Ordinance No. 122391

Council Bill No. 115875

AN ORDINANCE relating to housing for low-income households, adopting the 2007-2009 Administrative and Financial Plan for 2002 Housing Levy Programs; amending the Affordable Housing Financing Plan adopted by Ordinance 121803; adopting certain policies for use of funds from the 1986 Housing Levy and 1995 Housing Levy; and amending the 2005-2008 Consolidated Plan for Housing and Community Development.

CF No.

Date Introduced: 4.23.07	
Date 1st Referred: 4.23.07	To: (committee) Housing Human Svcs + Health
Date Re - Referred:	To: (committee)
Date Re - Referred:	To: (committee)
Date of Final Passage: 5-7-07	Full Council Vote: 9-0
Date Presented to Mayor: 5-8-07	Date Approved: 5.10.07
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Date Vetoed by Mayor:	Date Veto Published:
Date Passed Over Veto:	Veto Sustained:

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Tom Rasmussen
Councilmember

Committee Action:

5-1 passed 3-0 TR, SC, RM

5-7-06 Passed 9-0

This file is complete and ready for presentation to Full Council. Committee: (initial/date)

Law Department

Law Dept. Review	OMP Review	City Clerk Review	Electronic Copy Loaded	Indexed

ORDINANCE 122391

AN ORDINANCE relating to housing for low-income households, adopting the 2007-2009 Administrative and Financial Plan for 2002 Housing Levy Programs; amending the Affordable Housing Financing Plan adopted by Ordinance 121803; adopting certain policies for use of funds from the 1986 Housing Levy and 1995 Housing Levy; and amending the 2005-2008 Consolidated Plan for Housing and Community Development.

WHEREAS, pursuant to Ordinance 120823 the voters of The City of Seattle approved the levy of property taxes for the purpose of financing and supporting housing for low-income households, and adopted an Affordable Housing Financing Plan; and

WHEREAS, Ordinance 120823 provides for periodic adoption by the City Council of a Levy Administrative and Financial Plan for programs funded by the 2002 Housing Levy ("Levy Programs"); and

WHEREAS, policy direction for the implementation of affordable housing programs is contained in both the Levy Administrative and Financial Plan and Seattle's Consolidated Plan for Housing and Community Development ("Consolidated Plan"); and

WHEREAS, the Office of Housing, in cooperation with the Human Services Department and with advice from with the Housing Levy Oversight Committee, has developed the Levy Administrative and Financial Plan for 2007-2009 for the 2002 Levy Programs; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council hereby adopts the 2002 Seattle Housing Levy Administrative and Financial Plan for Program Years 2007-2009 attached to this Ordinance as Exhibit 1. The adoption of this Plan is intended to provide policy direction for the implementation of programs funded by the 2002 Housing Levy and earlier housing levies, and not to confer any legal rights or entitlements on any persons, groups or entities.

Section 2. The Affordable Housing Financing Plan ("AHFP") for the 2002 Housing Levy, adopted by Ordinance 120823 and as previously amended by Ordinance 121133 and Ordinance 121803, is hereby amended as set forth in Exhibit 2 to this ordinance.

Section 3. To the extent expressly provided in the 2007-2009 Levy Administrative and Financial Plan, attached as Exhibit 1, the policies set forth in that plan shall apply to the use of funds derived from the City's 1995 Housing Levy and 1986 Housing Levy, superseding to the extent of any inconsistency the policies set forth in any Administrative and Financial Plan for programs funded by either of those prior housing levies.

Section 4. Appendix H, Housing Policies, of the 2005-2008 Consolidated Plan for Housing and Community Development, which Appendix was most recently revised by Ordinance 122280, is hereby amended as set forth in Exhibit 3 to this ordinance. The Director of the Human Services Department is authorized to submit the Appendix as so amended to HUD, to make any additional changes to such Appendix or other parts of the Consolidated Plan as may be necessary or appropriate to conform to the amendments made by this Ordinance, and to make any further changes that HUD may require in connection with such amendments.

Section 5. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 7th day of May, 2007, and signed by me in open session in authentication of its passage this 7th day of May, 2007.

President ________ of the City Council

Approved by me this 10th day of May, 2007.

Gregory J. Nickels, Mayor

Filed by me this 10 day of May, 2007.

Judith E Pippin

City Clerk

(Seal)

Exhibits:

1. 2002 Housing Levy Administrative & Financial Plan, Program Years 2007-2009

Attachment A: Levy Homeownership Target Area Maps (Housing Investment Areas)

Attachment B: Levy Neighborhood Housing Opportunity Program (NHOP) Target Area Maps

2. Amendments to the Affordable Housing Financing Plan

3. Amendments to Appendix H of the 2005-2008 Consolidated Plan

City of Seattle
2002 Housing Levy

Administrative & Financial Plan
Program Years: 2007-2009

Greg Nickels, Mayor

Prepared by:

Seattle Office of Housing
Adrienne E. Quinn, Director

March 2007

~Adopted by City Council Ordinance ______ on ______, 2007~

TABLE OF CONTENTS

INTRODUCTION

The 2002 Seattle Housing Levy provides up to $86 million over a 7 year period to provide, produce, and/or preserve affordable housing in Seattle and to assist low-income tenants in Seattle. The Housing Levy funds five programs:

1. Rental Preservation & Production
2. Neighborhood Housing Opportunity Program
3. Operating & Maintenance
4. Homeownership
5. Rental Assistance

The 2002 Housing Levy, approved by Seattle voters in September 2002, includes property tax levies authorized for seven years, from 2003 through 2009. The Office of Housing (OH) administers all 2002 Seattle Housing Levy programs with the exception of the Rental Assistance Program, which is administered by the Human Services Department.

Ordinance 120823, passed by City Council on June 10, 2002, adopted an Affordable Housing Financing Plan ("AHFP"), placed the Levy proposition on the September ballot and directed OH to prepare a Levy Administrative and Financial Plan (A&F Plan) covering all Levy programs every two years beginning in 2003. The A&F Plan also includes information on Levy administration and the funding plan for the 2002 Housing Levy by program area. A&F Plans may also include such other information as the Mayor or Housing Director may deem appropriate or the City Council may request.

The A&F Plan must be submitted to the City Council for adoption by ordinance, with such modifications as the City Council may require. Each Levy A&F Plan is developed by OH with the assistance of working groups that include nonprofit group representatives (including Seattle Housing Authority) and other community members. It is reviewed, revised and approved by the 2002 Housing Levy Oversight Committee.

The contents of this Plan are not intended to confer any legal rights on actual or potential project borrowers, 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.

PROGRAM FUNDING PLAN

All revenues collected from the additional taxes levied for housing are deposited initially in the Low-Income Housing Fund. The cash is then transferred to one of two subfunds as guided by Ordinance 120823 and according to the portion of the taxes levied for the year that are imposed solely for very low-income housing under the authority of RCW 84.52.105:

- 2002 Levy Very Low-Income Housing Subfund
- 2002 Levy Multipurpose Subfund

Revenues to these two subfunds shall fund the Rental Preservation & Production, Neighborhood Housing Opportunity, Homeownership, and Rental Assistance Levy programs. Table 1 shows fund totals for those programs based on projected amounts of additional taxes levied for low-income and very low-income housing. Total annual amounts for administration of these four Levy programs shall be 5% of program revenues, as projected on Table 1. Funds shall be transferred from one or both of the above subfunds to a third subfund (the 2002 Levy Operating & Maintenance Subfund) no less frequently than semi-annually so that, to the extent that Levy collections permit, annual funding for the Operating & Maintenance Program shall be as projected on Table 1.

Bridge Loans

The Office of Housing may use 1986, 1995, and/or 2002 Levy funds alone or together with other funds to make bridge loans to assist in development of low-income housing (for rental or owner occupancy). OH bridge loans are intended to provide short-term funding to permit low-income housing development activities to proceed in advance of the availability of permanent project funding. To the extent consistent with ordinances submitting to the voters the 1986 and 1995 Housing Levies (Ordinances 112904 and 117711), bridge loans may be made from any program or subfund, subject to the following conditions and guidelines:

- Levy funds that are not subject to the dollar rate limitations on regular property taxes in RCW 84.52.043, as authorized by RCW 84.52.105, must be used to finance affordable housing for very low-income households, as required by Ordinance 120823.
- Except as otherwise specified, bridge loans are not subject to OH conditions or policies for any Levy program, except those specifically applicable to bridge loans as described below.
- Bridge loans may be made only when, in the judgment of the OH Director, the borrower provides reasonable assurance that the funds will be used for eligible purposes and that permanent funding will be available on acceptable terms to ensure repayment of the funds before the loan maturity date.

Through the year 2009, a pilot program will allow bridge loans with maximum terms of up to five (5) years, subject to additional requirements and conditions. The bridge loans must be used for site acquisition, which includes the acquisition of interests in land or in improvements to land, or both. Site acquisition bridge loans with terms longer than two (2) years may only be used outside of Southeast Seattle for housing for households who are homeless, or within Southeast Seattle for housing for people with incomes generally of 51%-80% of median income.

The maximum term for all other bridge loans shall be two (2) years. OH shall require payment of a reasonable rate of interest on bridge loans, which shall be no less than 3% simple interest. In addition, a loan fee may be charged for providing bridge loans. A bridge loan may be made as a component of a larger loan that includes long-term financing. OH may allow all or a portion of a bridge loan to be converted to a permanent loan subject to maximum subsidy limits for funds administered or allocated by OH and other City agencies that may be combined to provide permanent gap financing for the housing portion of a project, pursuant to this Plan. Applications for bridge loans may be made outside of OH's Notice of Funding Availability (NOFA) process. The annual amount of funds available for bridge loans is estimated to be $2 million.

2002 Levy Investment Earnings

Levy investment earnings shall be allocated in accordance with the Affordable Housing Financing Plan, as amended.

1986 and 1995 Levy Interest Earnings and Loan Repayments

Interest earnings and loan repayments from 1986 or 1995 Housing Levy capital programs or projects will be used according to the following program policies:

- Funds derived from that portion of the 1995 Levy Rental Housing Production Program eligible for households at 50-65% of median income, will be used consistent with 2002 Levy Neighborhood Housing Opportunity Program policies;
- All other funds derived from the 1995 Levy Rental Housing Production Program will be used consistent with the 2002 Levy's Rental Preservation & Production Program policies, provided that all units supported with such funds must serve very low-income households;
- Funds derived from the 1986 Levy Special Needs, Downtown Preservation, and Small Family programs, will be used consistent with the 2002 Levy's Rental Preservation & Production Program policies.
- To the extent consistent with Ordinance 117711, as amended by Ordinance 117753, the 2002 Levy Homeownership Program policies will govern the use of homeownership funds derived from the 1995 Levy.

Table 1: 2002 Housing Levy Program Funding Plan

FUNDS AVAILABLE		2003	2004	2005	2006	2007	2008	2009	TOTAL
TOTAL		$12,285,714	$12,285,714	$12,285,714	$12,285,714	$12,285,714	$12,285,714	$12,285,714	$86,000,000

PROGRAM		2003	2004	2005	2006	2007	2008	2009	TOTALS
Rental Preservation & Production Program		$8,015,714	$8,015,714	$8,015,714	$8,015,714	$8,015,714	$8,015,715	$8,015,715	$56,110,000
	OH Admin	$461,372	$461,372	$461,372	$461,372	$461,372	$461,372	$461,372	$3,229,604
Neighborhood Housing Opportunity Program		$1,030,571	$1,030,571	$1,030,571	$1,030,571	$1,030,572	$1,030,572	$1,030,572	$7,214,000
	OH Admin	$59,318	$59,318	$59,318	$59,318	$59,318	$59,318	$59,319	$415,227
Operating & Maintenance Program		$1,109,286	$1,109,286	$1,109,286	$1,109,285	$1,109,285	$1,109,286	$1,109,286	$7,765,000
Homeownership Program		$1,115,857	$1,115,857	$1,115,857	$1,115,857	$1,115,857	$1,115,857	$1,115,858	$7,811,000
	OH Admin	$64,227	$64,227	$64,227	$64,227	$64,227	$64,227	$64,227	$449,589
Rental Assistance Program		$406,000	$406,000	$406,000	$406,000	$406,000	$406,000	$406,000	$2,842,000
	HSD Admin	$23,369	$23,369	$23,369	$23,368	$23,368	$23,368	$23,369	$163,580
TOTAL		$12,285,714	$12,285,714	$12,285,714	$12,285,712	$12,285,713	$12,285,715	$12,285,718	$86,000,000

REPORTING

The Office of Housing will provide progress and performance reports along with program reviews to the Mayor and City Council at least once each year. Reports will be reviewed in draft by the Housing Levy Oversight Committee.

Annual Report

The Annual Report will be produced and provided to the Mayor and City Council no later than February 28 of each year, covering activity for the previous year. The Annual Report will include, but not be limited to, the following:

- Accomplishments/Production for each Levy program:
  - Rental Preservation & Production—units funded and funding reserved for those units;
  - Homeownership—number of loans approved, value of loans approved, number of loans in the City's portfolio, value of all loans in the City's portfolio, delinquency rates for loans in the portfolio, levels of activity of participating agencies and/or financial institutions, and number of loans sold to new buyers;
  - Neighborhood Housing Opportunity Program—units funded and funding reserved to those units;
  - Rental Assistance—number of households provided housing assistance and success at stabilizing households;
  - Operating & Maintenance—units funded and their funding level, and the extent of Section 8 voucher activity linked to Levy funded projects.
- Affordability levels served, actual compared to policy;
- Leverage achieved for each Levy program;
- Brief status of units produced under the 1986 and 1995 housing levies;
- Bridge lending activity;
- Recommended policy changes needed to improve program performance/production;
- Any additional information that the Housing Levy Oversight Committee believes should be included.

Mid-year Report

The Mid-year Report will be produced and provided to the Mayor and City Council no later than August 31 of each year. It is intended to focus on issues that relate to the City's budget.

RENTAL PRESERVATION & PRODUCTION PROGRAM

	TOTAL 2003-2009	YEARS 2007-2009
Program funding	$56,100,000	$24,042,857
Goal	1,522 units	652 units

Program Policies

1. Use of funds

The City's affordable rental housing priorities are described in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as previously amended and as it may be further amended. Proposed projects not meeting one or more of those priorities may still be considered for City funding.

Program funds can be used as long-term loans, bridge loans, reserves for additional loans to projects under development and, under certain circumstances, supplemental funding for projects previously funded by the City.

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.

Eligible acquisition costs include reasonable costs associated with site acquisition, such as:

- Purchase price
- Option costs
- Financing fees
- Appraisal costs
- Closing costs
- Interest
- Inspection fees
- Title insurance
- Professional fees

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

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

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

Reasonable developer fees will also be an eligible use of Levy funds. Developer fees must be consistent with OH's Developer Fee Policy, as published in the Office of Housing's annual Notice of Funding Availability (NOFA) 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.

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. Levy funds can be used to repay Impact Capital loans.

2. Eligible projects

Levy program funding may be used as 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 subsidized rental housing with market-rate units or other uses. The borrower 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 and support space, to the extent attributable to the housing and not to other uses. Examples include:

- 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, other accessory space (e.g. space used for on-site social services for 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.

Mixed-use buildings will require financing for non-housing portions of a project. While Levy funds may not be used for costs allocable to non-housing portions, nor for costs allocable to 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 of land, including any structures) that is partially attributable to non-residential or market-rate space if:

- Documentation is provided prior to expenditure of Levy funds that assures sufficient funding from non-Levy sources will be provided prior to project completion to pay for a share of total project costs equal to the full amount allocable to such space; and
- Loan documents require that the final cost certification confirms the allocation of costs of such space to such non-Levy sources.

3. *Eligible tenants*

Tenant households must generally have incomes at or below the applicable limit for the unit—30%, 50% or 60% of area median income, adjusted for household size, to be eligible to live in a unit assisted through the Rental Preservation & Production Program. Detailed rent requirements are outlined in Section 8, Occupancy and Rent Requirements, and the requirements for individual projects will be included in loan documents prior to fund disbursement.

In some projects, some or all units may be reserved for homeless persons or households with one or more members who have a disability or special need.

Where appropriate sponsors are expected to contract with service providers or provide appropriate support services. Projects providing transitional housing will be required to link support services directly to households in those units, but on-site services will not necessarily be required.

4. *Eligible borrowers*

Eligible borrowers of Housing Levy funds are:

- Private nonprofit agencies;
- Public Development Authorities;
- Seattle Housing Authority (SHA), except that Levy funds for housing units developed as part of SHA HOPE VI redevelopments are not eligible unless the City Council approves such use through a Memorandum of Agreement or other agreement with SHA;
- Private for-profit owners/developers.

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 mission and track record of the organization. Through the project selection process, priority will be given to nonprofit and public agencies that have demonstrated ability to develop and/or manage low-income housing, and to limited partnerships or other organizations through which such nonprofit and public agencies obtain tax credits to help finance a project.

