1998 except to the extent that there is a binding contract in effect providing that the City will renew an agreement on specific terms established when prior policies were in effect. In such cases, renewals shall be based upon the terms of the existing agreement, except to the extent that OH and the project sponsor shall agree to substitute different terms consistent with these policies.

### **B. ELIGIBLE HOUSEHOLDS**

To be eligible for O and M subsidy, units must be occupied by households that have incomes equal to or less than 30% of area median income (as adjusted for household size).

### **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 2001-2002 period. The OH 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 50 years or more, assuming ongoing capitalization and use of replacement reserves. Rehabilitation should minimize ongoing maintenance and utility costs. Phased rehabilitation is allowable if fund sources

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can be identified for completion and there is a funding source for the work other than the Trust Fund. All buildings are required to meet applicable zoning and building codes.

### **E. RENTS**

Eligible households will generally be expected to pay 35% of adjusted monthly gross income for rent and any tenant-paid utilities associated with a project. Borrowers may request alternate rent schedules to meet unique program objectives; specific requirements will be outlined in subsidy contracts. Annual project budgets should reflect estimated rental income based on program design unique to each 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

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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 unless the recipient receives written permission from OH to use a different fiscal year.

Subsidy funds under the 1986 Levy must be used for "operating and maintenance costs" as defined in Section 8.C of Ordinance 112904.

Eligible uses of 1995 Levy Trust Fund 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, or from sponsors receiving a total of \$50,000 in total Trust fund subsidies for multiple projects. The audit must be obtained by the sponsor. The audit must verify that the Trust Fund subsidized eligible expenses and

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that actual expenditures correspond to the project's approved operating budget. Projects with a Trust Fund subsidy of less than \$25,000 are not required to submit an audit, but are required to submit a detailed 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
- ☐ Replacement 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 OH regulatory document requirements and periodic Capital Plans to be prepared by sponsors evaluating capital needs and the schedule for required replacement reserve expenditures.

Operating reserve additions budgeted each year to cover unforeseen operating costs. The amount is normally to be 2.5 percent of all expenses except long-term replacement reserve items. 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 requirements and limits on replacement and operating reserves may be adjusted periodically, and/or for specific projects, by the Office of Housing based on a review of the capital needs and operating risks of projects and of other public funder standards.

The Trust Fund will not subsidize debt service (including interest); program subsidy may be used in projects that have private debt when needed to support a small number of units for people who are homeless included in the larger projects.

#### **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 Office of Housing will make funding available up to a maximum of twenty years from the date of project completion, subject to availability of funding and to annual reviews that may result in adjustments to subsidy amounts or discontinuance of subsidy, in the discretion of OH. For example, subsidies to Trust Fund units may be reduced or discontinued if increasing revenues from other housing units, commercial space, or alternative subsidy sources are available to a project, or if insufficiency of currently available or projected Trust Fund resources requires OH to prioritize among projects receiving subsidy.

If during the originally expected subsidy term the Trust Fund subsidy is discontinued or reduced, and if the sponsor therefore cannot meet operating expenses of the Trust Fund units with rents affordable to extremely low-income households, the sponsor can rent the units to any very low-income households who can pay rents sufficient to allow the sponsor to cover operating costs of the units, but not to exceed affordable rents. 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.

#### **K. ANNUAL REVIEWS**

OH will conduct financial, management, operations, and maintenance reviews of projects receiving subsidy each year. OH 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, and audit, if applicable, for the project compared with the operating budget. The statement should include cumulative balances for replacement and operating reserves.
- ☐ 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. Schedule for periodic completion of a capital needs assessment that includes a life cycle cost analysis for the major building components and a 20 year schedule of replacement reserve deposits and expected expenditures.
- ☐ 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 generally be paid to projects on a quarterly basis. The amount and the conditions for providing subsidy will be negotiated between OH 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.

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Sponsors will be required to provide quarterly financial reports. Sponsors may request subsidy readjustment at any time.

Adjustments to the subsidy amounts prior to the annual review will only be made when it is determined by OH 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.

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**CITY OF SEATTLE**

**1995 HOUSING LEVY**

**ADMINISTRATIVE  
AND  
FINANCIAL PLAN**

**Program Years: 2001, 2002**

**EXHIBIT A**

**Paul Schell, Mayor**

**Prepared by:  
Seattle Office of Housing  
Cynthia A. Parker, Director**

**September 22, 2000**

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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, homebuyer 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 Office of Housing (OH) 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 Office of Housing (OH) 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. The first A and F Plan was adopted by City Council in September, 1996, and a second A and F Plan was adopted in September 1999 which applied to program activity through 1999 and 2000. This revised Plan will apply to program activity through 2001 and 2002. The Plan was developed by OH 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.

The contents of this Plan are not intended to confer any legal rights on actual or potential project sponsors, applicants, or other persons. The terms of this Plan are subject to revision by ordinance and to the effect of applicable laws, regulations and ordinances.

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## 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.

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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 OH 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.

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## PROGRAM ADMINISTRATION

Section 8 of Ordinance 117711 identifies the City's Office of Housing (OH) 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 OH 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.

Levy funds available for administration will be used as follows in 2001-2002:

- ☐ Rental Production Program
  - TOTAL funds for administration: \$2,645,053
  - Portion of total to be used for administration in 2001-2002: \$ 788,701.
- ☐ Home Buyer Assistance Program
  - TOTAL funds for administration: \$254,000
  - Portion of total to be used for administration in 2001-2002: \$ 115,317
- ☐ Homeowner Repair Program
  - TOTAL funds for administration: \$184,947
  - Portion of total to be used for administration in 2001-2002: \$ 83,967
- ☐ Operating and Maintenance (O and M) Trust Fund Program
  - Funding for administration of the O and M program will come from trust fund interest earnings during 2001-2002.
  - Total required for administration in 2001-2002 is \$515,471; funding for administration of the O and M programs will come from interest earnings from the 1986 Levy (50%) and the 1995 Levy (50%).

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 OH for administration. The remaining 2% (or 40% of total administrative funding) requires "authority expressly granted by ordinance by the City Council."

Resolution 29165 directed OH 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. OH examined the budget implications of the changes in May. OH 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

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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.

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## PROGRAM FUNDING PLAN

Table 1 shows the anticipated Program Funding Plan for the entire levy period. The Rental Production Program allocated its entire first two years' program amount by the end of 1997. The other two capital programs began their first full year allocation process in 1997. An inflation factor has been built into the model; the annual allocations to projects by OH for the three capital programs increase by 3% each year.

The need for administrative funding does not occur until 1997. Administrative funding for the Operating and Maintenance Trust Fund Program will be provided from that program's interest earnings.

Table 2 shows budget appropriations by levy program out of property tax revenue only, not including interest.