Any partnership or organization created 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, ownership, and management 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. OH will evaluate the experience of a sponsor's management/development team, staff, Board of Directors, and other project and program experience to determine there is sufficient capacity to develop, own and operate housing on a long-term basis.

5. Maximum City percentage of project financing

The City's maximum percentage of project financing includes all OH and other capital funds administered or allocated by the City that may be combined to provide permanent financing for the housing portion of a project, including funds from any Housing Levy, the Community Development Block Grant Program, HOME Program, Residential Bonus Program, Commercial Bonus Program, any special mitigation funds, program income, Office of Economic Development (OED) equity funds, and OED Community Development Corporation and technical assistance funds if used as capital for development or other long-term capital gap-financing subsidy. The City's maximum percentage of project financing also includes funding awarded from King County Document Recording Fees allocation processes, but does not include any funds used by the City to purchase transferable development rights (TDR). Bridge or Section 108 loans are not included in computing the percentage. For purposes of this section, "project" is defined as those units in the building(s) that are City funded and rent-regulated, and the common areas, elements or portions allocable to those units.

Leveraging other non-City resources is required for most projects. The established maximum percentage of project financing figures will be reviewed in light of actual project experience when future plans are prepared and will be revised if necessary.

In general, the maximum per project amount that the City will provide is 40% of total development costs of the low-income housing portion of a project. Total development costs are all components of typical development budgets, including site acquisition, 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 the low-income housing portion 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:

- Projects that 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.
- 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.
- 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 is a rental housing priority of particular interest as described in this A&F Plan.

6. Location

Funded projects may be located in any neighborhood, subject to any applicable policies provided in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as previously amended and as it may be further amended.

7. Siting

The following criteria will be considered during the project selection process to determine whether the location of a proposed project promotes a quality environment for the population to be served, and will apply equally to transitional and permanent housing projects:
- proximity to transit, goods and services necessary for the specific population;
- relationship and compatibility of the project with other uses in the area;
- safety and security of the location for the proposed population;
- special amenities (e.g., availability of safe and secure outdoor play space for children in family housing projects).

Proposed projects must also be in compliance with the City's Siting Policy (formerly called the dispersion policy), unless the OH Director grants a waiver, as provided in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as previously amended and as it may be further amended.

8. Notification

Sponsors must initiate a community notification effort prior to application for funding. The full text of the City's Neighborhood Notification and Community Relations Guidelines is included in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as previously amended and as it may be further amended. 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.

9. Occupancy and rent requirements

(a) Income-eligible tenants and affordable rent levels

Generally, program funds are available only for units that will be occupied by tenants with incomes at or below the applicable limits at affordable rents for the respective income categories. Tenant households with income above the eligibility levels are called "over-income tenants." City funding will not be available for units that will be occupied by residents with income greater than 80% of median income (at the time of their initial occupancy or the time of City funding, if later); however, the City may require as a funding condition that units occupied by such tenants, although not City-funded, become rent-regulated under a City Regulatory Agreement when occupancy changes.

Where an existing, occupied project is to be acquired or rehabilitated with Levy funds targeted at households with incomes up to 30%, 50% or 60% of median income, and some units subsidized with those funds are occupied by over-income tenants with income up to 80% of median income, Levy funds may be used for units that will be brought into compliance with income and affordability rules for the target income group within two years of the date of the loan agreement. The initial regulatory term would be established for a fifty-two year period. By the end of the initial two-year period after the date of the loan agreement, over-income tenants would need to be relocated or the Borrower would be in default.

Extremely low-income tenant households (30% of median income and below) in units subsidized through the Operating & Maintenance Program generally are required to pay 35% of their incomes toward rent and utilities, consistent with the Operating & Maintenance Program section of this Plan.

Tenants who are income-eligible at the time of their initial occupancy or the time of City funding, whichever is later, generally are not required to be relocated merely because they become over-income tenants through changes in income or household size.

See subsection (d) for policies applicable to projects receiving HUD "Section 8" or certain other subsidies.

(b) Rent increases

Rents immediately after rehabilitation or after acquisition for low-income tenants in Levy-funded units generally should not exceed before-rehabilitation or before-acquisition rents. Displacement of low-income tenants due to after-rehabilitation or after-acquisition rent increases should be avoided. Higher after-rehabilitation or after-acquisition rents will be considered only if necessary to insure adequate project operating funds. After-rehabilitation and after-acquisition 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 for occupied units can be increased up to 1.5% per annum or up to the percent increase in the Housing Component of the Consumer Price Index (CPI) for Rent of Primary Residences for the Seattle area, whichever is greater, provided that the adjusted rent does not exceed the maximum affordable rent for the target income category specified in the project regulatory agreement. However, projects that have experienced extraordinary expenses may request an increase greater than the amount allowed, provided that the rent is consistent with the applicable affordability restrictions. Upon unit turnover, rents may be adjusted to the maximum allowable rent based on number of bedrooms and affordability level. OH will publish the CPI escalation factor and maximum affordable rents by number of bedrooms annually. The intent is to permit modest rent increases as operating costs increase in order to avoid sudden, sizeable rent increases that could displace residents and also to avoid undue financial hardship on sponsors.

Sponsors shall estimate operating costs in operating proforma approved by OH. Operating costs shall include taxes, insurance, utilities, salaries, management fees, replacement and operating 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 payable by tenants for units occupied by income-eligible tenants exceed "affordable rent" as defined under "Program Definitions" below.

Rents for over-income tenants may be increased above "affordable rent levels." If the property includes market-rate units or units with different income eligibility levels, and if OH has approved a "floating unit" regime, the unit occupied by an over-income tenant may cease to be considered a City-funded unit, or may be moved to a higher income category, upon substitution of a comparable unit.

(c) Fund allocation policy

Levy Program funds for Rental Preservation & Production are subject to the following policy:

- All Levy Rental Preservation & Production Program funds must be used for housing with affordable rents for households with incomes at 60% of median income;
- At least 59% of Levy Rental Preservation & Production Program funds shall be used for housing with affordable rents for households with incomes at 30% of median income;
- Up to 41% of Levy Rental Preservation & Production Program funds may be used for housing with affordable rents for very low-income households but not affordable rents for extremely low-income households;
- Up to 10% of Levy Rental Preservation & Production Program funds may be used for housing with affordable rents for households with incomes at 60% of median income but not affordable rents for very low-income households.

OH administers the fund allocation policy across the Rental Preservation & Production program as a whole, not on an individual project-by-project basis. The policy will be administered on a three-year cycle under this plan. All projects approved for Levy program funding from January 1, 2007 through December 31, 2009 shall be included in calculating City affordability policy goals for the 2007-2009 period.

(d) Other policies

Sponsors who have committed to serve specific populations must obtain OH approval for any change in low-income population to be served. If some event occurs, such as loss of services funding, that the sponsor believes requires a change in the tenant population, the sponsor should consult with OH concerning alternatives and then current City priorities.

Rent levels for units assisted under both the Housing Levy Program policies and directly under federal HUD programs shall be consistent with applicable federal laws or regulations now or hereafter in effect, and any terms of HUD or SHA contracts. Where rent subsidies or vouchers are provided by HUD or SHA, the Director may allow the total rent charged to be the maximum allowed by HUD or SHA, provided that the tenant is not required to pay an amount that would exceed affordable rent (unless the tenant is an over-income tenant).

For so long as Housing Levy Operating & Maintenance Program subsidies are provided with respect to a unit, the rent requirements contained in the portion of this Administrative and Financial Plan governing that Program shall apply to that unit and shall supersede any other rent limitations otherwise applicable, except as stated in the preceding paragraph.

10. 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. The OH Director may deviate from the loan terms and conditions contained in this Plan in the following cases:

- for tax credit partnerships, where such loan terms may impair the availability of tax benefits; or
- 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.

In addition, the Director may agree to modifications or limits on the City's exercise of rights under loan documents where necessary to enable the project to secure other funding, including HUD-insured loans and HUD capital grants.

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.

(a) Loan terms

Permanent loan terms will be a minimum of 50 years. OH may provide an acquisition or construction loan for a much shorter term that is eligible for conversion to a permanent loan upon satisfaction of conditions.

(b) Interest rate

The interest rate for projects not using low-income housing tax credits will generally be 1% for nonprofit-sponsored projects and 3% for private for-profit-sponsored projects. 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.

(c) Repayment

OH will generally make deferred payment loans that are payable in full on sale, on change of use, or at the end of the loan term. Terms generally will permit borrowers to 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. Terms of repayment required will be established as each project is reviewed. OH will develop policies to address replacement reserve levels in buildings that have been funded with Levy Rental Preservation & Production funds.

(d) 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:

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

Prospective new owners must complete a transfer of ownership application and meet the guidelines established for transfer of ownership.

(e) Covenant

A covenant will be recorded against the property that requires continued use of the property for low-income housing for the stated term of the loan, and for any period for which the loan is extended. Unless otherwise agreed by the Director, the covenant shall continue in effect if the loan is repaid or discharged before the maturity. The Director may release the covenant, wholly or in part, in connection with a sale of the property approved by the Director, including any foreclosure, if the Director determines that under all the circumstances, including any proposed substitution of other units, the release will likely result in a net benefit to the City's efforts to achieve low-income housing goals, compared to maintaining the covenant.

(f) Contingent interest

City participation in project equity (contingent interest) shall be required for all Rental Preservation & Production Program projects in the event of change of use or sale of property before the loan maturity date. Upon sale, change of use, acceleration or prepayment 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 the loan is paid or becomes payable before the maturity date, if City funds are 50% of total project costs, the City should receive, in addition to repayment of its principal, 50% of proceeds remaining after repayment of approved project debt (but not including contingent interest owing to other project lenders).

(g) Prepayment premium

Prepayment of loans under the Rental Preservation & 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 borrower 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 where there are insufficient insurance proceeds or other sources reasonably available to complete the repairs or condemnation.

(h) 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, borrowers 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.

(i) Debt forgiveness

Projects serving extremely low-income households shall be defined as projects with 50% or more units with rents affordable to extremely low-income residents. As an inducement to serve extremely low-income households, the OH Director may agree to terms in loan documents by which, if the loan term is extended for 25 years and the borrower and the property remain in compliance with OH loan documents, the debt will be deemed satisfied at the end of that extension period or ratably over the extension period.

For any other types of projects, principal debt and ordinary interest are not forgivable, but if the period of affordability restrictions is extended for an additional 25 years, during which period the loan terms may require payments on the outstanding debt from a portion of net cash flow as determined by a formula approved by the Housing Director, then the terms may provide that contingent interest will be forgiven.

(j) Use of funds owing to the City

Sale of projects during the loan term requires City consent. Loan payments 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. 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.

(k) Refinancing

OH may allow refinancing of 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 of a loan senior to the City deed of trust, 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.

(l) Additional project subsidies

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 Office of Housing may use a portion of Levy Rental Preservation & Production funds to meet the capital needs of existing city-funded projects, if the project meets all of 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) no other funding is available within the time frame required for the project, c) a public benefit will be realized as a result of the additional City funds, d) the sponsor will make a significant financial contribution, and e) 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.

(m) Property standards

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.

(n) Non-recourse

Loans generally 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 borrower. OH may require recourse to the borrower or a guarantor, either temporarily or until certain conditions are satisfied, in particular circumstances where the City's security in the property may be inadequate.

(o) Special needs projects

Loan terms may include occupancy requirements specific to dedicating units for homeless individuals or households with special needs. Sponsors whose projects have units restricted to persons with particular special needs may propose to change the special needs or target population group being served in a project sometime during the 50-year loan term. If an event occurs requiring a change in population group served, sponsors with special needs projects will first be required to serve another special needs population approved by the City. If OH determines that that is not feasible or appropriate, OH may allow a general income-eligible population to be served.

(p) Use of Levy projects as security for other low-income projects

Sponsors may use Levy-funded projects as security for financing other low-income housing projects if sponsors receive advance written approval from OH. OH may give such approval if the sponsor demonstrates that using a Levy-funded project as security for financing another project will achieve benefits for the City and not jeopardize the viability of the Levy-funded projects.

(q) Bridge loans

Bridge loan policies are provided in the "Program Funding Plan" chapter of this Plan.

(r) 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 borrower that then re-lends 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 for the benefit of the City, or that is assigned to the City.

(s) 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 borrower that is a lessee where lessor and lessee do not both accept these terms and conditions will be permitted only if the project represents an unusual cost-effective opportunity or furthers other community development objectives.

At a minimum, the following conditions will apply to properties where the borrower 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. 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.
- Property standards: The housing must be maintained and managed consistent with Section 10(m) above. In addition, 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.
- Borrower equity: Borrowers 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 10(b) 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.

11. Fair contracting practices, WMBE utilization

Increasing opportunities for women and minority business enterprises (WMBE) is a high priority for the City. Sponsors must comply with fair contracting practices and OH's women and minority business enterprises (WMBE) policy, as provided in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as previously amended and as it may be further amended.

12. Leveraging

A goal of the Levy is to leverage non-City resources for capital, operating, and supportive services to the greatest extent 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, State Operating & Maintenance Funds, and the King County Regional Affordable Housing Program (funded by document recording fees). Leveraging of foundation and grant funds, and owner equity are strongly encouraged. Sponsors shall 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 or private 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.

13. Relocation, displacement, and real property acquisition

Sponsors must comply with relocation, displacement, and real property acquisition policies, laws, and regulations, as provided in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as amended and as it may be further amended.

14. 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. Any occupancy standards and their implementation must not conflict with federal, State or City Fair Housing standards.

- 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.
- Policies for making budget adjustments including expenditures of replacement and operating reserves and description of work order process.
- 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, including schedule for periodic building inspections.
- Description of the tenant screening and selection process.
- Plan describing how vacant units are made ready and leased to new tenants upon turnover.
- 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 from all segments of the community, including tenants who are persons of color and persons with disabilities. Because a substantial number of persons who are homeless are persons of color, minorities, non-English-speaking persons and persons with disabilities, it will be important for proposals serving people who are homeless to demonstrate sponsor understanding of the needs of persons form diverse backgrounds and cultures and of persons with disabilities.
- 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 and description of how tenant files and other records will be maintained.
- Description of the process for determining rent increases, and for informing tenants of rent increases.
- 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.

15. Project selection

Applicants 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 are strongly encouraged to 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 Credit Committee, comprised of persons appointed by the OH Director. The 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 based on Director's judgment as to the overall mix of projects that will best implement the City's policies. 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?
- Rental housing priorities—which projects best meet the City's rental housing priorities?
- 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; does sponsor have adequate financial capacity; are previously funded projects proceeding on schedule and within budget?

The criteria will be published in NOFA documents, with more explanation on how criteria will be applied. All complete applications received by the application deadline will receive consideration for funding.

Funding announcements by the Director are preliminary and not binding on the City until contract documents are negotiated and 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 to meet funding conditions or 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.

16. Project proposal requirements

OH will release Notice of Fund Availability (NOFA) documents that outline specific project proposal requirements. Applicants 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 applicants 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 (resumes, narrative, recent audits and organization's current financial information, etc.) demonstrating project applicant experience and capacity in each of the following areas:
  - Development
  - Ownership
  - Management
  - Serving proposed population

- 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 Planning and Development (DPD).

- Development schedule—timetable for development of the project.

- Phase I site assessment including asbestos/lead paint/hazardous materials survey—a survey to identify the presence and amount of asbestos/lead paint and/or any other hazardous materials or underground tanks within the building or elsewhere on site and a description of proposed abatement measures. A Phase II assessment will be required if recommended in the Phase I.

- 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 applicant to discharge the underlying contract and obtain fee title.

- Appraisal—if the project involves acquisition, 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, including any structures. 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 may not be required at time of project application but normally will be required prior to final loan commitment, and evidence that approval can be secured in a timely manner will be required at time of project application.

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. Applicant must describe population to be served and demonstrate how project will serve that population. Applicant 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 or special needs population to be served.

17. Construction requirements

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

(a) Quality of construction

Applicants will be expected to provide quality housing that will last for 50 years or longer.

(b) Sustainability

SeaGreen: Greening Seattle's Affordable Housing was developed by OH to promote energy conservation, operational savings, and sustainable building practices in affordable multifamily housing projects. The strategies included in the SeaGreen guide work to reduce operating costs, promote healthy environments and protect and conserve resources in City funded affordable housing projects.

Sustainable building practices can include (but are not limited to) conservation and environmental measures related to:

- Enhanced Design
- Site & Water
- Energy Efficiency
- Health & Indoor Air Quality
- Materials Efficiency
- Operation & Maintenance

Applicants are required to complete a SeaGreen Sustainability Plan Template checklist and describe their sustainability plans. The checklist should be submitted with the NOFA application.

(c) Universal design principles

Universal design is a term used to describe development that can serve multiple generations and residents of all abilities. Applicants are strongly encouraged, to the maximum extent financially feasible, to incorporate universal design principles in housing units developed under the rental production and neighborhood opportunity programs.

(d) Rehabilitation

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 Code. 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.

(e) Phased rehabilitation

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

Phased rehabilitation may be considered, but is disfavored unless 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.

Applicants 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.