City Council approved the 1999-2000 Administrative and Financial Plan in September 1998. In September 1999, by Ordinance 119660, the Council amended the Plan and reallocated a portion of the 1997, 1998 and 1999 appropriations for the HomeBuyer program to the Homeowner Rehabilitation Program.

The Program Funding Plan, shown in Table 1 on page 8, indicates the amount expected to be spent each year. Table 1 has been revised from the prior Plan to shift all scheduled expenditures for the Homebuyer Assistance Program and Homeowner Rehabilitation Program for 2003, to be allocated proportionately between 2001 and 2002. Given the strong need for funding and a planned Levy renewal in the fall of 2002, funding for these programs in 2003 is anticipated to be from a future Levy. Amounts stated in the Program Funding Plan, and any allocations of funds to specific types of projects within this plan, include only long-term uses of funds, not bridge loans. However, Annual Budgets may include appropriations of additional amounts out of estimated bridge loan repayments, in order to restore original budget authority utilized for bridge loans.

**Bridge Loans:** The Office of Housing may use 1986 and/or 1995 levy funds to make bridge loans to assist in development of low-income housing (for rental or owner occupancy). Bridge loans are intended to provide funding to permit housing projects to proceed in advance of the availability of permanent project funding. Bridge loan funding is available for such project development activity as acquisition and/or construction.

All levy programs may provide funding for bridge loans. Bridge loans may be made when, in the judgement of the OH Director, there is a high likelihood of repayment so funds will be available to fulfill the original purpose of the funds. More on bridge loans is included in the Loan Conditions section of the Rental Production Program; these guidelines will be used for all levy-funded bridge loans.

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**Levy Interest Earnings:** Interest earned on levy capital funds placed in Subfunds 10 and 13 will be used for additional housing unit production according to policies approved for the Rental Production Program, 50% to 65% of median income, and Homebuyer Assistance Program, respectively. Interest earned during 2001 through 2002 on levy capital funds, and the property tax distributions scheduled for the O&M Trust Fund in excess of what is needed to achieve the capital contribution target in the Levy Program Fund Plan, due to earlier use of interest earnings for the O&M Trust Fund, shall be placed in Subfund 11 and will be used for additional program production according to policies approved for Rental Production Program funding available for projects serving people with income less than 50% of median. Of the total funds to be used for additional program production, 5% will be used by OH for administration.

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TABLE 1

## 1995 HOUSING LEVY PROGRAM FUNDING PLAN (CHART REVISED SEPTEMBER 2000)

PROGRAM:		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
HOMEOWNER REHABILITATION	CAPITAL	\$190,343	\$487,081	\$510,265	\$534,144	\$512,814	\$536,492	\$549,732	\$0	\$3,320,871
	ADMIN	\$0	\$24,137	\$24,861	\$25,607	\$26,375	\$41,576	\$42,391	\$0	\$184,947
	SUBTOTAL	\$190,343	\$511,218	\$535,126	\$559,751	\$539,189	\$578,068	\$592,123	\$0	\$3,505,818
HOME BUYER	CAPITAL	\$0	\$285,714	\$285,714	\$285,714	\$331,640	\$655,746	\$668,601	\$0	\$2,513,129
	ADMIN	\$0	\$33,149	\$34,143	\$35,168	\$36,223	\$57,098	\$58,219	\$0	\$254,000
	SUBTOTAL	\$0	\$318,863	\$319,857	\$320,882	\$367,863	\$712,844	\$726,820	\$0	\$2,767,129
RENTAL 50-65% PRODUCTION	CAPITAL	\$319,741	\$329,333	\$339,213	\$349,390	\$359,871	\$370,667	\$389,785	\$0	\$2,458,000
	ADMIN	\$0	\$21,795	\$22,449	\$23,122	\$23,816	\$24,530	\$25,266	\$26,022	\$167,000
	SUBTOTAL	\$319,741	\$351,128	\$361,662	\$372,512	\$383,687	\$408,208	\$428,062	\$0	\$2,625,000
RENTAL < 50% PRODUCTION	CAPITAL	\$5,101,754	\$5,254,808	\$5,412,451	\$5,574,824	\$5,742,069	\$5,914,331	\$7,108,720	\$0	\$40,108,957
	ADMIN	\$0	\$323,403	\$333,105	\$343,098	\$353,391	\$557,068	\$428,857	\$386,151	\$2,531,998
	SUBTOTAL	\$5,101,754	\$5,578,211	\$5,745,556	\$5,917,922	\$6,095,460	\$6,471,399	\$7,537,577	\$0	\$42,640,955
O&M TRUST FUND	AMOUNT AVAILABLE									
	FOR TRUST FUND	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$171,240	\$0	\$7,672,098
TOTALS		\$6,861,981	\$8,009,563	\$8,212,344	\$8,421,210	\$8,636,342	\$9,214,576	\$9,442,811	\$412,173	\$59,210,999

TABLE 2

**PROPERTY TAX DISTRIBUTION BY PROGRAM (CHART REVISED SEPTEMBER 1999)**  
**1995 HOUSING LEVY APPROPRIATION PLAN FOR SUPPORT FUND APPROPRIATION**

FUNDS AVAILABLE:		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
TOTAL:		\$59,211,000	\$8,458,714	\$8,458,714	\$8,458,714	\$8,458,715	\$8,458,714	\$8,458,715	\$8,458,714	\$59,211,000

  

PROGRAM:		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS:
HOMEOWNER REHABILITATION	CAPITAL	\$416,714	\$511,687	\$523,108	\$534,871	\$501,061	\$416,715	\$416,715	\$0	\$3,320,871
	ADMIN	\$26,421	\$26,421	\$26,421	\$26,421	\$26,421	\$26,421	\$26,421	\$0	\$184,947
	SUBTOTAL	\$443,135	\$538,108	\$549,529	\$561,292	\$474,640	\$443,136	\$443,136	\$0	\$3,505,818
HOME BUYER	CAPITAL	\$416,714	\$321,741	\$310,320	\$298,557	\$332,367	\$416,715	\$416,715	\$0	\$2,513,129
	ADMIN	\$36,286	\$36,286	\$36,286	\$36,286	\$36,286	\$36,285	\$36,285	\$0	\$254,000
	SUBTOTAL	\$453,000	\$358,027	\$346,606	\$334,843	\$368,653	\$453,000	\$453,000	\$0	\$2,767,129
RENTAL/50-65% PRODUCTION	CAPITAL	\$351,143	\$351,143	\$351,143	\$351,143	\$351,143	\$351,143	\$351,142	\$0	\$2,458,000
	ADMIN	\$23,857	\$23,857	\$23,857	\$23,857	\$23,857	\$23,857	\$23,858	\$0	\$167,000
	SUBTOTAL	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$0	\$2,625,000
RENTAL <50% PRODUCTION	CAPITAL	\$5,583,429	\$5,583,429	\$5,583,429	\$5,583,429	\$5,583,428	\$5,583,428	\$5,583,428	\$0	\$39,084,000
	ADMIN	\$354,007	\$354,007	\$354,007	\$354,008	\$354,008	\$354,008	\$354,008	\$0	\$2,478,053
	SUBTOTAL	\$5,937,436	\$5,937,436	\$5,937,436	\$5,937,437	\$5,937,436	\$5,937,436	\$5,937,436	\$0	\$41,562,053
O&M		\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,143	\$1,250,142	\$0	\$8,751,000
TRUST FUND										
TOTALS		\$8,458,714	\$8,458,714	\$8,458,714	\$8,458,715	\$8,458,714	\$8,458,715	\$8,458,714	\$0	\$59,211,000