(f) Contracting policies

As a general rule, all projects where cost of construction work exceeds $25,000 will follow a competitive contractor selection process. Applicants 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 contractors qualified for competitive bidding.

Competitive 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.

If applicants do not have sufficient in-house construction management capacity, they will be required to contract for this service. Applicants proposing to manage their own construction projects must obtain OH approval. Such applicants must have prior experience managing a construction project and have staff available to coordinate necessary work. In addition, the scope of work should appropriately match the agency's construction management experience and staff expertise.

Construction contracts shall encourage employment of female, minority and economically disadvantaged workers. Hiring of people who are homeless is encouraged.

(g) Wage rates

State residential prevailing wage rates shall be the minimum rates applicable to the Levy's Rental Preservation & Production Program; wage rate requirements will apply to the entire project, regardless of the amount of Levy funding in the project. State residential prevailing wage rates shall be the minimum rates paid for project construction. When federal funds are used in a project, the higher of either the State residential prevailing wage rates (unless modified as stated below) or Davis-Bacon wage rates (if applicable under federal law) will apply, unless applicable law otherwise requires or another funding source requires a higher minimum rate. OH Director may approve a change in these requirements if necessary to achieve compatibility with a state or federal funding source or to promote inclusion of Levy-funded units in mixed income and/or mixed-use buildings.

(h) 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.

(i) 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.

18. Project monitoring

The OH Director shall require reporting containing information on the status of the project from sponsors annually, or at any time upon reasonable advance notice.

(a) Performance measures

Performance measures will be based on the following principles:

- Measures should be based on information that is relatively accessible and easy to collect;
- Measures should be coordinated with those required by other funders in order to keep information unique to the City at a minimum;
- Deadlines for reporting and site visits by City staff should be coordinated with those of other funders to the extent possible;
- In most cases, reports provided for other funders should be acceptable for City monitoring purposes.

(b) Outcomes for housing project operations

Specific requirements will be included in loan documents, based on "Outcomes for Housing Project Operations" listed below. The ten desired outcomes of the City's multifamily low-income housing program are:

1. Rents and occupancy—The housing has rents affordable to low-income households and is occupied by income eligible 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 and Building Maintenance Code and Housing Quality Standards. All improvements must be in accordance with the Seattle Building Code. 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, and all reserves, taxes, utilities and debt service are being timely paid, including any amounts due to the City.
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. Long-term capital needs for maintenance, repairs and major replacements are adequately planned for and done in a timely manner.
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. Community relations—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 that have been identified as in need of multifamily housing assistance.
10. Operations and maintenance subsidy—For projects in receipt of operations and maintenance subsidy, eligible households are utilizing the subsidy, and the need for the subsidy is documented on an annual basis.

19. Affirmative marketing

Sponsors must comply with OH's affirmative marketing policy, as provided in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as previously amended and as it may be further amended.

NEIGHBORHOOD HOUSING OPPORTUNITY PROGRAM (NHOP)

	TOTAL 2003-2009	YEARS 2007-2009
Program funding	$7,214,000	$3,091,714
Goal	196 units	84 units

Program objectives

The NHOP is a new program within the 2002 Housing Levy. Funding through this program is available for rental housing, and may be combined with other City funding, as further described in the Program Policies section below.

During 2007-2009, OH will proactively seek to fund units/projects with NHOP funding meeting the following objectives:

- Focus funding primarily within economically distressed communities.
- Seek projects that have a catalytic effect in revitalizing economically distressed communities. Specific criteria are listed in the Program Policies section below.
- Encourage development of projects in historically distressed areas (Central Area, Southeast Seattle, and the Delridge Valley area of Southwest Seattle).

Program policies

Rental Preservation & Production Program policies will generally guide NHOP funding, except as noted below.

1. Geographic focus

Ordinance 120823 directs NHOP funding primarily to "economically distressed communities." The maps attached as Attachment B show "economically distressed communities" where NHOP funds will primarily be used, meaning:

- At least 75% of program funding shall be used within target areas shown on the maps in Attachment B, as such maps may be adjusted by OH, where expressly so indicated on Attachment B, to include additional land in the immediate vicinity;
- Up to 25% of program funding may be used anywhere in the City, including within target areas, provided projects meet some combination of criteria listed under "3. Project selection" below.

Funding must meet these percentage allowances over the 3-year period (2007-2009).

2. Funding allocation policy

NHOP funds are subject to the following policy:

- At least 25% of program funding shall be used for units serving households with incomes up to 30% of median income;
- All program funding must be used for units serving households with incomes up to 80% of median income.

3. Project selection

To be funded, projects must meet some combination of the following criteria:

- Mixed-use and/or mixed-income projects that support key community-identified development goals or revitalization strategies (e.g. Neighborhood Plan project or program);
- Project achieves multiple strategic objectives in support of community development and project can demonstrate community support due to project support of community objectives (e.g. Neighborhood Plan project or program);
- Project is of a size and scale to make a significant community impact;
- Project, by itself or as part of larger effort, is catalyst for additional desired development;
- Project helps mitigate impacts of gentrification, for example, helping to maintain a variety of housing types and prices in a community;
- Project fills gap in housing continuum and thereby helps create or maintain diversity of housing opportunity;
- Project utilizes innovative design and architecture, preserves historic or landmark buildings, promotes transit-oriented development, and/or deals with blight and neglect.

4. Combining NHOP funds with other City funds

NHOP funding may be used in combination with other City funding, subject to overall limitations on amounts of City funding permitted per project outlined in the Rental Preservation & Production Program policies section.

5. Project unit mix

Projects funded through this program may include mixed-use and mixed-income developments, provided that the mix of units in an individual project must include a range of very low- and low-income housing units; and that the Levy funds shall be used only for the portion of the project financing that is allocable to the units that will serve income-eligible households.

OPERATING & MAINTENANCE PROGRAM

	TOTAL 2003-2009	YEARS 2007-2009
Program funding	$7,765,000	$3,327,857
Goal	154 units approved for funding	66 units approved for funding

Program objectives

The Affordable Housing Financing Plan ("AHFP") for the 2002 Housing Levy passed by Seattle voters included $7,800,000 for the Operating & Maintenance (O&M) Program, assuming maximum authorized revenues and subject to any reallocations by ordinance. In addition, 2002 Levy investment earnings may be used for the O&M Program, in accordance with the Affordable Housing Financing Plan, as amended. The O&M Program was included in the Affordable Housing Financing Plan so that a portion of the Rental Preservation & Production Program housing would be affordable to a broader range of extremely low-income households (households with incomes at or below 30 percent of median income) than would be possible without such subsidy.

The 2002 O&M Program builds upon the success of the O&M programs in the 1986 and 1995 Housing levies. The program purpose is to provide operating support, or contingent commitments of operating support necessary to secure adequate financing, for housing affordable to households with incomes at or below 30% of the median income. Funds will be used to fill the gap between eligible operating and enhanced property management costs and project income.

Specific eligible operating and enhanced property management costs include:

- project operations and maintenance
- utilities
- property taxes
- operating and maintenance reserves
- project staffing and administrative costs
- contract services related to project operations

Program focus (2002 Levy)

OH estimates that approximately $110,000 of annual O&M subsidy will be made available in 2007-2009 to organizations providing extremely low-income housing. Average subsidy amounts will be based on sponsor demonstration of need and costs for comparable projects. Priority will be given during the project review process to projects for which significant non-city operating or service funds have been secured and that will serve homeless or other special needs populations requiring supportive services to maintain safe, stable living arrangements.

Coordination with Seattle Housing Authority (SHA) on Section 8 subsidies

The SHA Board of Commissioners adopted a resolution in June 2002 committing, subject to HUD regulations and requirements, to allocate 500 project-based Section 8 vouchers to Levy-funded projects serving extremely low-income households. The Section 8 funds are a critical resource for the success of the 2002 Levy in meeting the production goals for units serving persons under 30% of median income. OH and SHA coordinate closely on the application, review and timing for allocation of Section 8 vouchers with the Levy Rental Preservation & Production Program.

Because Section 8 is subject to annual or periodic Congressional appropriations, the OH role in administering the O&M program includes biennial reviews of the availability and renewal trends for Section 8 contracts in Levy-funded units. This review is done and presented to the Levy Oversight Committee every two years as part of the process for updating the Levy Administrative & Financial Plan. As part of that report to the Levy Oversight Committee, OH recommends whether a need exists to hold part of the O&M funds as a reserve or to use O&M funds to provide short-term transition support to offset an unanticipated reduction in Section 8 assistance or other operating/support subsidy in Levy-funded units.

Program policies (2002, 1995, and 1986 Levy funding)

These policies shall apply to all initial commitments of O&M funds from the 2002 Housing Levy and to O&M subsidy agreements and annual renewals made under any of the housing levies for periods beginning after December 31, 2006, 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.

1. Eligible projects

Projects funded by the 1986, 1995, or 2002 Levy that provide housing for extremely low-income households may be eligible to receive O&M subsidy from that same Levy. Private owners and developers as well as all types of nonprofit agencies, including public development authorities and other public agencies, except for SHA, are eligible to participate in the program.

2. Eligible households

To be eligible for O&M subsidy, units must be occupied by extremely low-income households.

3. Funding limits and match target for initial commitments

In order to provide opportunities for as many projects as possible to be funded, maximum funding of $2,500 per unit per year, for the initial full year of occupancy will be used in the 2007-2009 period. Sponsors will generally be required to demonstrate evidence of reasonable availability of a 100% match of project income for the O&M subsidy, from sources other than tenant rent payments. Section 8 subsidy and O&M subsidy may be combined for the same project to maximize the number of extremely low-income units, but subsidies from the two programs may not be combined to support operating costs of the same unit. This match can be comprised of financial support, in-kind assistance, or the reasonable value of services provided by a third party entity on site. Projects receiving O&M subsidy will be eligible for annual increases, subject to OH approval and availability of funds in the O&M program, to cover increases in eligible costs or the annual funding gap. The OH Director may approve raising the per unit limit for a project if he or she determines that it is necessary to make a project viable for a population with high service needs and the project would leverage above-average support from non-city sources. In order to meet the overall production goals established for the Levy, the average initial O&M amount per unit per year for the 2007-2009 period is expected to be $2,300 or less.

4. 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 can be identified for completion and there is a funding source for the work other than the O&M funds. All buildings are required to meet applicable zoning and building codes. O&M funds cannot be used to cover deferred development costs.

5. Rents

Eligible households are required to pay 35% of adjusted monthly gross income for rent and any tenant-paid utilities associated with a project. OH may permit exceptions if tenants are directing their income to other program goals such as education, savings for transition to permanent housing (e.g. first month rent, deposit), etc. Sponsors may request alternate rent schedules to meet unique program objectives; specific requirements will be outlined in subsidy contracts. Occupancy rates are expected to be maintained at least at 95% or a rate determined optimal for the specific project depending on the management plan. Annual project budgets should reflect estimated rental income based on program design unique to each project.

If a project uses federal funds and the sponsor commits to a different rent limit or formula in order to avoid economic displacement of existing tenants, then the 35% figure may be reduced as necessary to comply with that commitment: Rents in projects that 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 O&M-subsidized housing. In these instances, the minimum tenant share of income paid for rent mentioned above may be waived or reduced until the household qualifies for public assistance or becomes employed. Sponsors must include any plan to temporarily reduce the share of tenant income required for rent in their application for O&M support, and must demonstrate that the housing units will be financially viable with the anticipated rent charged.

6. Adjustments to gross income

When determining rents, two adjustments to a household's gross income may be made. For a household having unreimbursed medical expenses in excess of three percent of its annual income, gross income can be reduced 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 out-of-pocket costs for childcare (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 cost of childcare can be deducted from gross income. The amount must reflect the reasonable cost of care and cannot exceed household income.

7. Non-subsidized units

When a household subsidized by the program has an increase in income that results in a household income greater than 30 percent of the area median income, the unit is no longer eligible to receive subsidy. At the annual review or at such earlier time after the sponsor becomes aware of the increase in income as may be specified by OH, the O&M subsidy would be discontinued. The household may have an adjustment to its rent depending on the terms of the City Regulatory Agreement or conditions of other funding.

8. Tenant paid utilities

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

9. Management plan

A management plan is required for each application for O&M 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 the Rental Preservation & Production Program portion of this Plan.

10. Maintenance plan

Each project must have a maintenance plan that describes how the building will be maintained. It should describe the acceptable standard 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). For example, maintenance standards for interior stairs would include that the stairs have lights that work, and the railings are safe and in good condition. It should also include a schedule for inspections and both exterior and interior maintenance of the building (fire safety, roof/gutter, HVAC maintenance etc). The plan must also describe how long-term maintenance will be accomplished.

11. Operating budget and use of funds

An operating budget in the required format must be submitted with each initial 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 and 2002 Levy O&M subsidy include costs for:

- 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 program subsidy of $35,000 or more, and from sponsors receiving an annual total of $50,000 in O&M subsidies for multiple projects. The audit must be obtained by the sponsor. The audit must verify that the program funds were used for eligible expenses and that actual expenditures correspond to the project's approved operating budget. Projects with a program subsidy of less than $35,000 and total project revenue of less than $100,000 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 management and property taxes.
- Ongoing maintenance expenses such as materials, janitorial supplies, maintenance contracts, and security.
- Major repairs to and replacement of building systems and components such as replacing appliances and fixtures, major repairs to plumbing, electrical and heating systems, re-roofing buildings.
- Project paid utilities.
- Replacement reserve deposits are an eligible operating expense. O&M funds can be used to fund and build replacement reserves to a maximum set by the OH administrator, with disbursements from reserves restricted to repairs and replacement of major building components as approved by OH. The amount added to the reserve will be based on OH loan conditions and periodic Capital Needs Assessment Plans to be prepared by sponsors evaluating capital needs and the schedule for required replacement reserve expenditures.
- Operating reserve deposits to cover unforeseen operating costs. The annual deposit amount is normally 2.5% of total annual expenses except long-term replacement reserve items. Operating reserves will be allowed as an expense until the reserve accumulates to an amount equal to 50% of a year's operating budget. The operating reserve may also be used to pay for work that cannot be entirely funded by the replacement 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 for specific projects may be adjusted periodically by the Office of Housing based on a review of the capital needs and operating risks of projects and of other public funder standards.
- Enhanced property management: Support service costs directly related to managing the Levy-funded units, including, to the extent they are reasonably necessary costs of operating the housing in light of the population the sponsor has committed to serve, costs of counseling, case management, or other on-site resident assistance.

The program will not subsidize debt service (including interest). O&M subsidies may be provided to a portion of units in a larger mixed-income project that has debt service, provided that all debt service costs are allocated to units serving households above 30% of median, or to units receiving Section 8 or other rental subsidy if expenses exceed income for the project.

12. Project selection for initial commitments

In response to a Notice of Funding Availability (NOFA), sponsors will submit proposals for program subsidy along with their application for capital funding. Proposal requirements for the program 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 and supportive service funds leveraged by the project;
- The experience of the sponsor in serving similar populations as well as their general affordable housing development and management experience;
- The adequacy of the management plan for the proposed tenant population and building;
- 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.

13. Subsidy term

The Office of Housing will provide annual subsidy contracts for O&M support, and may make commitments of 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 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 shortfalls in funding resources require OH to prioritize O&M-eligible projects.

Subsidy contracts may provide that if, during the term of commitment for O&M subsidy, the subsidy is discontinued or reduced, and if the sponsor therefore cannot meet operating expenses of the O&M units with rents affordable to extremely low-income households, the sponsor may 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 OH before it can do so. The plan must give preference to the lowest income households who can pay such rents.

14. 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 annual report according to the terms of the OH loan agreement.
- 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.

- Rehabilitation work planned for the next year, if any, and the source of funds for the work.
- Major 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 and copies of service contracts.
- An operating budget for the next year with the projected monthly rent 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 commitment to serve extremely low-income households.

15. 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 cumulatively can not exceed the approved annual amount. Sponsors will be required to provide quarterly financial reports. Sponsors may request subsidy readjustment at any time; however, except for unusual circumstances, OH will review just one adjustment request per project annually.

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, an adjustment to the subsidy amount may be made. Likewise, if expenses such as insurance or utilities take a sudden and dramatic jump, an adjustment to the subsidy amount may be made, if in the judgment of OH, there are sufficient uncommitted O&M funds to provide an increase.

A project that is showing a surplus may be required to make repayment to OH or make additional contributions to its operating and replacement reserves, or if those reserve balances are deemed adequate, its subsidy might be reduced until the project's cash flow requires the full subsidy again.

If OH deems that the need for additional subsidy is due to circumstances within the sponsor's control, such as low occupancy, then the sponsor may be required to provide a plan for corrective action before requesting a subsidy adjustment.

HOMEOWNERSHIP PROGRAM

	TOTAL 2003-2009	YEARS 2007-2009
Program funding	$7,811,000	$3,347,571
Goal	190 homebuyers*	90 homebuyers

* Original goal (set in 2003) was 326, but was revised downward in 2007 because dramatic Seattle home price increases made average loan amount assumptions invalid.

Levy Homeownership Program funds assist low-income first-time homebuyers to purchase a home in the City of Seattle. A total of $7.8 million of Levy funding is allocated for homebuyer assistance and site acquisition and development costs for affordable for-sale homes, not including program administration. A goal has been established of assisting 190 low-income households to become homeowners in Seattle through participation in this program. Preference is given to eligible buyer households who live in Seattle or with a least one person employed in the city.

Program objectives

The following general program objectives guide the homebuyer assistance program:

- Provide home purchase assistance to eligible buyer households to help them become homeowners in Seattle.
- Help maintain and expand the affordable housing capacity in the City, particularly within economically distressed communities, by supporting the development of new housing and the renovation of vacant or deteriorated housing.
- Promote homeownership in Seattle, particularly for low-income households.
- Aggressively pursue other sources of homebuyer assistance funds (State Housing Trust Fund, Federal Home Loan Bank, etc.) to leverage the available Levy dollars with a goal of achieving a $2 to $1 ratio of City funds to non-City funds provided for homeownership.
- Give priority to projects or programs that bring highest leverage to the Levy funding with a goal of achieving a $2 to $1 ratio of City funds to non-City funds. All program participants (banks, non-profits, borrowers) should contribute in order to participate; e.g., loan or development discounts, fee waivers, other downpayment assistance funds for banks; a proven lending/administrative track record for nonprofit organizations; adequate cash savings for borrowers, etc.
- Use existing service delivery systems for lending activities.
- Require eligible buyer households to complete pre-purchase homebuyer education program conducted by a trainer certified by the Washington State Housing Finance Commission, U.S. Department of Housing and Urban Development, Neighborhood Reinvestment Full-Cycle Lending, or other education program for first-time buyers approved by the Office of Housing. OH will conduct periodic reviews in cooperation with other funders, nonprofit counseling agencies and lenders to determine if changes in the education requirement are needed.
- Support pre-purchase and post-purchase counseling through qualified nonprofit counseling agencies where necessary.

- Prepare an annual financial report including 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,
    - repayment terms and projected loan repayments,
    - leveraging of other funds,
    - levels of activity of participating agencies and/or financial institutions,
    - number of homes sold to new owner households,
    - amount of funds awarded for development of homes to be sold to eligible households; number of homes to be built; and estimated schedule.
- Continue working on program development activities for the expansion of the program, including:
    - leveraging additional public and private funding,
    - coordinating with housing repair, weatherization and other community revitalization efforts,
    - exploring opportunities for program models, such as land trusts, coops, lease-purchase, etc.,
    - using both Levy and other sources of funding that may become available.
- Prepare an annual program performance report providing information such as any additional fund sources identified for the homebuyer assistance program, and the community development impacts in economically distressed areas.

<u>**Program policies**</u>

1. Funding allocation policy and geographic focus

At least one-half (1/2) of Levy homeownership funds will assist borrowers with incomes at or below 60% of median income; all program funding must be used to assist borrowers with incomes at or below 80% of median income.

Levy funds will be used primarily in Housing Investment Areas. These areas are shown on the maps attached as Attachment A. At least 75% of funds will assist eligible buyer households purchasing homes in these areas. Up to 25% of funds are available citywide, including Housing Investment Areas.

2. Eligible use of funds

Levy funds may only be used for (1) downpayment and closing cost assistance and/or interest rate write down for eligible buyers, or (2) site acquisition and/or development costs for a home or homes to be sold to eligible buyers.

Eligible buyer households must purchase a home in Seattle and use it as their principal residence. All types of for-sale units are eligible, including single-family residences, condominium units, limited equity cooperatives, co-housing, land trusts, and homes on leased land. Purchases of investment properties are not allowed under this program. Homes with an accessory dwelling unit are eligible, provided that the buyer will be an owner-occupant of the home. A lease-to-own contract or long-term lease may be considered a purchase.

Borrowers may purchase any type of residential property, whether currently owner- or renter-occupied or vacant. If tenants are displaced as a result of a sale to a buyer who will become an owner-occupant under this program, tenant relocation assistance, if any, will not be paid out of Levy funds.

3. Homebuyer eligibility

Buyers benefited by the program must be low-income, first-time homebuyers. First-time homebuyer is defined as any individual and his or her spouse who have not owned a home during the 3-year period prior to the individual's purchase of the home. The term first-time homebuyer also includes an individual who is a displaced homemaker or single parent, as defined in 24 CFR Part 92 HOME Investment Partnership Program, Section 92.2 Definitions, as follows:

Displaced homemaker means an individual who:

(1) Is an adult;

(2) Has not worked full-time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and

(3) Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

Single parent means an individual who:

(1) Is unmarried or legally separated from a spouse; and

(2) Has one or more minor children of whom the individual has custody or joint custody, or is pregnant.

OH may narrow the definition of "first-time homebuyer" in order to ensure equitable treatment between married and non-married persons. OH may, for the same purpose, expand the "single parent" eligibility category.

Eligible buyer households must successfully complete a pre-purchase homebuyer education program approved by OH. Borrowers must be able to financially qualify for a first mortgage approved by OH.

4. Homeownership funding guidelines

Homebuyer assistance will be limited to the amount needed for each buyer household, providing gap financing for low-income borrowers unable to qualify for sufficient private financing to purchase a home. Eligible buyers may receive homebuyer assistance up to a maximum of $45,000 per assisted household, including Levy funds and other City-administered funds, unless the maximum is increased in accordance with provisions below.

Homebuyer assistance may be used for downpayments, closing costs, and/or first mortgage loan interest rate write down, as approved by OH. City-funded assistance for any home improvements, if committed or provided in connection with a home purchase, is considered to be assistance for the purchase and, together with the homebuyer assistance loan, cannot exceed the applicable funding limit except in the following cases: (1) assistance provided to a nonprofit developer for home purchase and improvement costs associated with an OH-approved land trust project, and (2) assistance to an eligible buyer purchasing a home located within a Housing Investment Area, for which the combined homebuyer assistance and home improvement assistance may total up to $65,000, provided that the homebuyer assistance does not exceed $45,000.

In order that single-source downpayment assistance may be provided for the convenience of borrowers, in lieu of assistance from Levy or other City funds and non-City sources to the same borrower, OH may allow a higher amount of City-funded homebuyer assistance, not to exceed $70,000, for a borrower that receives assistance made as part of a project or lending program for which a developer or nonprofit lending agency has obtained commitments of non-City homebuyer subsidy funds, but only if all of the following conditions are satisfied:

1. Non-City subsidy funds provided to such project or program must be used for deferred downpayment assistance or other assistance that increases the ability of low-income households to purchase a home.
2. The average amount of City-administered homebuyer assistance for all eligible households benefited by the program, including buyers who do not receive any City-administered funds, may not exceed $45,000.

The OH Director may revise the maximum loan amount of $45,000 by up to $10,000 for homebuyer assistance if increases in interest rates or sales prices, or lack of other homebuyer subsidies, create difficulty in qualifying households with incomes up to 60% of median income as eligible homebuyers in Seattle. The OH Director must provide five (5) working days notice to the Mayor and City Council if the loan amount is to be increased. The final decision of the OH Director will be made with responses from the Mayor and City Council taken into account. Council approval is required if the OH Director wants to increase the maximum loan amount by more than $10,000.

Loans will generally be 30-year deferred loans. Loans may include provisions for payment of a share of appreciation. Any share of appreciation payable may be reduced and/or eliminated over time. Loan repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest; loan term; period of payment deferral; and any contingent interest or share of appreciation.

Eligible buyers must provide a minimum of $2,500 or 1% of the purchase price, whichever is greater, of their own funds toward the home purchase as a condition to any homebuyer assistance loan. Homebuyers may receive gifts of funds towards their portion of the downpayment; however, gifts must not exceed 25% of the homebuyer's total downpayment requirement. Borrowers with incomes 60% of median income or less may provide a lower contribution as follows: (1) for eligible buyers participating in an OH-approved nonprofit-sponsored sweat equity housing program that requires significant participation by the homebuyer, the homebuyer's contribution of volunteer time may be accepted in lieu of the minimum cash contribution; and (2) for eligible buyers who have a long-term disability and whose household income includes SSI or similar public income support, gifts may constitute up to 75% of the homebuyer's total downpayment requirement.

The terms of each homebuyer assistance loan, except loans to land trusts, shall provide that the entire principal balance is due upon sale or refinancing of the home, at the lender's option, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible buyer household in lieu of repayment.

Borrowers may use any first mortgage product approved by OH, including FHA and Fannie Mae products, and portfolio loans. FHA 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds $5,000.

5. Allocation of funds

OH will issue a general Notice of Funding Availability (NOFA) for homebuyer program funds. The NOFA will describe when applications may be submitted and outline application requirements. Applications may be submitted by a nonprofit or for-profit developer, lender, or other organization requesting an allocation of funds for eligible program activities.

New applicants are strongly encouraged to attend a pre-application conference with OH staff to discuss program requirements and project feasibility.

OH staff will review proposals based on criteria including financial feasibility, organizational capacity, leverage of other fund sources and consistency with Levy policies.

Funding awards shall be approved by the OH Director. Funding awards are preliminary, and may be contingent on commitment of other funds or on other funding conditions.

Upon evidence that funding conditions have been met, OH will enter into an agreement with the developer or lending agency. The agreement will reserve homebuyer program funding for the project or program for up to two (2) years. The agreement will establish the documentation required for each home purchase transaction, including buyer information, loan terms, form of loan documents, promissory notes, and deeds of trust required for City assistance.

OH will process homebuyer assistance requests for each eligible buyer household at the time that the buyer is ready to purchase a home. OH will review documentation to determine buyer eligibility and consistency with Levy policies and program guidelines.

6. Relocation, displacement, and real property acquisition

Sponsors must comply with relocation, displacement, and real property acquisition policies, laws, and regulations, as provided in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as amended and as it may be further amended.

RENTAL ASSISTANCE PROGRAM

	TOTAL 2003-2009	YEARS 2007-2009
Program funding	$2,842,000	$1,218,000
Goal	3,500 households served	1,500 households served

Rental assistance is one of the program areas funded by Seattle's 2002 Low-Income Housing Levy. Rental assistance is a cash subsidy that enables low-income individuals and families to pay rent. The rental assistance is usually paid to a private landlord through a community-based, non-profit organization. Rental assistance is often supported with case management or other supportive services to help the tenant remain stable.

OH funds support two rental assistance programs:

(1) The Rental Stabilization Program. The Rental Stabilization Program provides 6 to 18 month rent subsidies to very low-income households transitioning out of homelessness as well as those in danger of eviction. Levy funds pay for case management services to help tenants remain stable in their housing and to address the many special needs of those who have been or are at risk of becoming homeless. Federal HOME funds are leveraged to pay for tenant rent assistance. Administration of this program is contracted out to a community-based, non-profit organization through a competitive process managed by the City's Human Services Department. The Rental Stabilization Program serves between 75 and 100 households a year.

(2) The Emergency Rental Assistance Program provides short-term, one-time financial help to renter households with incomes up to 50% of median income who are homeless or at risk of losing their housing. Households are helped to remain in their current home, move from high rent to more affordable housing, move into permanent housing following loss of housing, or move from homelessness into permanent housing. Community-based agencies make the Emergency Rental Assistance Program subsidies available as a supplement to their existing case management and other human services programs. The program serves approximately 400 persons a year.

Program objectives

The following general program objectives guide the City's rental assistance programs:

- Serve those in greatest need. To help those least able to afford housing in Seattle, the City's rental assistance programs serve very low-income households and individuals.
- Structure assistance so that it leads to long-term, measurable outcomes.
- Effectively serve ethnically, culturally, and geographically diverse households by forming partnerships with community-based agencies.
- Leverage other resources to supplement City funds.
- Link with private-sector landlords, in recognition of the fact that most of the people served by the City's rental assistance program will be tenants in private-market housing.

Program policies

The rental assistance programs are guided by the following policies:

- Only very low-income households and individuals residing in Seattle are eligible to apply for funds.
- Rental Stabilization Program funds are used to pay for participants' case management services, which enables the City to leverage Federal HOME funds and other resources for rent assistance.
- Emergency Rental Assistance Program funds are used to pay for short-term housing assistance, including rent and utility payments to prevent eviction, or first and last month rent and damage deposit payments to enable the recipient to access housing.
- Both the Rental Stabilization Program and the Emergency Rental Assistance Program require monitoring of outcomes for participants after six months to determine whether they have been able to remain housed and stable.

PROGRAM DEFINITIONS

In general, the following terms shall have the following meanings unless the context otherwise clearly suggests a different meaning:

"Affordable rent" for low-income tenants means annual rent not exceeding 30% of 80% of median income; affordable rent for tenants with income not exceeding 60% of median income means annual rent not exceeding 30% of 60% 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 in O&M-assisted units means an annual rent not exceeding 35% of 30% of median income and in units not assisted by O&M means annual rent not exceeding 30% 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 median family income for the Seattle-Bellevue, WA HUD Metro FMR Area, as published from time to time by the U.S. Department of Housing and Urban Development (HUD), with adjustments according to household size in a manner determined by the Director, which adjustments shall be based upon a method used by HUD to adjust income limits in subsidized housing, and which adjustments for purposes of determining affordability of rents or sale prices shall be based on the average size of household considered to correspond to the size of the housing unit (one (1) person for studio units and one and a half (1.5) persons per bedroom for other units).

"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).

"Site acquisition" includes the acquisition of interests in land or in improvements to land, or both, and may include repayment of fund sources initially used for acquisition.

"Very low-income" means income not exceeding 50% of median income.

The OH Director may adopt further refinements or interpretations of the above definitions, consistent with the intent of the Levy Ordinance and Affordable Housing Financing Plan, and Consolidated Plan Citywide Housing Funding Policies.

PROGRAM ADMINISTRATION

The AHFP includes a Summary of Levy Funding Allocation that splits total anticipated Levy funding into program categories, including $4.258 million for administration (approximately 5% of total funding). This administrative funding is intended to pay Office of Housing costs to administer 3 Levy programs (Rental Preservation & Production, Homeownership, and Neighborhood Housing Opportunity Program) and Human Services Department costs to administer the Rental Assistance Program. Administrative funding will be used as follows in 2007-2009:

Rental Preservation & Production

- TOTAL funds for administration: $3,229,604
- Portion of total to be used for administration in 2007-2009: $1,384,116

Homeownership

- TOTAL funds for administration: $449,589
- Portion of total to be used for administration in 2007-2009: $192,681

Neighborhood Housing Opportunity Program

- TOTAL funds for administration: $415,227
- Portion of total to be used for administration in 2007-2009: $177,954

Rental Assistance

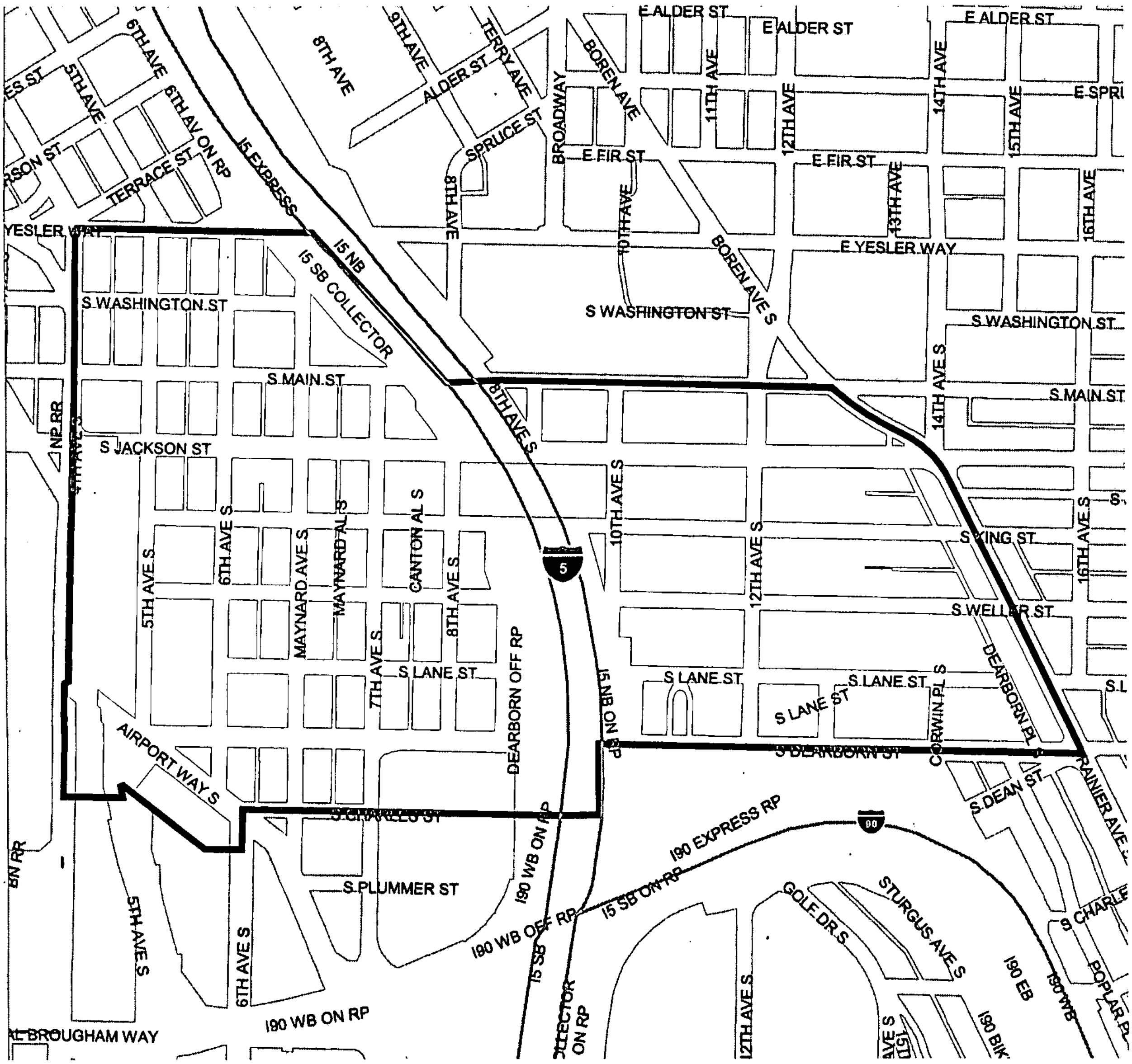
- TOTAL funds for administration: $163,580
- Portion of total to be used for administration in 2007-2009: $70,106