## SINGLE FAMILY HOME REPAIR PROGRAM

Single family home repair 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. The Mayor and City Council have increased the original allocation in the Levy ordinance, so as to allocate \$3,320,871 to single family home repair over its lifetime. The goal is to help a minimum of 52 single-family homeowners repair their homes in 2001-2002. During fall 1999 and the first half of 2000, the Office of Housing has engaged users, nonprofit agencies, lenders and other interested parties in a redesign process for its home repair programs. The Reach program has been replaced with the HomeWise Program, which merges the home repair and weatherization activities into a combined program.

### I. PROGRAM OBJECTIVES

The following general program objectives guide the single family home repair program:

- ☐ Annually provide a minimum of 26 HomeWise-Weatherization and Home Repair loans to qualifying homeowners;
- ☐ 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;
- ☐ Assist elderly and/or disabled homeowners to remain in their homes.
- ☐ Make all Levy single family home repair 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).
- ☐ Improve energy efficiency and sustainability of housing stock.
- ☐ Add to the housing stock by providing funds and assistance for a pilot program for Accessory Dwelling Units (ADUs).

### II. PROGRAM FOCUS

From 2001 through 2002 \$1,170,191 in Levy funds will be available for the HomeWise-Weatherization and Home Repair Program including program administration. HomeWise focuses on preserving single family homes, maintaining the City's supply of low-moderate income housing, enhancing neighborhoods and building communities. HomeWise incorporates sustainable building practices and design principles and the use of recycled materials.

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HomeWise offers qualifying homeowners low-interest home improvement loans and Weatherization grants. Housing levy funds are used only for loans. Weatherization grants come from a variety of federal, state and local funds. In 2001-2002 there will be \$1,086,224 available for home repair loans, plus the Office of Housing expects to enter into partnership or referral arrangements with local lenders to increase the private capital available for the HomeWise program. The number of loans expected to be made during 2001-2002 will be increased compared to the number made in 1999-2000. The average loan amount was \$21,390 in 1999 and is expected to increase during 2001-2002 due to rising construction costs and funding homes in poorer physical condition. The maximum loan amount for HomeWise loans shall be \$45,000. The maximum loan amount may be exceeded, up to a total loan of \$55,000, with approval of the OH Director, provided that the purpose of the loan is for health and safety repairs.

The Single Family Home Repair program will be implemented using the program policies and procedures established by the OH Director for the HomeWise program, as they may be amended from time to time, except where those policies or procedures are inconsistent with requirements of the Housing Levy ordinance or this plan.

## 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-moderate income families (80% of median income) in becoming homeowners. A total of \$2,513,129 of Levy funding is allocated for the HomeBuyer Assistance Program, not including administration. A goal has been established of assisting 120 low-moderate households to become homeowners through participation in this program. The program will be established as a revolving loan fund, so new loans can be made as loan payments are made. The Office of Housing plans to enter into an agreement during 2000 with HomeSight to implement a portion of the lending. OH staff will continue their work with the staff of the Department of Neighborhoods (DON) 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 has been included in the Housing Options Program and the Housing Work Book.

### III. 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 (SOA's), by supporting the development of new housing and the renovation of vacant or deteriorated housing.

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- ☐ Increase the rate of home ownership in Seattle, particularly for low-income households.
- ☐ Aggressively to pursue other sources of homebuyer assistance funds (HOME, etc.) to leverage the available levy dollars.
- ☐ Give priority for funds 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 WSHEC program for first-time buyers shall be considered the minimum training necessary for the first year. OH will conduct bi-annual reviews and determine if there needs to be changes with the education requirement.
- ☐ The program administrator, or other qualified nonprofit(s), 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.
- ☐ 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.
- ☐ OH staff will continue working on program development activities for the expansion of the program into areas such as land trust, coops, etc.
- ☐ 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.

#### IV. 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.
- ☐ Alternative forms of home ownership (land trusts, coops, etc.) may be pursued 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.

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## V. PROGRAM POLICIES

- ☐ Initial maximum home cost is the same as the FHA limit, as adjusted annually.
- ☐ An RFP may be issued to select an experienced program administrator and/or loan servicer for each two-year program cycle.
- ☐ Potential borrowers must be first-time homebuyers 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 five 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 homebuyer 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. Homes with an accessory dwelling unit are eligible, provided that the borrower is an owner-occupant of the home. A lease to own contract may be considered a purchase.
- ☐ 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 \$35,000 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, repayments shall be determined by a promissory note and deed of trust approved by the Office of Housing. The repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest, loan term, period of payment deferral, if any, and contingent interest or share of appreciation, if any. The Office of Housing shall report repayment terms in summary format to the Levy Oversight Committee.
- ☐ 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.
- ☐ The terms of each loan made to a home buyer shall provide that the City may collect the entire balance owing upon sale of the home, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible borrower.
- ☐ Loan term will generally be 25 years. OH may allow earlier repayment or shorter terms.

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- ☐ Any first mortgage products approved by OH shall be eligible, including FHA and FannieMae products, and portfolio loans. 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds \$5,000.
- ☐ A loan committee may 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.
- ☐ Priority will be given to borrowers who live in Seattle, are public employees working in Seattle or are other households with at least one person employed within the City of Seattle.
- ☐ The Office of Housing will have the authority to revise the maximum loan amount if increases in interest rates or sales prices create difficulty in qualifying low-income households as homebuyers in Seattle. The Director of the Office of Housing may increase the maximum loan amount after five working days notice to the Mayor and City Council. The final decision of the OH Director will be made with responses from the Mayor and City Council taken into account.

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## RENTAL HOUSING PRODUCTION PROGRAM

### VI. PROGRAM OBJECTIVES

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

CATEGORY:	TOTAL FUNDING: 2001	TOTAL FUNDING: 2002
<input type="checkbox"/> City-wide -- 0 to 50% of median income; subject to restrictions in Consolidated Plan	\$39,084,000	\$11,998,094
<input type="checkbox"/> Special Objectives Area -- 50% to 65% of median income	\$2,458,000	\$760,452

Funding will be used to produce a minimum of 340 units during 2001-2002.

### VII. PROGRAM FOCUS

Levy funds will be focused on the following priority areas in 2001-2002. These priorities will be included in NOFA documents, and are not listed in priority order:

☐ **Family Housing (defined as units containing two or more bedrooms).**

During the first 3 years of the Levy, production of 2+ bedroom units had not kept up with levy unit goals established in 1995. During 1999-2000, the Levy Oversight Committee approved a significant increase in funds designated for developments with 50% or more units being 2+ bedroom (family) housing, and the production of this type of housing increased substantially compared to prior years. In order to continue sufficient production of housing for families, 40% of funds that will be available for citywide rental production in 2001-2002 will be available and reserved as a priority for predominately 2+ bedrooms. If there are not sufficient funded applications for family projects to fully use the 40% setaside, the balance of funds may be used for other types of low-income housing.

☐ **Neighborhood Plans**

Projects that implement strategies identified in City-accepted Neighborhood Plans will be a priority. NOFA documents will provide more specific guidance regarding this important area of focus.

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☐ **Senior Housing**

Assisted living will continue to be an area of priority.

☐ **Housing for people who are homeless and/or disabled**

Recommendations from the Seattle-King County 1999-2000 Homelessness Response report, the United Way Homeless Initiative, and priorities established in the Seattle-King County Continuum of Care applications will be used to establish Office of Housing funding priorities, with specific funding emphasis to be included in NOFA documents.. Housing for persons participating in the Gates Foundation Healthy Families Initiative, welfare to work or employment programs for homeless will also receive priority.

☐ **Section 8 Preservation and Expiring Use Projects**

Preserving units with expiring project-based federal operating subsidy and other developments with expiring affordability restrictions will be a priority during 2001-2002; specific funding emphasis guidelines will be included in future NOFA documents.

☐ **Housing Units for Households at 30% of median income or lower**

Developments including a substantial proportion of units serving households with incomes of 30% or less of the median income will receive priority in order to achieve the Levy Affordability Policy in Section G.4. below.

☐ **Transit Oriented Development**

Projects located within 1/2 mile of a light rail station or major transit center which incorporate pedestrian uses and transit access into their design will be a priority.

## **VIII. 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, including refinancing of existing loans.

OH 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

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- ☐ 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, OH 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 OH's Development Fee Policy, as now in effect and as it may be amended by the Director from time to time, and will be considered as part of the development budget for a proposed project. OH 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. Impact Capital (IC), is a potential source of up-front development costs for nonprofit agencies. Impact Capital is generally repaid from loan funds if a project is approved. Levy funds can be used to repay Impact Capital.

#### **B. ELIGIBLE PROJECTS**

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

Levy funds can be used for projects that combine residential and other uses, and/or that combine subsidized housing with market-rate units. The sponsor must demonstrate that City funding is attributable to the Levy-eligible housing and that costs of other parts of the project are paid from funds eligible for that purpose.

Residential space includes:

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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.

For projects serving special needs populations, accessory space (such as office space serving the housing or space for provision of on-site social services to residents) that is necessary for the viability of the project may be considered part of the Levy-eligible housing.

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

OH 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, nor for housing for ineligible tenants, OH 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 OH Director may permit such costs to be prorated between Levy funding and other funding sources based on any reasonable formula. In order to facilitate development of the Levy-eligible units, OH may allow Levy funds to be used for the full amount of a cost item (such as purchase price) that is partially attributable to non-residential or market-rate space, if there is adequate assurance that sufficient funding from appropriate sources will be provided to pay for a share of total project costs equal to the full amount allocable to such space and that final cost certification will confirm the allocation of costs of such space to such sources.

### **C. ELIGIBLE TENANTS**

Tenant households must generally have incomes at or below 50% of area median income, adjusted for household size, 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, adjusted for household size. 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 have a history of substance abuse and/or are mentally ill, and who may or may not participate in treatment programs.

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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. The City's preference is to provide funding to nonprofit sponsors, including public agencies, that have established housing as a primary purpose of the organization. Through the project selection process, priority will be given to nonprofit and public 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, OH 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. OH 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 PROJECT**

The City's maximum subsidy per project includes all OH administered capital funds which may be combined to finance a project, including funds from the Housing Levy, the Community Development Block Grant Program, HOME Program, Growth-Related Housing Program, Housing Bonus Program, Transfer of Development Rights Program, any special mitigation funds, program income, or other long-term city capital subsidy.

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For purposes of Section E, project is defined as those units in a building(s) that are City funded and rent-regulated.

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

The maximum per project amount that the City will contribute is 40% of total development costs of City-funded affordable units. Total development costs are all components of typical development budgets, including acquisition (land and/or building), construction costs, and soft costs.

Waivers may be granted by the OH Director on a project by project basis to permit City funding in excess of the percentage stated in the previous paragraph. The OH Director may approve an increase in City subsidy of an additional 10%, up to a total of 50% of a project's total development costs for projects that 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 where other public funders have made their maximum award or 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. OH may ask sponsors to apply for other fund sources later, if appropriate.

OH 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. Additional waivers permitting higher City subsidy amounts may be granted if the OH Director finds that the leveraging potential of other fund sources is very limited and higher City subsidy is warranted. In this limited circumstance, funding in excess of 50% of total development costs of the City-funded units is permissible, as long as the project also fits within an area of program focus outlined in section VII above and is a relatively low number of units or relatively low total city funding amount.

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## **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. Levy funded units serving households with incomes from 50% of median 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 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 that 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 that 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 OH 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 OH. Sponsors will be required to notify immediate neighbors (300 foot radius from property lines) and appropriate community groups prior to submittal of a project application in response to a NOFA deadline. Sponsors must use notification either by mail or flyers delivered door to door, and good neighbor guidelines developed by OH 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 OH. Applicants will be required to conduct notification activities outlined in OH funding announcement documents.

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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 OH 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 30% of 80% of median income; affordable rent for very low-income tenants means an annual rent not exceeding 30% of 50% of median income; and affordable rent 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 OH Director shall permit another method of computation for a particular project or class of projects.
- ☐ "Low-income" means income not exceeding 80% of median income
- ☐ "Median income" means annual family median income for the Seattle-Bellevue-Everett Primary Metropolitan Statistical Area, as published from time to time by HUD, and as adjusted for household size according to the method used by HUD for income limits in subsidized housing. For purposes of rent limits, median income generally is adjusted according to the presumed family size based on the number of bedrooms in a unit, consistent with HUD rules for the HOME program.
- ☐ "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 the owner).
- ☐ "Very low-income" means income not exceeding 50% of median income.  
The OH Director may adopt further refinements or interpretations of the above definitions to improve compatibility with other funding sources and to assure adequate cash flow on a project-specific basis.