Operating & Maintenance

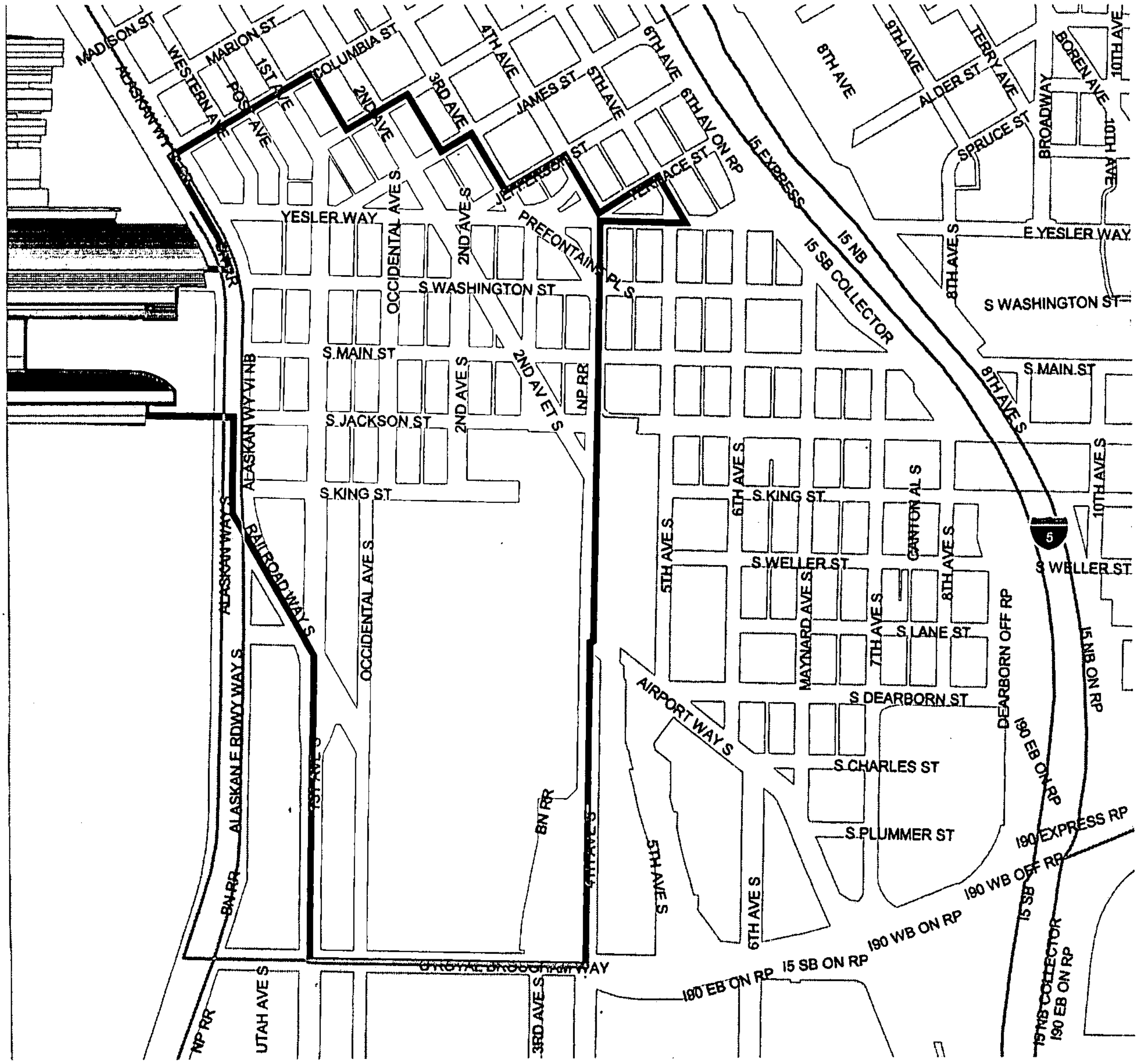
- Total required for administration of 1986, 1995, and 2002 Levy O&M programs in 2007-2009 is $486,000.
- Funding for O&M Program administration will be paid from O&M interest earnings during 2007-2009: 1986 Levy (33.3%), 1995 Levy (33.3%), and 2002 Levy (33.4%).

Levy Homeownership Target Area Maps
(Housing Investment Areas)
Homeownership funds will be used primarily in these areas

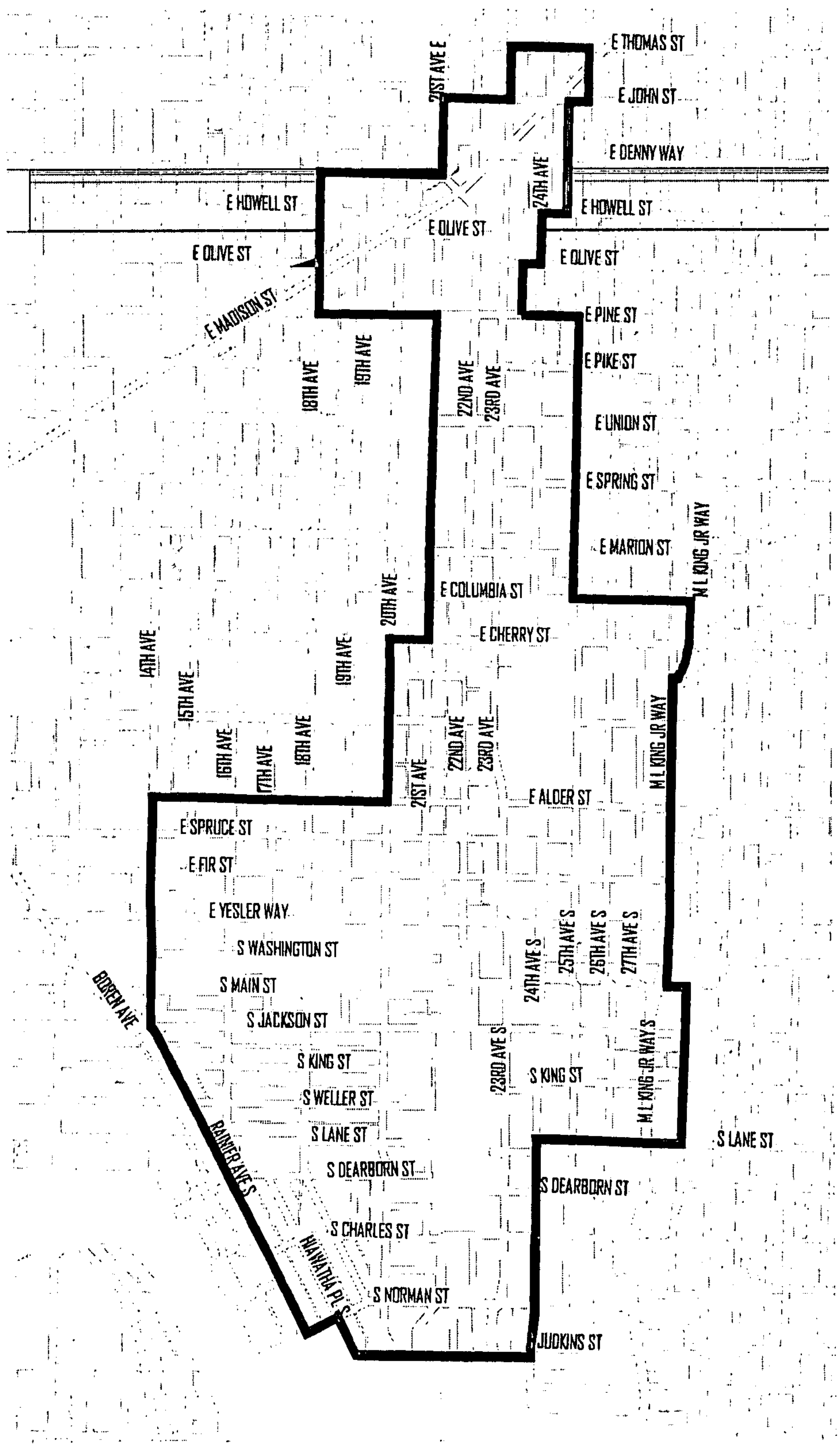
Map 1: International District Housing Investment Area (Chinatown-International District Urban Center Village)



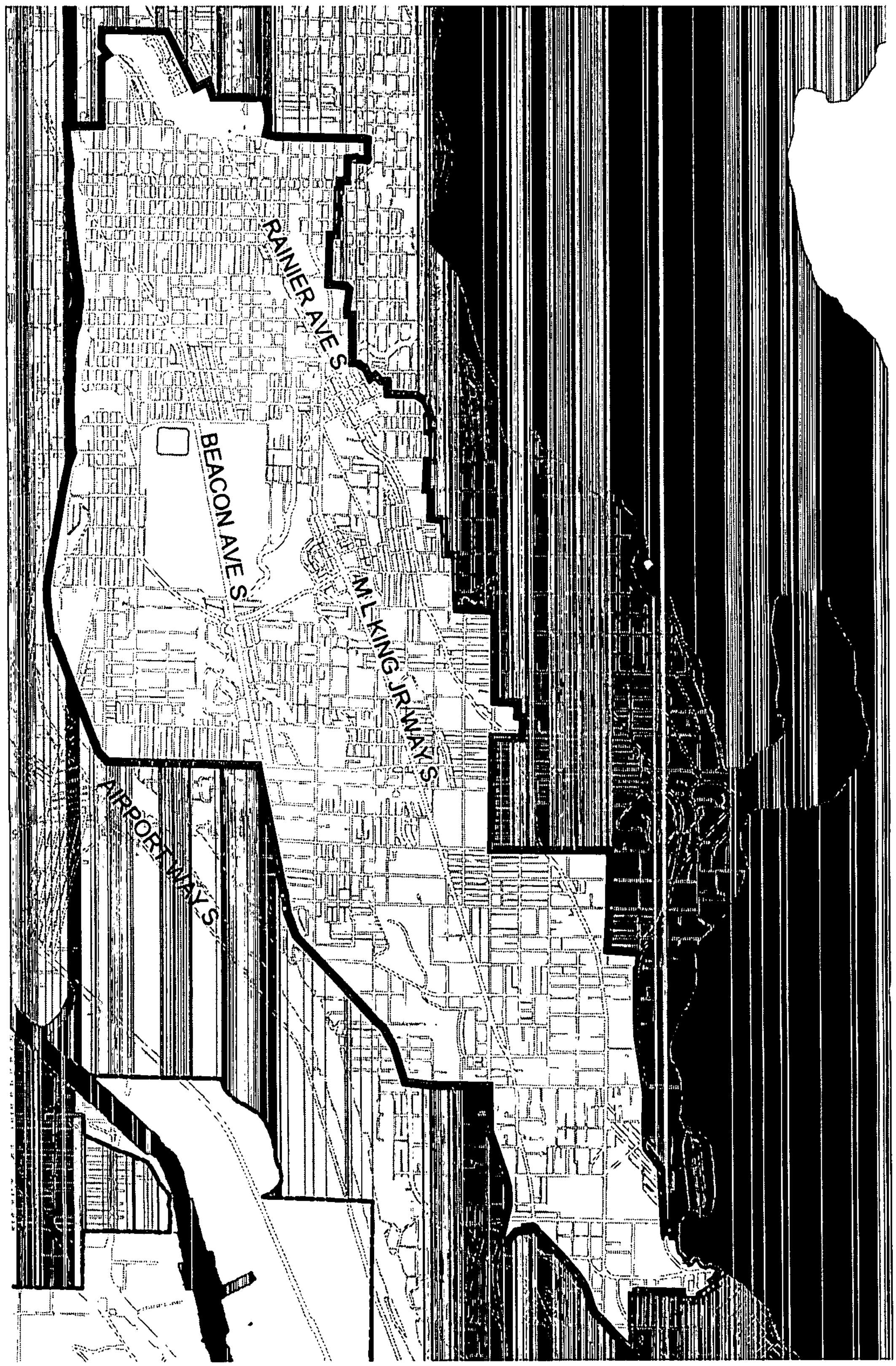
Map 2: Pioneer Square Housing Investment Area (Pioneer Square Urban Center Village)



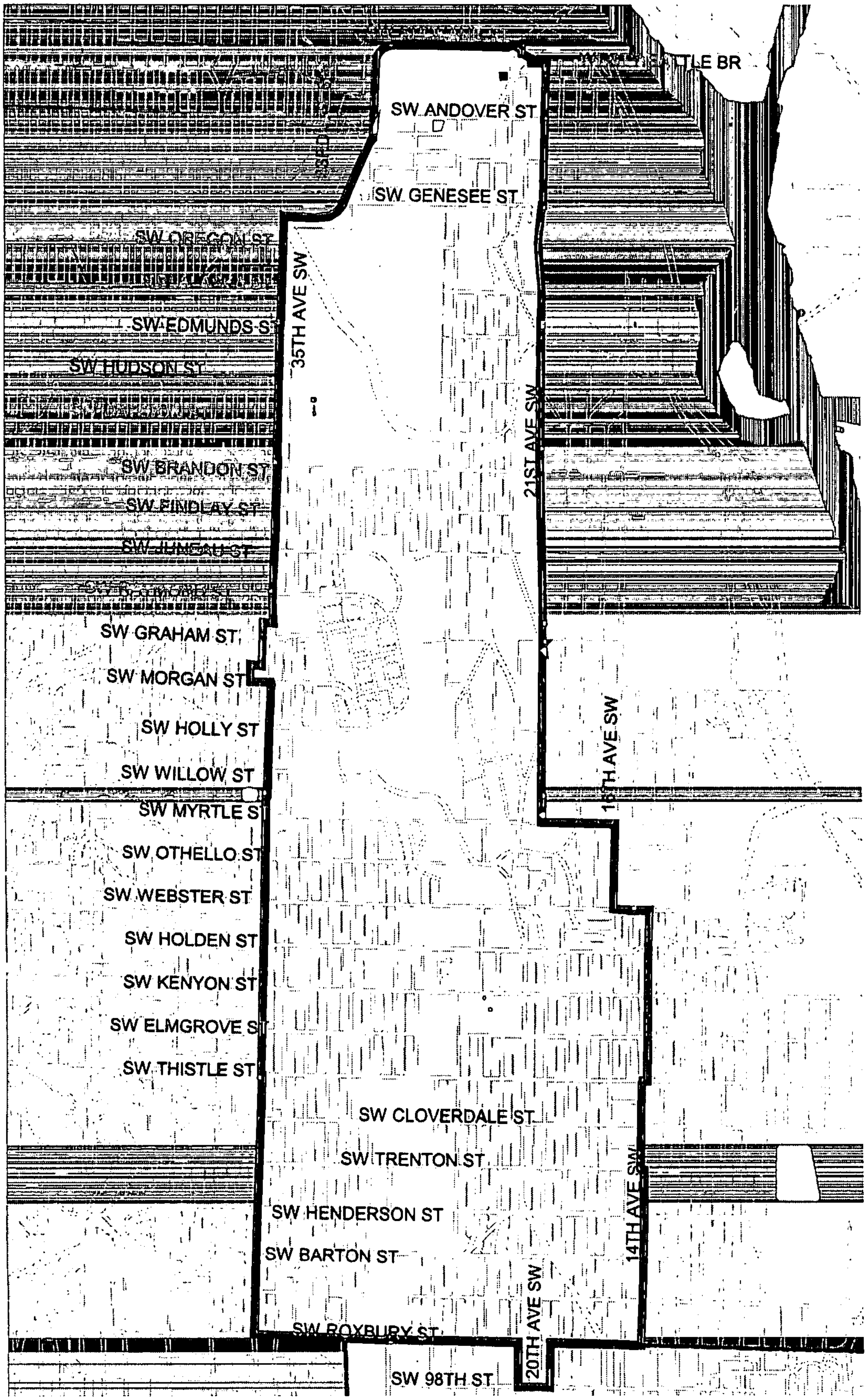
Map 3: Central Area Housing Investment Area



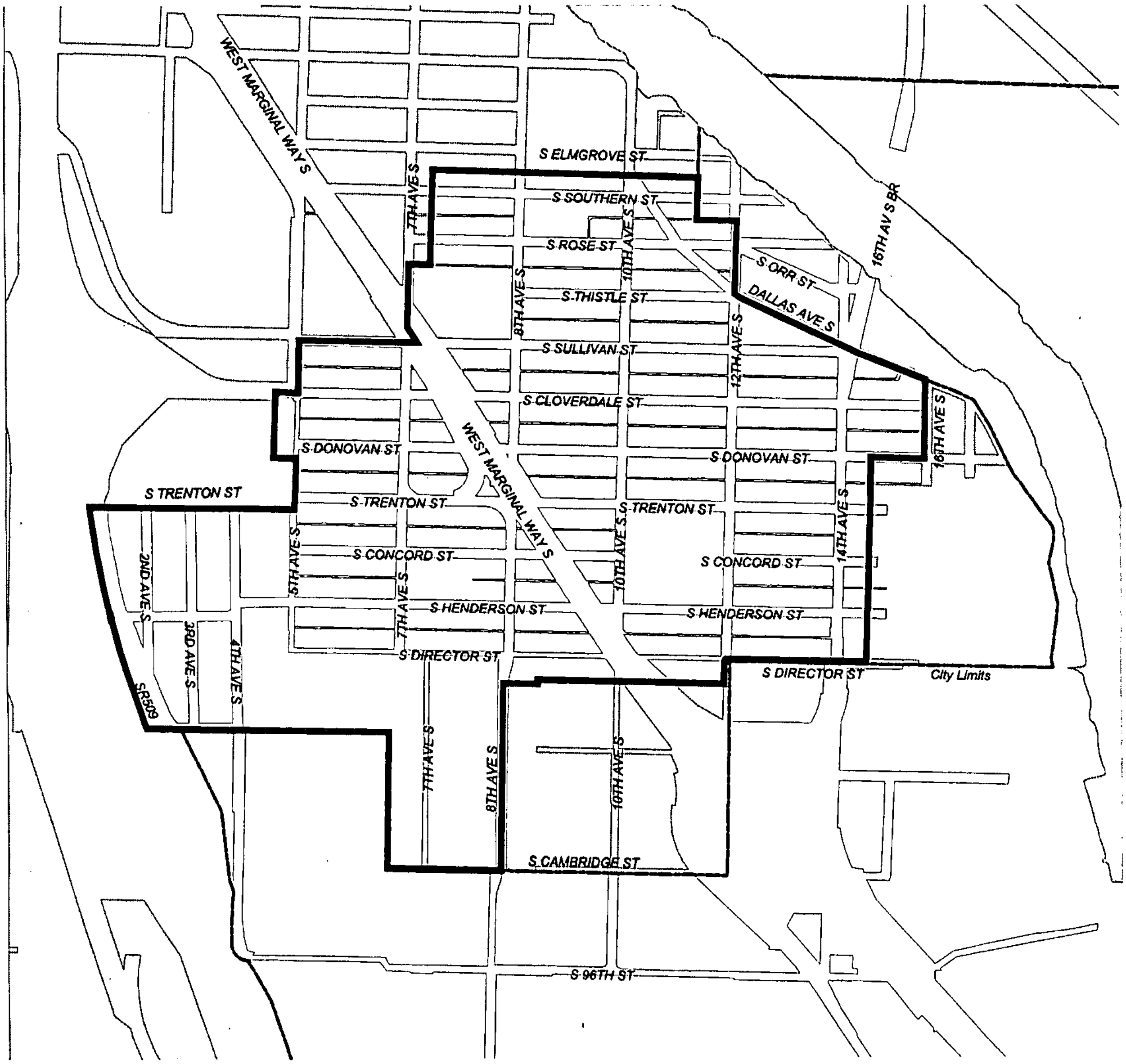
Map 4: Rainier Valley/Beacon Hill Housing Investment Area



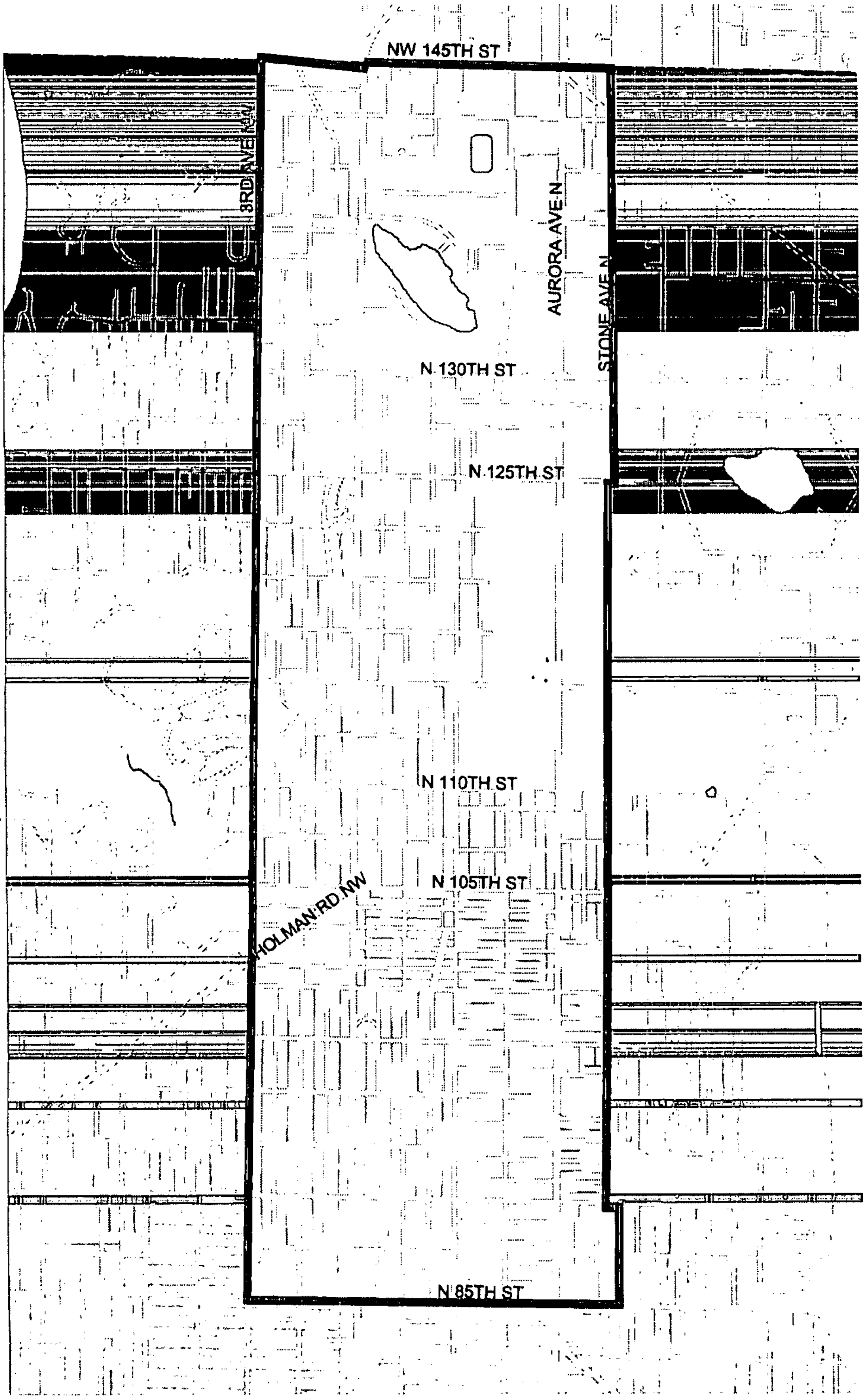
Map 5: Delridge/Westwood Housing Investment Area



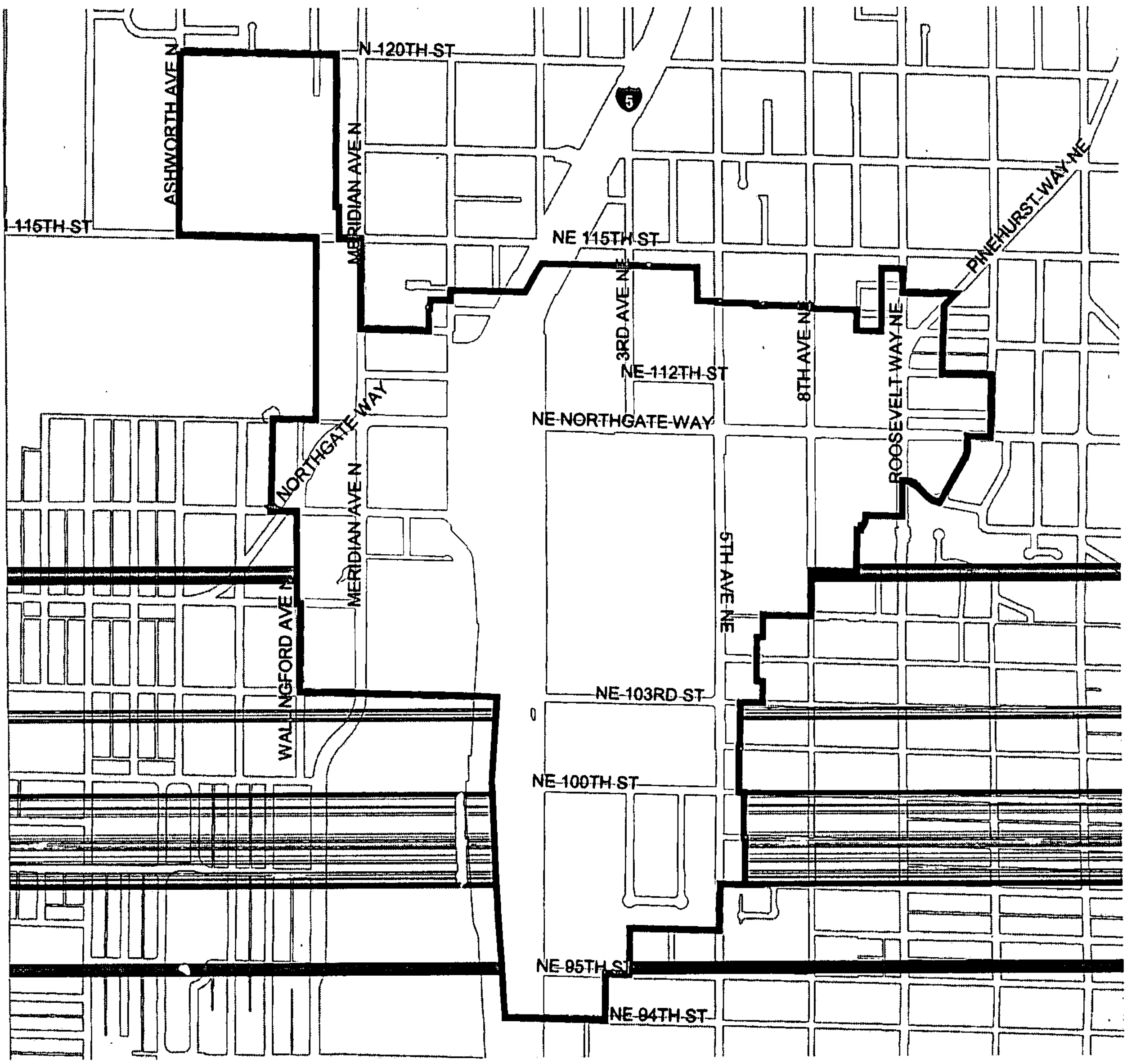
Map 6: South Park Housing Investment Area (South Park Residential Urban Village)



Map 7: Bitter Lake Housing Investment Area

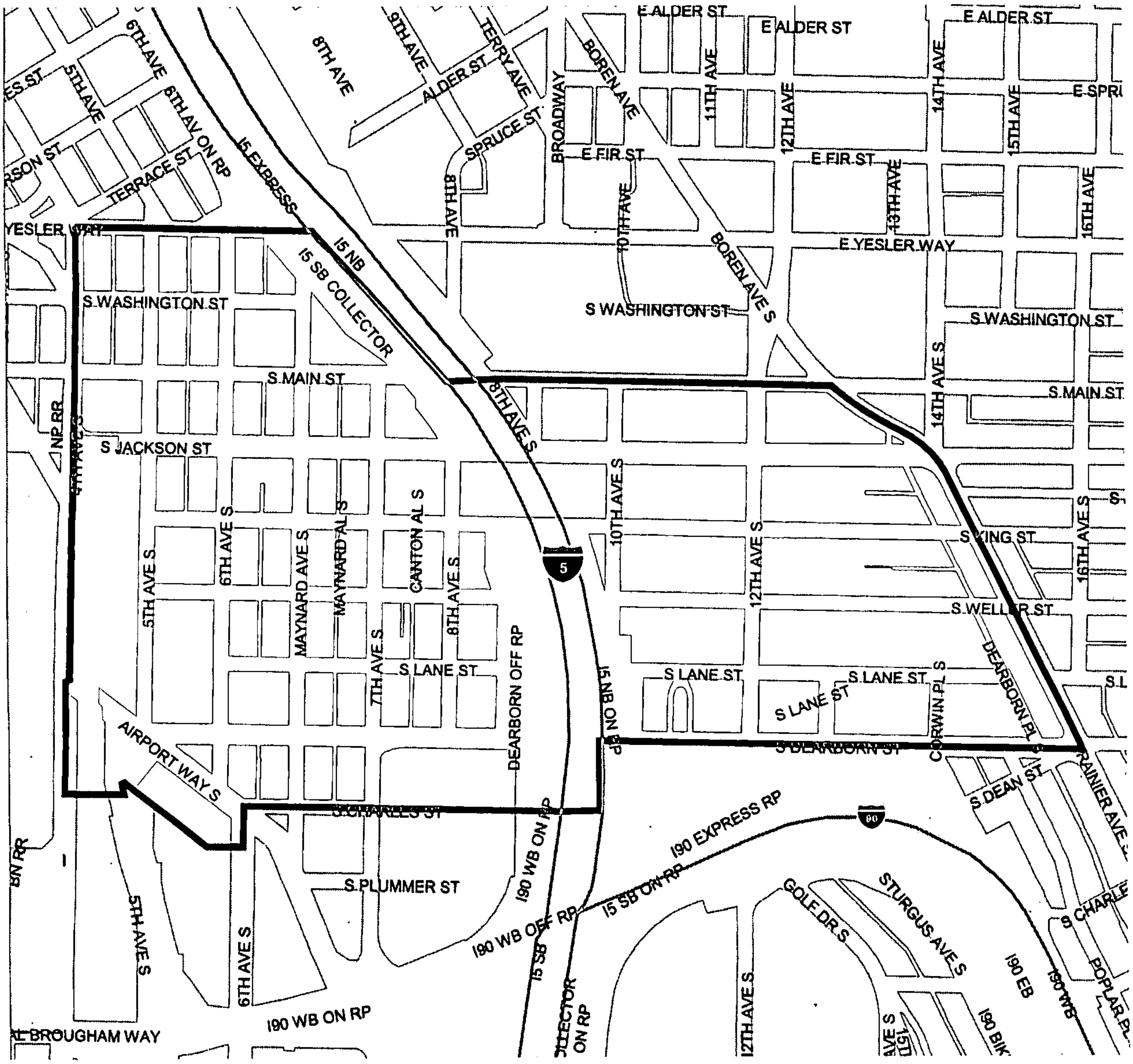


Map 8: Northgate Housing Investment Area (Northgate Urban Center Village)