##### **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

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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.

- ☐ Non Levy funds may be used for units occupied by households with incomes from 50% to 80% of median where an existing project is acquired for very low income occupancy and some units are occupied by households with incomes over 50% of median. (See Comprehensive Plan policy H33).
- ☐ 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, reserve deposits, asset management fees and/or other project expenses or low-income housing purposes acceptable to OH.
- ☐ Sponsors shall establish operating costs in operating proforma approved by OH. 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 OH.
- ☐ 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."
- ☐ If Sponsors propose to use surplus income from one project to subsidize another project, OH shall closely review the finances of the affected developments to assure that such a use would not jeopardize the affordability requirements or financial viability of either project.

### 4. AFFORDABILITY POLICY

Levy Program funds for rental production 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 households with incomes at 30% of median income and occupied by households with incomes 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 households with incomes not exceeding 50% of median income.

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- ☐ A limited amount of rental production funds, set at \$760,452 for 2001-2002, shall be used for housing in Special Objectives Areas for units serving households with incomes between 50 to 65% of median income.

OH administers the affordability policy 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 January 1, 2001 through December 31, 2002 shall be included in calculating City affordability policy goals for the 2001-2002 period.

#### 5. OTHER POLICIES

- ☐ Project sponsors must obtain OH 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.
- ☐ 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.
- ☐ For so long as Housing Levy Operating and Maintenance Trust Fund subsidies are provided with respect to a unit, the rent requirements contained in the portion of this Administrative and Financial Plan governing the Trust Fund shall apply to that unit 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 and City funding returned, City proceeds should be used to produce replacement low-income housing consistent with then current City low-income housing policy.

The OH 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. "Tax credit partnerships" may include limited liability companies or other entities organized to utilize low-income housing tax credits and/or other tax credits.

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### 1. Loan Terms

Loan terms will be a minimum of 50 years.

### 2. Interest Rate

The interest rate for projects not using low-income housing tax credits 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. The interest rate for projects using low-income housing tax credits will be a minimum of 1% simple interest and a maximum of the Applicable Federal Rate for the purposes of Section 42 of the Internal Revenue Code, depending on the project's projected capacity for repayment. The actual interest rate for projects using low-income housing tax credits will generally range from 1-3% and will be set on a case-by-case basis. The interest rate will exceed 1% where there is a net financial benefit to the project. The purpose of establishing a range for the interest rate on Levy funds is to provide flexibility in financial structuring to maximize tax credit equity contributions and to help preserve long-term affordability. Interest on program loans will accrue annually as simple interest.

### 3. Repayment

OH will generally make deferred payment loans which must be repaid upon availability of surplus, residual income, 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. Amortizing loans will be required if project budgets can afford repayment and meet required rent levels. Amount of repayment required will be established as each project is reviewed.

### 4. Transfer and Assumption

The OH 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 funds owed to the City instead in replacement low-income housing approved by OH, the OH 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 Section H.14 below. 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 OH.

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**

Prepayment of loans under the Rental Production Program will be subject to Office of Housing approval. Such approval shall not be unreasonably withheld if the sponsor provides adequate assurances of future compliance with the affordability and occupancy restrictions in the regulatory agreement and recorded covenant. 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**

Any unpaid principal balance and accrued, but unpaid interest on OH loans will be due and payable at the end of the 50 year loan term; however, borrowers shall have the option of extension, or, in certain circumstances, forgiveness of the OH debt. At the end of the loan term, sponsors will be encouraged to extend the loan term and continue to extend the period of affordability restrictions for an additional 25 years,

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provided the property continues to be in compliance with the OH affordability requirements

- a) **Projects Serving Extremely Low-Income.** Projects serving extremely low-income households shall be defined as projects with 50% of more units with rents affordable to residents with incomes at 30% or less of median income... For such projects, debt is forgivable under the following terms: if the loan term is extended for 25 years, the loan principal and accrued, unpaid interest will be forgiven at the rate of 4% per year (of the total principal balance and accrued interest obligation as of the end of the initial loan term), so long as the sponsor and the property remain in compliance with OH loan documents.
- b) **Other Low-Income Housing Projects.** For any other types of projects, debt is not forgivable, but if the period of affordability restrictions is extended for an additional 25 years, the borrower may extend the repayment term for 25 years and continue to pay the outstanding debt only from surplus, residual receipts.

#### 9. Use of Funds Owing to the City

Sale of projects during the loan term requires City consent. 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 OH to low-income housing projects according to priorities established in the current Administrative and Financial Plan or appropriate City policy plans as determined by OH.

#### 10. Refinancing

OH shall establish a policy for allowing refinancing of properties with OH loans. OH may allow refinancing of the existing private debt in cases that result in additional capital investment in the project, that result in a lower interest rate, or that produce some other long-term project benefit. In general, OH will subordinate its deed of trust to new financing on reasonable terms if the outstanding principal balance of the new loan does not exceed the existing balance, or if the additional debt is used to repay a portion of the OH loan or for low-income housing purposes approved by OH, or some combination of these uses. OH shall review refinancing proposals, including the proposed new financing terms, proposed transaction costs, an assessment of the capital needs of the development and the adequacy of reserve accounts, and may define additional submittal requirements.

#### 11. 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

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continued feasibility. Projects will be underwritten with the goal of having a financing plan that achieves self-sufficiency for each project, so that repairs and improvements can be fully covered from the project's operating income or reserves. The City recognizes that in some cases 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, consistent with City policy and other applicable laws and regulations. The Office of Housing may use a portion of Levy Rental Production funds to meet the capital needs of existing city-funded projects if the projects meets the following criteria: a) the property has a critical capital need or code violation that cannot be addressed through the property's cash flow, reserves or other available resources, b) a public benefit will be realized as a result of the additional City funds, c) the sponsor will make a significant financial contribution, and d) the sponsor has demonstrated a plan for capable management and fiscal operations of the property. Such funds may be provided as shorter-term loans or added to existing long-term OH loans, as OH may determine based on the circumstances of the project.

#### **12. 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.

#### **13. 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 OH Director to justify recourse against the sponsor.

#### **14. 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 and the City receives security in both leasehold and fee interests. Projects involving a sponsor that is a lessee 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 properties where the sponsor is the lessee and the owner does not agree to accept the normal loan terms and conditions above:

- **Repayment**

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Loans involving leases must be structured to provide for repayment over the life of the lease, subject to normal loan forgiveness provisions. The OH 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. OH will establish the appropriate requirement for each project.

- **Interest rate**

The interest rate shall be consistent with Section H.2. above.

- **Lease term**

Minimum lease term is 50 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.