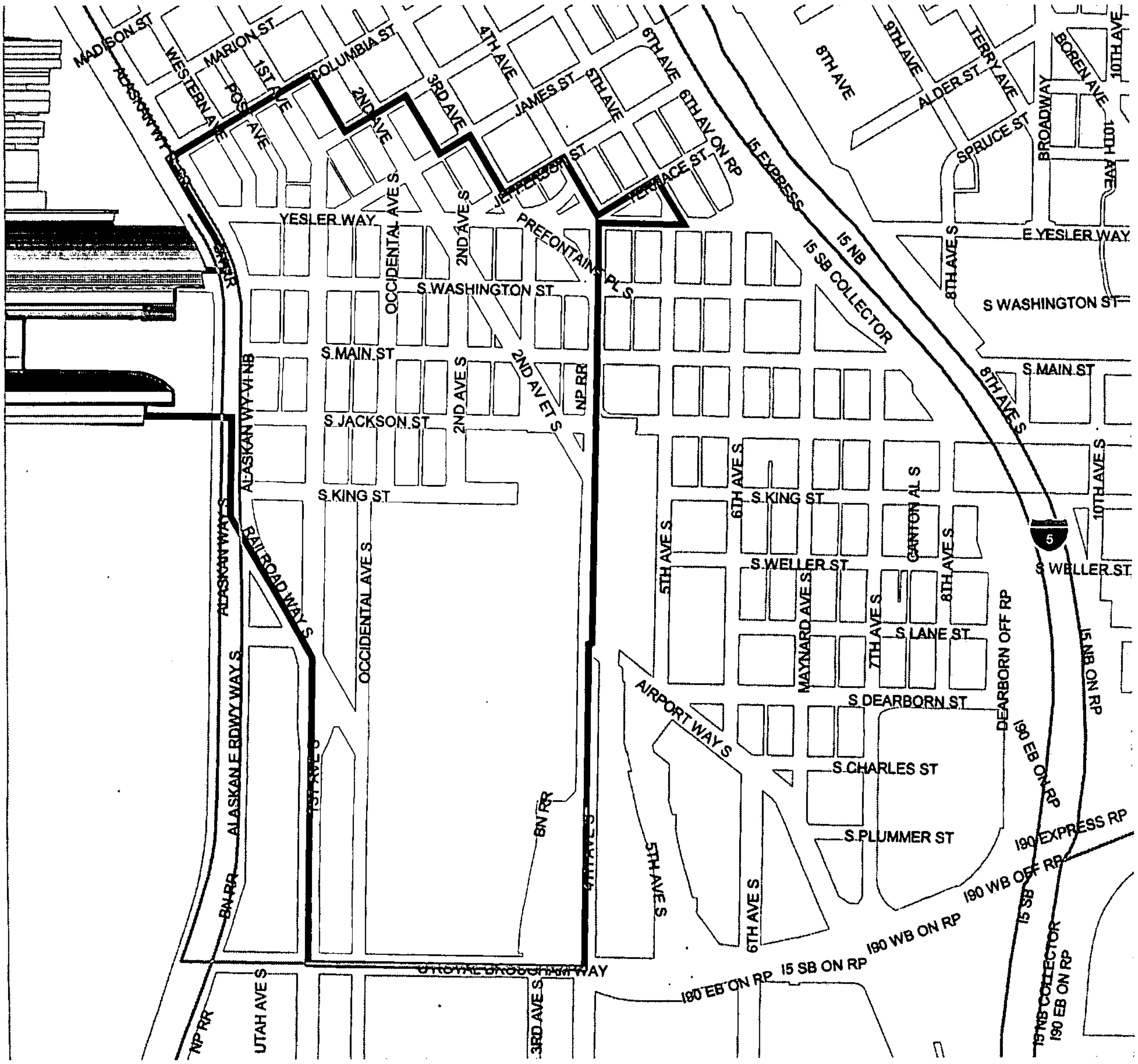


Levy Neighborhood Housing Opportunity Program (NHOP)
Target Area Maps
NHOP funds will be used primarily in these areas

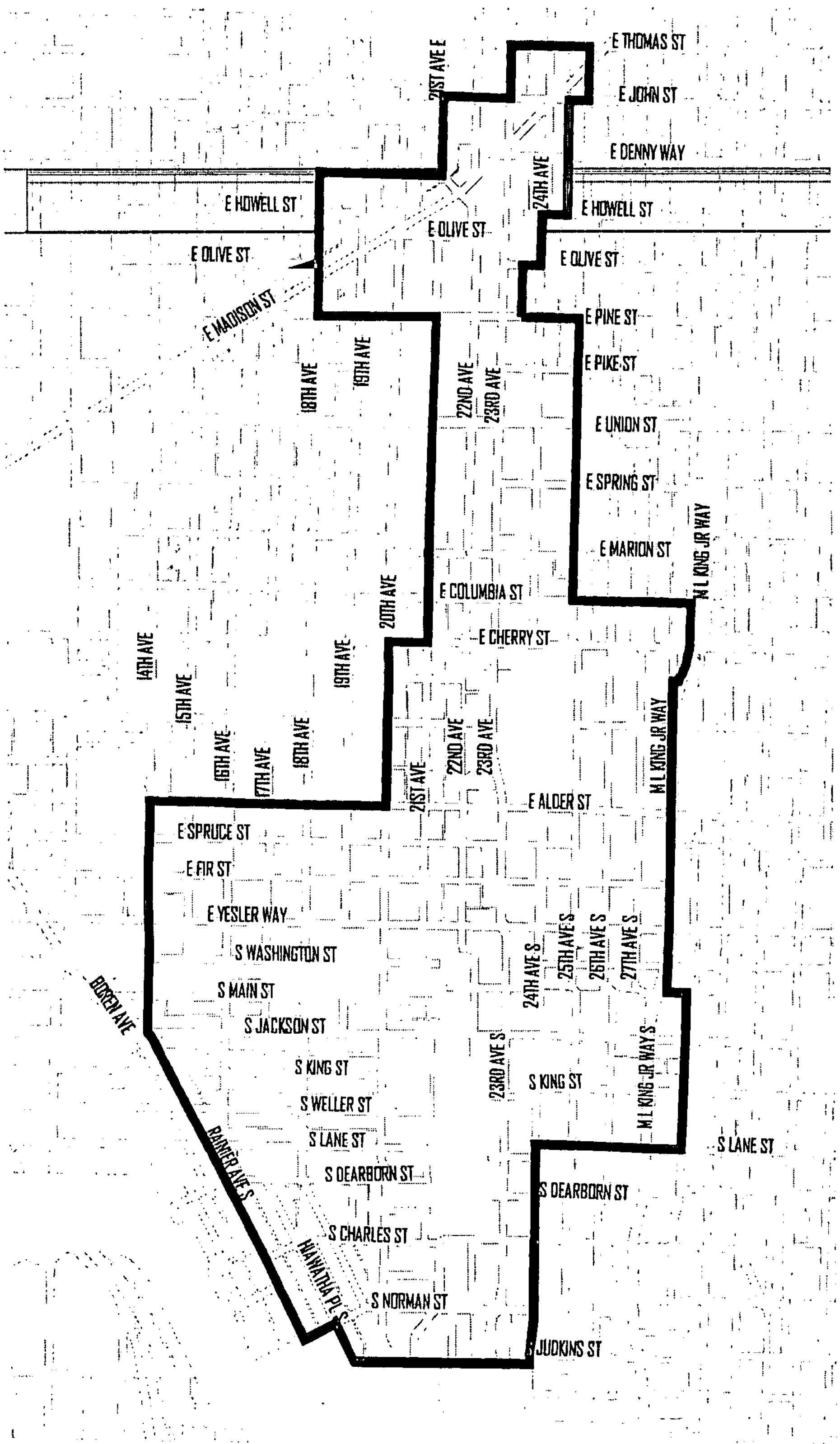
Map 1: International District Housing Investment Area Maps (Chinatown-International District Urban Center Village)



Map 2: Pioneer Square Housing Investment Area (Pioneer Square Urban Center Village)