#### 15. 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.

#### 16. Mixed-Income Program Component

Up to 10% of 2001-2002 program funds is available for mixed-income projects consistent with program guidelines shown below:

*Program Purpose:*

Make City funding available to permit low-income housing units to be included in primarily market rate housing projects. All Housing Levy Rental Production Program policies apply except as noted below or as noted in specific

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policy sections of the Levy Administrative and Financial Plan.

**a. Loan Conditions:**

- Loans are expected to amortize.
- 3% interest rate.
- Minimum 30-year loan terms.
- Contingent interest does not apply.

**b. Application Process:**

Application process will be established annually by the Office of Housing.

**17. 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.

**18. Bridge Loans**

The terms described above apply to long-term loans of Levy funds. OH also may make short-term "bridge loans" from Levy funds, including Operations and Maintenance Trust Fund reserves, or other available funds. A bridge loan may be made to enable property acquisition, construction, or rehabilitation to proceed when the sponsor can provide assurance satisfactory to OH that permanent funding will be provided from other sources on acceptable terms within a reasonable period of time, in order to repay the bridge loan, but that the sponsor is not reasonably able to obtain interim financing from other sources. The term of bridge loans shall be two years or less. OH shall require payment of a reasonable rate of interest, which shall be no less than 3% simple interest, and/or a loan fee for providing the bridge loan. Bridge loans shall be made (except as noted below) only to projects also receiving long-term loans of Levy funds or of other permanent take-out funds made available on terms similar to those applicable to long-term loans. A bridge loan may be provided to the Washington Community Investment Fund for a longer term at 2% simple interest, provided that WCIF uses the funds for reserves, predevelopment loans or other interim financing to projects within the City of Seattle. A bridge loan may be made as a component of a larger Levy loan in order to minimize documentation. Bridge loans may be provided in excess of maximum City funding per project limits included in section E above.

Bridge loans may be made to Section 8 Preservation projects to facilitate transfer of ownership to a group prequalified by OH to acquire these projects. Bridge loans may

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also be made to assist in the acquisition of buildings in certain neighborhood areas when needed to implement Neighborhood Plan identified strategies and advocated by a neighborhood community organization(s). In these situations, projects do not need to come through a NOFA competitive process for bridge loan assistance. Bridge loans are not included in computing the City subsidy per project, but may not be used to fund construction or rehabilitation of commercial space or housing not serving eligible households. OH may permit the conversion of all or a portion of a bridge loan into a long-term Levy loan where cost per project limits would not then be exceeded and when a project needs additional permanent funding or when additional eligible households may then be served. For a project in which fewer than all of the units in a building or complex are initially funded by the City, conversion to a long-term loan may be conditioned upon dedication of additional units to Levy-eligible housing.

**19. Preliminary Short-term Loans -- when funding is made available for special production program for development of 2+ bedroom units**

OH may make loans on a preliminary basis in special circumstances, for example when there is a very favorable opportunity for property acquisition, before the feasibility of a project can be reasonably determined, with the loan to convert to a long-term loan only when various conditions are satisfied, such as other financing, environmental and land use decisions, and/or further discretionary decisions by OH. In such cases, if the loan is not converted to long-term status, the property will be sold and the City repaid.

**20. Conduit Financing**

In order to take advantage of opportunities or to respond to requirements of particular projects, the Director may provide Levy funds to a project indirectly, for example by a loan to a sponsor that then relends the funds to a project owner or lessee. Such financing may include, without limitation, acquisition of tax-exempt bonds from a conduit financing agency where the proceeds are used for an eligible project. In general, the project owner or lessee in such cases must agree to the regulatory terms described above and must provide a deed of trust that is assigned to the City.

**I. WMBE UTILIZATION**

Women and minority business enterprise (WMBE) utilization shall be encouraged for all Rental Production Program projects in accordance with the City's nondiscrimination and fair contracting ordinance.

**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

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are strongly encouraged. Sponsors are encouraged to consider Levy funds as matching funds for other fund sources.

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. 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 OH 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 redevelopment changes 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 OH 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 residential and commercial 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 OH 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 and to persons with disabilities
- ☐ 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.
- ☐ Schedule for periodic capital needs assessment of life cycle cost analysis for the replacement of major building components to ensure the replacement reserve is adequate for the life of the project.

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 OH in response to a general Notice of Funding Availability (NOFA). OH will publish the NOFA schedule at the beginning of each year. The NOFA will describe when applications may be submitted and outline application requirements. All applications must include information requested in the NOFA. Incomplete applications will be returned to applicants; minor deficiencies may be

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corrected during the review process-major deficiencies will cause the application to be withdrawn from the funding round.

All applicants must attend a project pre-application conference with OH staff prior to submitting an application for funding, consistent with requirements outlined in the NOFA. Funding applications will first be reviewed by OH staff. Staff will review project proposals for consistency with levy policies and develop funding conditions, if appropriate.

The Director may reserve a portion of any year's Levy appropriation in order to provide additional funding for approved projects if required due to unforeseen cost increases or unavailability of other funds expected at the time of approval. If additional funds become available, for example, due to cancellation of a project or cost savings, the Director may apply such funds to any such necessary increase and/or to projects for which qualifying applications were received in response to a prior NOFA but that could not be funded, or could not be fully funded, due to insufficient funds then available.

Funding recommendations shall be made by a Levy Credit Committee, comprised of persons appointed by the OH Director. The Levy Credit Committee shall include private and public sector housing finance professionals, as well as representatives of the Mayor's Office and City Council, if available, and other persons with expertise in affordable housing. The OH Director, whose decisions on funding shall be final, will make project selection decisions. Results will be reported to the Housing Levy Oversight Committee. Project selection will be based on, but not limited to, the following general criteria:

- Reasonable Cost --- project cost comparison.
- Project readiness --- is the applicant ready to move the project forward in a timely way; is the timing of the other funding sources sequenced appropriately?
- Program Focus --- which projects best meet program focus objectives?
- Overall investment opportunity --- which projects provide the most public benefit for the City?
- Community Development Opportunity --- which projects offer community benefit beyond provision of housing units?
- Sponsor's track record --- has applicant demonstrated successful development and operation of affordable housing, is applicant agency current with all reporting information on previously funded projects; are previously funded projects proceeding on schedule?

The criteria will be published in NOFA documents, with more explanation on how criteria will be applied.

There are three points when a project could be refused consideration for funding: (1) at the time of the project applicant eligibility conference described in the NOFA; (2) if an application is submitted for funding and has been determined to be substantially incomplete; and (3) at the time of final project selection. Applicants may submit requests for reconsideration of staff decision at these three points to the OH Director. Request requirements, along with time frame for submittal, will be published in the NOFA. Except for applicants which do not meet minimum qualifications or which have

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submitted applications that are substantially incomplete, all applications received in a timely manner will receive consideration for funding.

- Decisions to fund projects, when announced by the Director, are preliminary and not binding on the City until a formal commitment letter is signed by both the Director and the applicant. After funding decisions are announced, the Director may revoke or reduce funding to any project based on a number of factors, such as failure of the applicant to obtain other funding; noncompliance by the applicant with City policies; determination of inaccuracies in the information submitted; increased costs or other factors affecting feasibility; results of environmental or other reviews; or failure to the applicant to agree to loan conditions. The Director also may increase funds to a project after initial funding decisions are made if reasonably necessary to assure success of the project or maximum public benefit, based on new information not available at the time of the initial decision.

#### **N. PROJECT PROPOSAL REQUIREMENTS**

OH will release Notice of Fund Availability (NOFA) and/or 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, and 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 pre-design 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 15 year operating proforma with proposed rents and justification for operating subsidy, if requested.





- ☐ 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 50 years, will constitute site control. OH 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 OH 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 OH, 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, and 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 may 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 population to be served and demonstrate how project will serve that population. Sponsor must demonstrate extent of "market" or level of need for proposed project and describe project's impact on the target population.
- ☐ Evidence of site suitability - explanation why site is suitable for homeless group being served.

#### **O. CONSTRUCTION REQUIREMENTS**

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

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Project sponsors will be expected to provide quality housing that will last for 50 years or longer. 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 Maintenance 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 OH for approval. A decision to phase rehabilitation will be made by OH within the context of a complete building evaluation that includes a total scope of rehabilitation and a cost for the entire project.

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. Sponsors that wish to select a contractor through negotiated bid or other process must obtain advance approval from the Director of the Office of Housing. OH 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 OH 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 OH 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.

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Construction contracts shall encourage employment of female, minority and economically disadvantaged workers. 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. OH 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 OH'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 OH's satisfaction that use of a project labor agreement would be beneficial for project development may require a project labor agreement.

Units financed through the Mixed-Income component will be reviewed by OH to determine that the design and construction standards and materials will be the same for both the low-income and market-rate units.

**PROJECT MONITORING**

The OH 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, based on "Outcomes for Housing Project Operations" listed below. Performance Measures will be based on the following principles:

- Measures must be based on information that is relatively accessible and easy to collect;
- Measures must reflect what other funders require; information unique to City requirements will be kept to a minimum;
- Information will be requested at times coinciding with requests from other fund sources;
- City staff monitoring project site visits will be coordinated with other fund sources;
- Reports provided for other fund sources will be acceptable for City monitoring purposes whenever possible.

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### **Outcomes For Housing Project Operations**

The ten desired outcomes of the City's multifamily low-income housing program are listed below:

#### **1. Rents and Occupancy**

The housing has rents affordable to low income households as specified in contractual agreements with the City.

#### **2. Safe and Sanitary Condition**

The housing is continually in safe and sanitary condition, and is in conformance with the Seattle Housing Code, the Seattle Building Code, and Housing Quality Standards. The housing project is providing all the common facilities and design features originally constructed, or altered through mutual consent, in the project.

#### **3. Sound Project Fiscal Management**

The project is being operated according to sound fiscal management practices.

#### **4. Sound Sponsor Fiscal Health**

The project sponsor is in sound fiscal health.

#### **5. Management Plan**

The project is operated according to the agency's original, or amended, management plan.

#### **6. Project Serves Intended Population**

A project which is designed for a particular population or housing need, such as persons who are mentally ill or have substance abuse problem is serving the group approved by City and is providing services as specified in the agency's management plan, as specified in contractual agreements with the City

#### **7. Affirmative Marketing and Nondiscrimination**

The housing is being affirmatively marketed and nondiscriminatory treatment for all applicants and occupants is assured.

#### **8. Project a Good Neighbor**

The housing project is a good neighbor which is measured by good maintenance and responsiveness to neighborhood concerns and complaints.

#### **9. Programs Serve a Variety of People**

Collectively, the housing funded by City of Seattle programs is serving the variety of low-income households, ethnic groups, and persons with special needs which have been identified as in need of multifamily housing assistance.

#### **10. Operations and Maintenance Subsidy**

For projects in receipt of operations and maintenance subsidy, the subsidy is being utilized by eligible households, and the need for the subsidy is documented on an annual basis.

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**P. 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 and persons with disabilities. 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 OH 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.

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## OPERATING AND MAINTENANCE TRUST FUND PROGRAM

### IX. PROGRAM OBJECTIVES

The 1995 Housing Levy passed by Seattle voters included an \$8,751,000 Operating and Maintenance (O and M) 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 O and M Trust Fund builds upon the success of the O and M Trust 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 Office of Housing with the responsibility of administering the overall Levy, including the O and M Trust Fund.

Except as noted, policies outlined in part III below will also apply to the 1986 Housing Levy O and M Trust Fund Program. Effective July 1, 1998, OH began administering the 1986 O and M Program. These policies begin to apply to the 1986 Levy O and M Program funds upon adoption of this A and F Plan by City Council.

Administration of both the 1986 Trust Fund and 1995 Trust Fund programs will be financed from the 1986 and 1995 O and M Trust Fund Program interest earnings. Interest will be used during 2001-2002, 50% from 1986 Levy and 50% from 1995 Levy, to fund one full-time staff person (including benefits and pro-rata share of related budget costs) within OH. Administration costs will total no more than the following amounts:

2001: \$77,785.

2002: \$79,356.

### X. PROGRAM FOCUS --- 1995 LEVY FUNDING

The Office of Housing will be seeking funding proposals for multi-unit housing upon the City Council's approval of the A and F Plan. It is estimated that approximately \$125,000 of O and M Trust fund subsidy will be available in 2001-2002 to organizations providing

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low-income housing. Average subsidy amounts will be based on sponsor demonstration of need and costs for comparable projects, with priority given to projects that secure significant non-city operating or service funds. City Council Resolution 29165 stated that O and M 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.

Up to one-third of funding will be available to provide "special support" for special needs housing projects. "Special support" includes project management or support service expenses beyond what a traditional housing project would require, or contract services relating to project support.

## **XI. PROGRAM POLICIES --- 1995 AND 1986 LEVY FUNDING**

### **A. ELIGIBLE PROJECTS**

Projects developed through each Levy that provide housing to extremely low-income households (at or below 30 percent of median income) are eligible to receive O and M Trust Fund subsidy from that Levy. Private owners and developers as well as all types of nonprofit agencies, including SHA and Public Development Authorities are eligible to participate in the program. These policies shall apply to all renewals of trust fund subsidy agreements for years beginning after December 31, 1998 except to the extent that there is a binding contract in effect providing that the City will renew an agreement on specific terms established when prior policies were in effect. In such cases, renewals shall be based upon the terms of the existing agreement, except to the extent that OH and the project sponsor shall agree to substitute different terms consistent with these policies.

### **B. ELIGIBLE HOUSEHOLDS**

To be eligible for O and M subsidy, units must be occupied by households that have incomes equal to or less than 30% of area median income (as adjusted for household size).

### **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 -2001-2002 period. The OH 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 50 years or more, assuming ongoing capitalization and use of replacement reserves. Rehabilitation should minimize ongoing maintenance and utility costs. Phased rehabilitation is allowable if fund sources

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can be identified for completion and there is a funding source for the work other than the Trust Fund. All buildings are required to meet applicable zoning and building codes.

#### **E. RENTS**

Eligible households will generally be expected to pay 35% of adjusted monthly gross income for rent and any tenant-paid utilities associated with a project. Borrowers may request alternate rent schedules to meet unique program objectives; specific requirements will be outlined in subsidy contracts. Annual project budgets should reflect estimated rental income based on program design unique to each 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

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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 unless the recipient receives written permission from OH to use a different fiscal year.

Subsidy funds under the 1986 Levy must be used for "operating and maintenance costs" as defined in Section 8.C of Ordinance 112904.

Eligible uses of 1995 Levy Trust Fund 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, or from sponsors receiving a total of \$50,000 in total Trust fund subsidies for multiple projects. The audit must be obtained by the sponsor. The audit must verify that the Trust Fund subsidized eligible expenses and

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that actual expenditures correspond to the project's approved operating budget. Projects with a Trust Fund subsidy of less than \$25,000 are not required to submit an audit, but are required to submit a detailed 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
- ☐ Replacement 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 OH regulatory document requirements and periodic Capital Plans to be prepared by sponsors evaluating capital needs and the schedule for required replacement reserve expenditures.

Operating reserve additions budgeted each year to cover unforeseen operating costs. The amount is normally to be 2.5 percent of all expenses except long-term replacement reserve items. 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 requirements and limits on replacement and operating reserves may be adjusted periodically, and/or for specific projects, by the Office of Housing based on a review of the capital needs and operating risks of projects and of other public funder standards.

The Trust Fund will not subsidize debt service (including interest); program subsidy may be used in projects that have private debt when needed to support a small number of units for people who are homeless included in the larger projects.

#### **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

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- ☐ The commitment and reasonableness of support services, if necessary, for the proposed tenant population.

#### **J. SUBSIDY TERM**

The Office of Housing will make funding available up to a maximum of twenty years from the date of project completion, subject to availability of funding and to annual reviews that may result in adjustments to subsidy amounts or discontinuance of subsidy, in the discretion of OH. For example, subsidies to Trust Fund units may be reduced or discontinued if increasing revenues from other housing units, commercial space, or alternative subsidy sources are available to a project, or if insufficiency of currently available or projected Trust Fund resources requires OH to prioritize among projects receiving subsidy.

If during the originally expected subsidy term the Trust Fund subsidy is discontinued or reduced, and if the sponsor therefore cannot meet operating expenses of the Trust Fund units with rents affordable to extremely low-income households, the sponsor can rent the units to any very low-income households who can pay rents sufficient to allow the sponsor to cover operating costs of the units, but not to exceed affordable rents. 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.

#### **K. ANNUAL REVIEWS**

OH will conduct financial, management, operations, and maintenance reviews of projects receiving subsidy each year. OH 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, and audit, if applicable, for the project compared with the operating budget. The statement should include cumulative balances for replacement and operating reserves.
- ☐ 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. Schedule for periodic completion of a capital needs assessment that includes a life cycle cost analysis for the major building components and a 20 year schedule of replacement reserve deposits and expected expenditures.
- ☐ 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 generally be paid to projects on a quarterly basis. The amount and the conditions for providing subsidy will be negotiated between OH 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.

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Sponsors will be required to provide quarterly financial reports. Sponsors may request subsidy readjustment at any time.

Adjustments to the subsidy amounts prior to the annual review will only be made when it is determined by OH 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.

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## City of Seattle

### TITLE-ONLY PUBLICATION

The full text of the following ordinance, passed by the City Council on October 18, 2000, and published here by title only, will be mailed upon request, or can be accessed electronically at <http://seattlecityclerk.org>. For further information, contact the Seattle City Clerk at 206-465-4444.

#### ORDINANCE NO. 120123

AN ORDINANCE relating to low-income housing; approving the 2001-2002 Administrative and Financial Plan for 1996 Housing Levy Programs established under Ordinance 117711 and for the Operating and Maintenance Trust Fund for the 1996 and 1997 Housing Levies for interim financing of proposed low-income housing projects; and ratifying and confirming prior acts.

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#### ORDINANCE NO. 120124

AN ORDINANCE accepting an agreement for water meters from Washington State Public Stadium Authority, for the Substation Hall situated adjacent to Occidental Avenue South and just north of Royal Brougham Way, in the City of Seattle.

#### ORDINANCE NO. 120125

AN ORDINANCE relating to the Seattle Center Department; increasing appropriation authority in the 1999 Seattle Center/Community Centers Fund for the Martin Luther King Jr. Hall project to continue with pre-construction activities; all upon a three-fourths vote of the City Council.

#### ORDINANCE NO. 120126

AN ORDINANCE relating to the Seattle Center Department; making a appropriation from the Cumulative Reserve Subfund for the construction of tenant improvements in the Coliseum Building; all by a three-fourths vote of the City Council.

#### ORDINANCE NO. 120127

AN ORDINANCE relating to the Human Services Department; authorizing the execution of agreements with the Workforce Development Council and United Way of King County for financial assistance for the operation of the Seattle Youth Employment Program; increasing the expenditure allowance in the 2000 budget of the Human Services Department by making reimbursable appropriations; creating certain positions; and ratifying and confirming prior acts; all by a three-fourths vote of the City Council.

#### ORDINANCE NO. 120128

AN ORDINANCE relating to the second round of appropriations of Opportunity funds for implementation of neighborhood plans; authorizing City departments to enter into agreements to implement specified neighborhood plan projects; reducing the expenditure authority in the 2000 budget of Finance General and correspondingly increasing the 2000 expenditure authority of these various City departments to carry out these projects; and transferring funds.

#### ORDINANCE NO. 120129

AN ORDINANCE relating to the Executive Services Department; authorizing sale of Lots 104, Block 25, H. L. Yeater's First Addition, commonly known as the Odessa Brown Building, a Seattle Model Cities Program acquisition, to First Place, a non-profit corporation; and designating the disposition of sales proceeds.

#### ORDINANCE NO. 120130

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 Daily Journal of Commerce, Seattle, November 1, 2000. 11/1(124124CT)

## OF WASHINGTON - KING COUNTY

's Office

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No. ORD.TITLES

### 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:120123-120130

was published on

11/01/00

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

Notary Public for the State of Washington,  
residing in Seattle

Affidavit of Publication

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