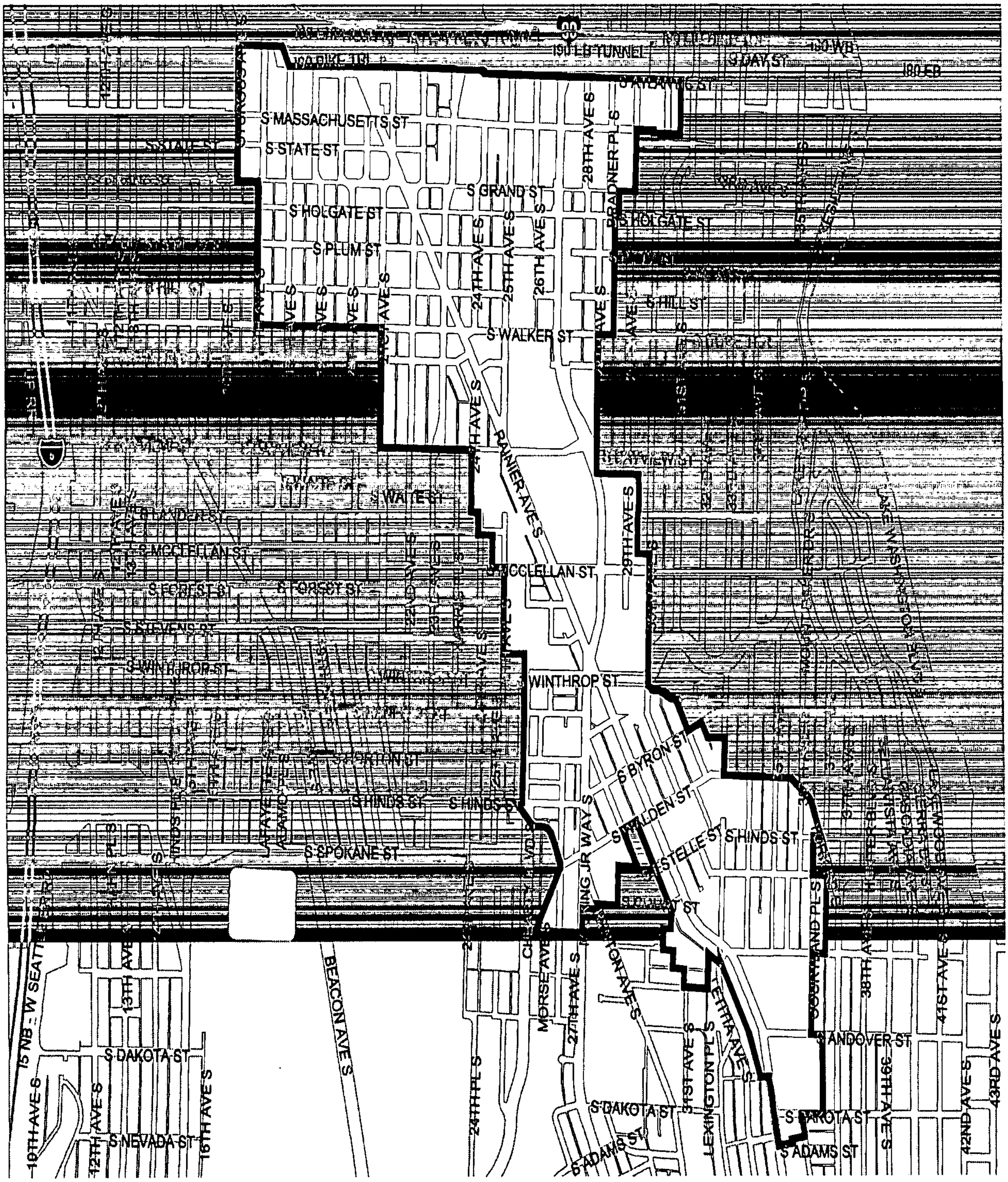


Map 3: Central Area Housing Investment Area

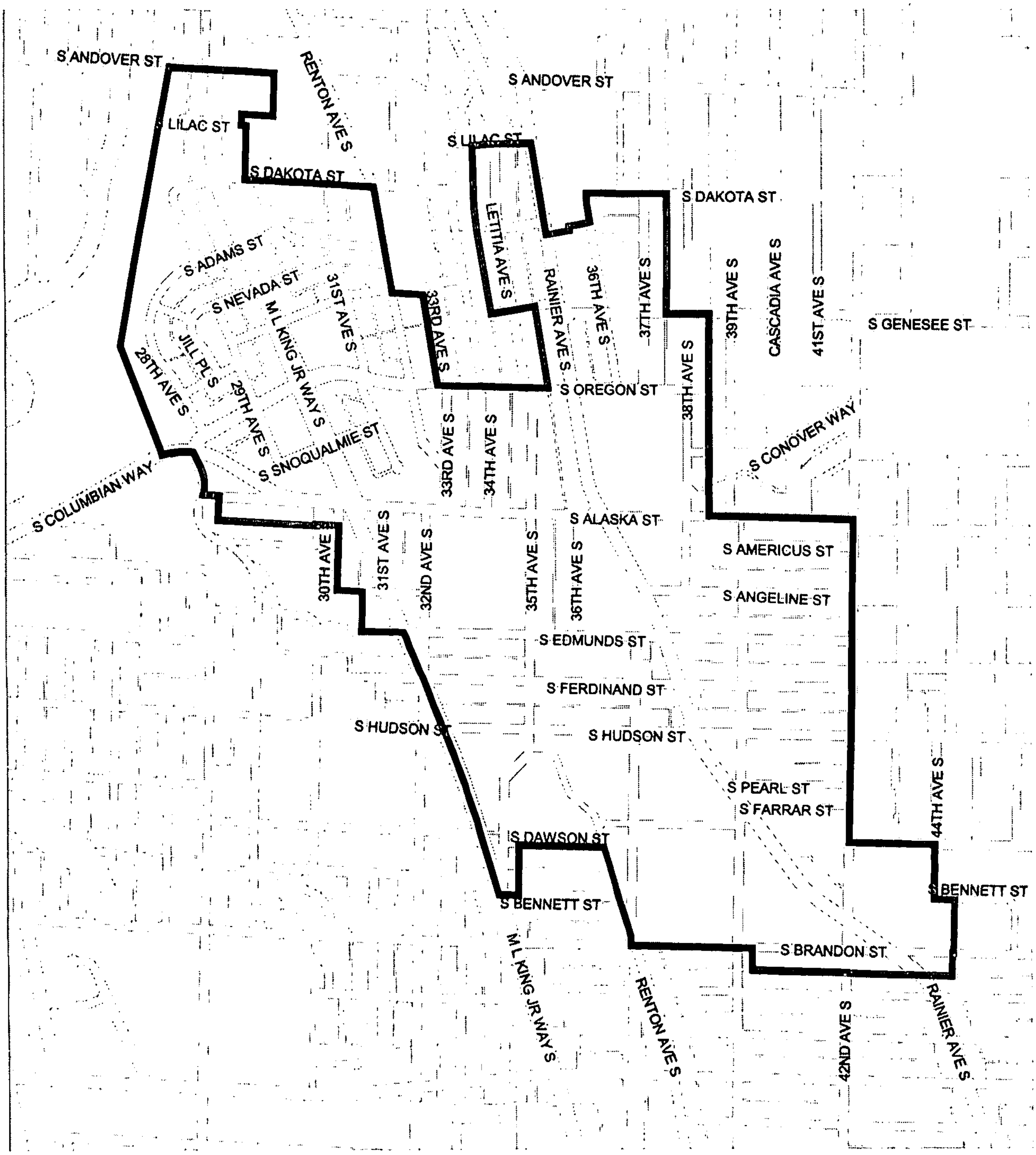


Map 4: North Beacon Hill Residential Urban Village

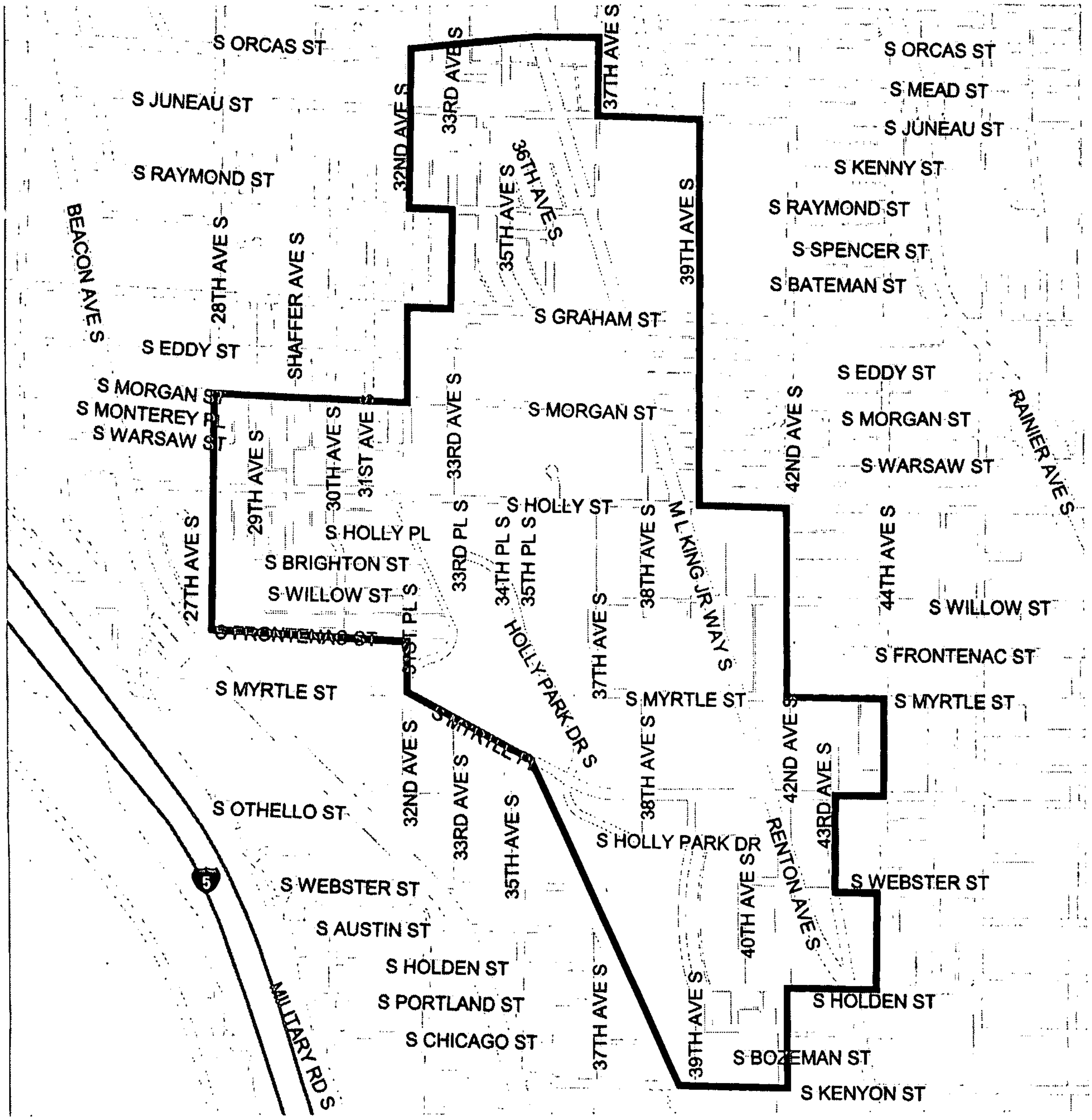
Map 5: North Rainier Hub Urban Village



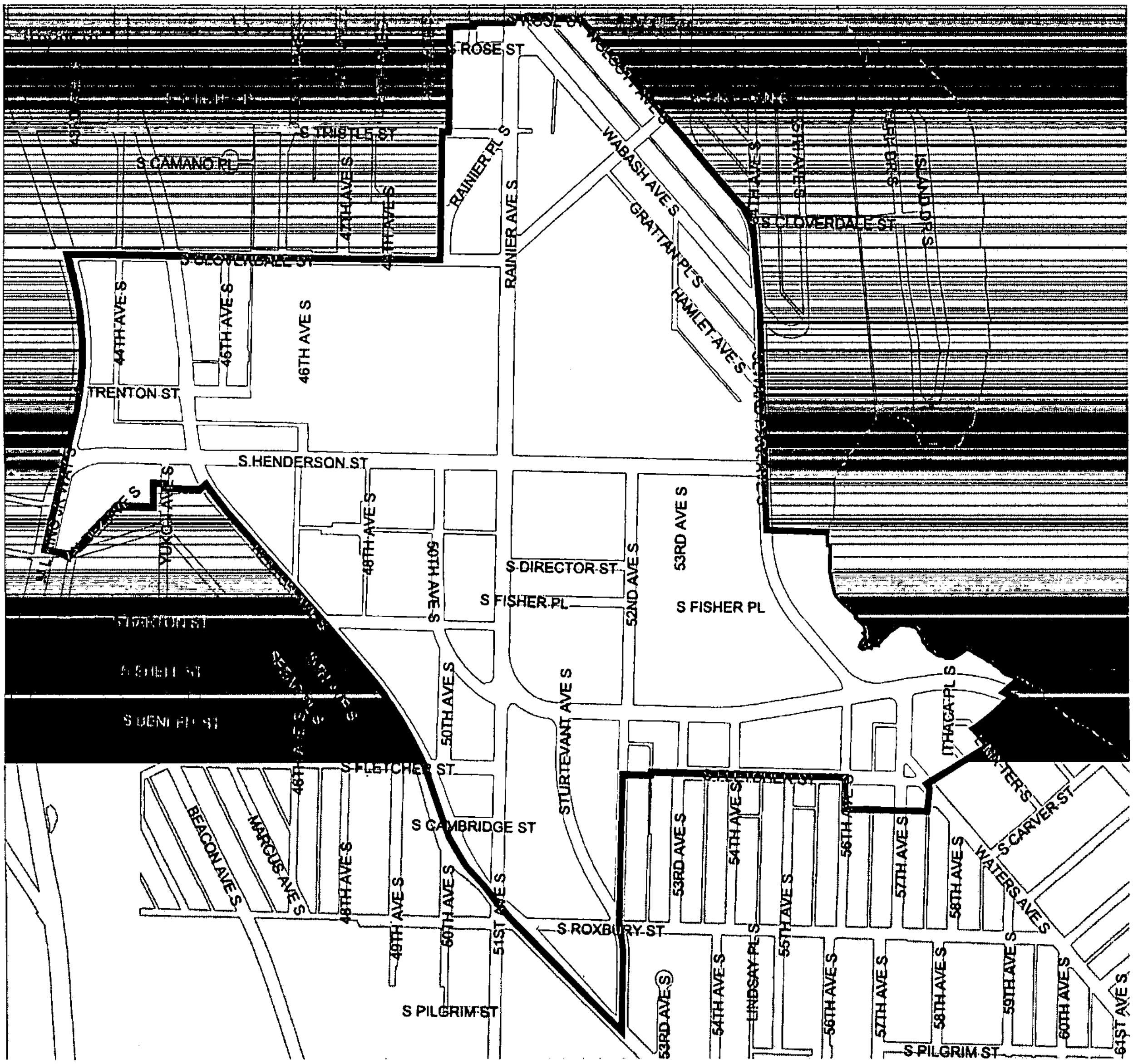
Map 6: Columbia City Residential Urban Village



Map 7: MLK at Holly Street Residential Urban Village

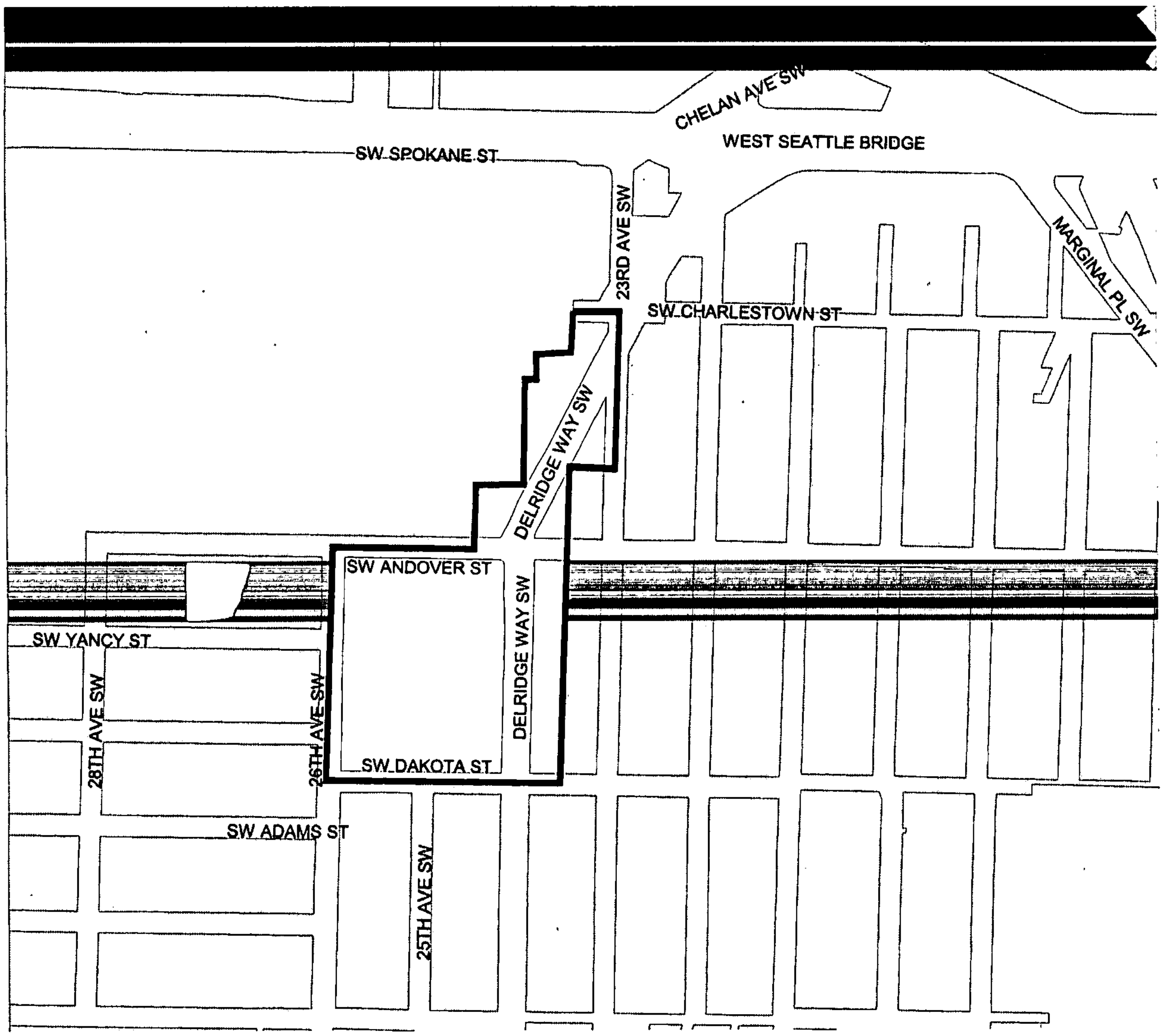


Map 8: Rainier Beach Residential Urban Village

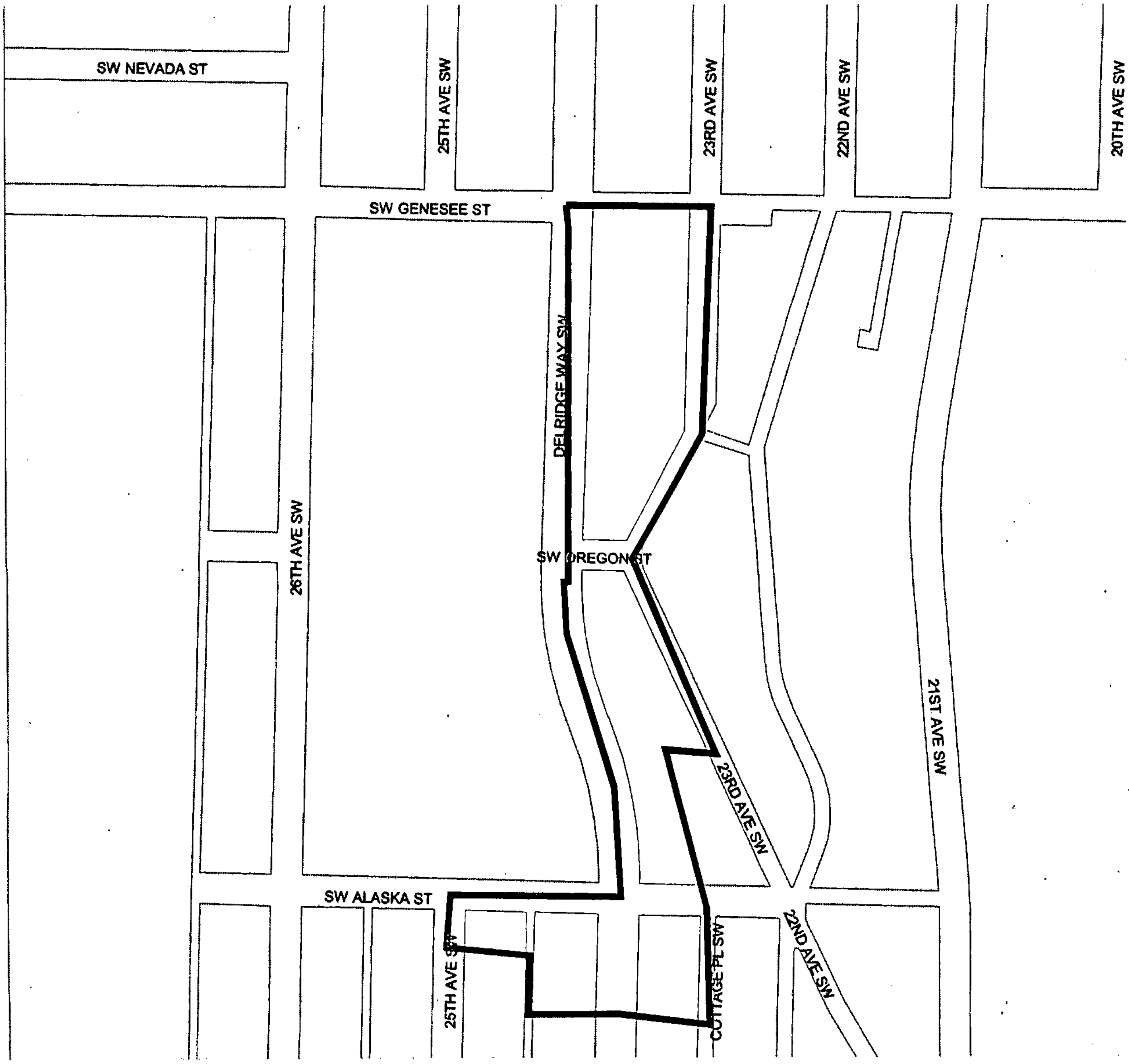


Note: The Office of Housing may administratively modify the boundaries of the Delridge and High Point nodes to include parcels in the immediate vicinity that are zoned for mixed use.

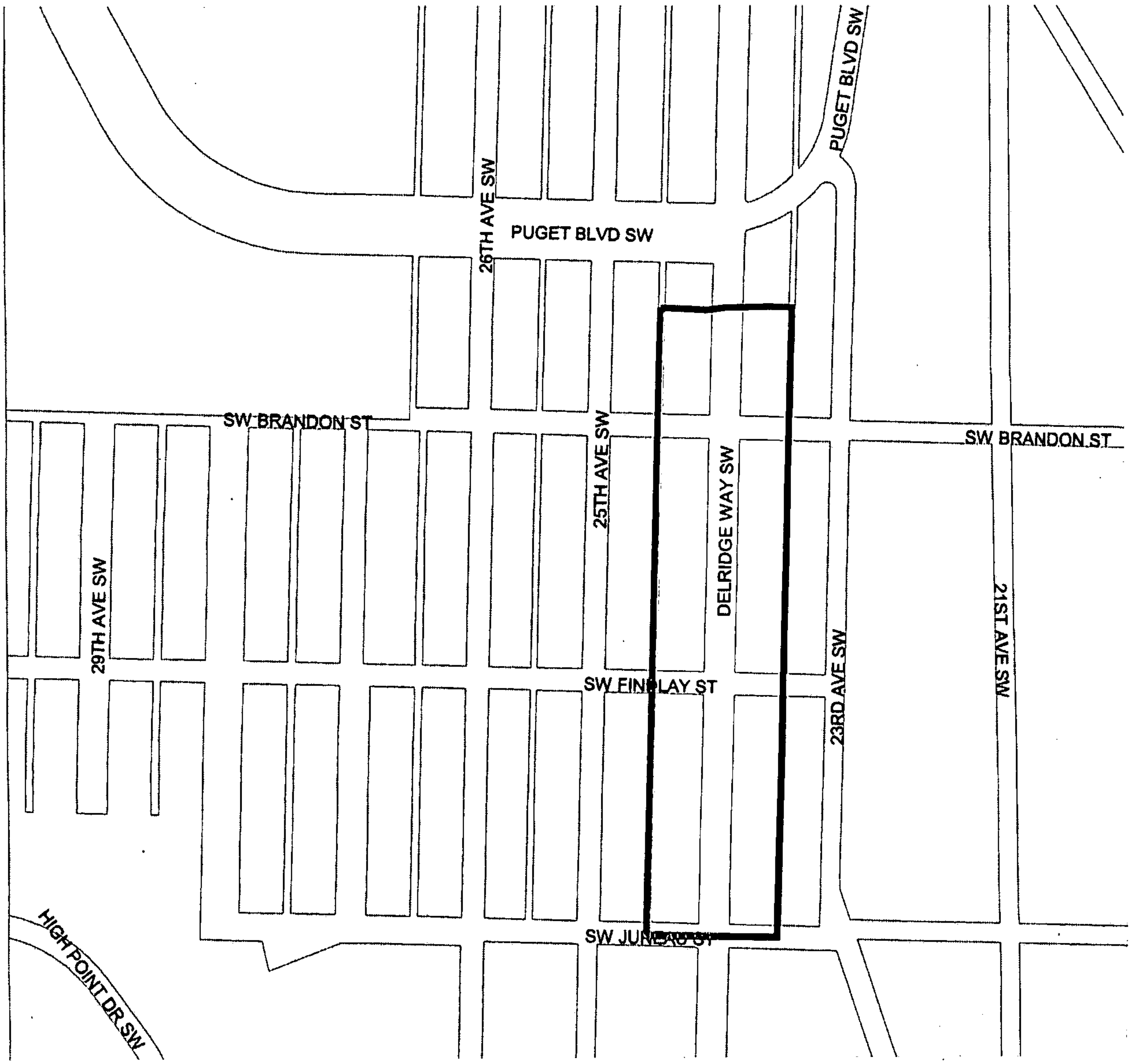
Map 9: Delridge North Node



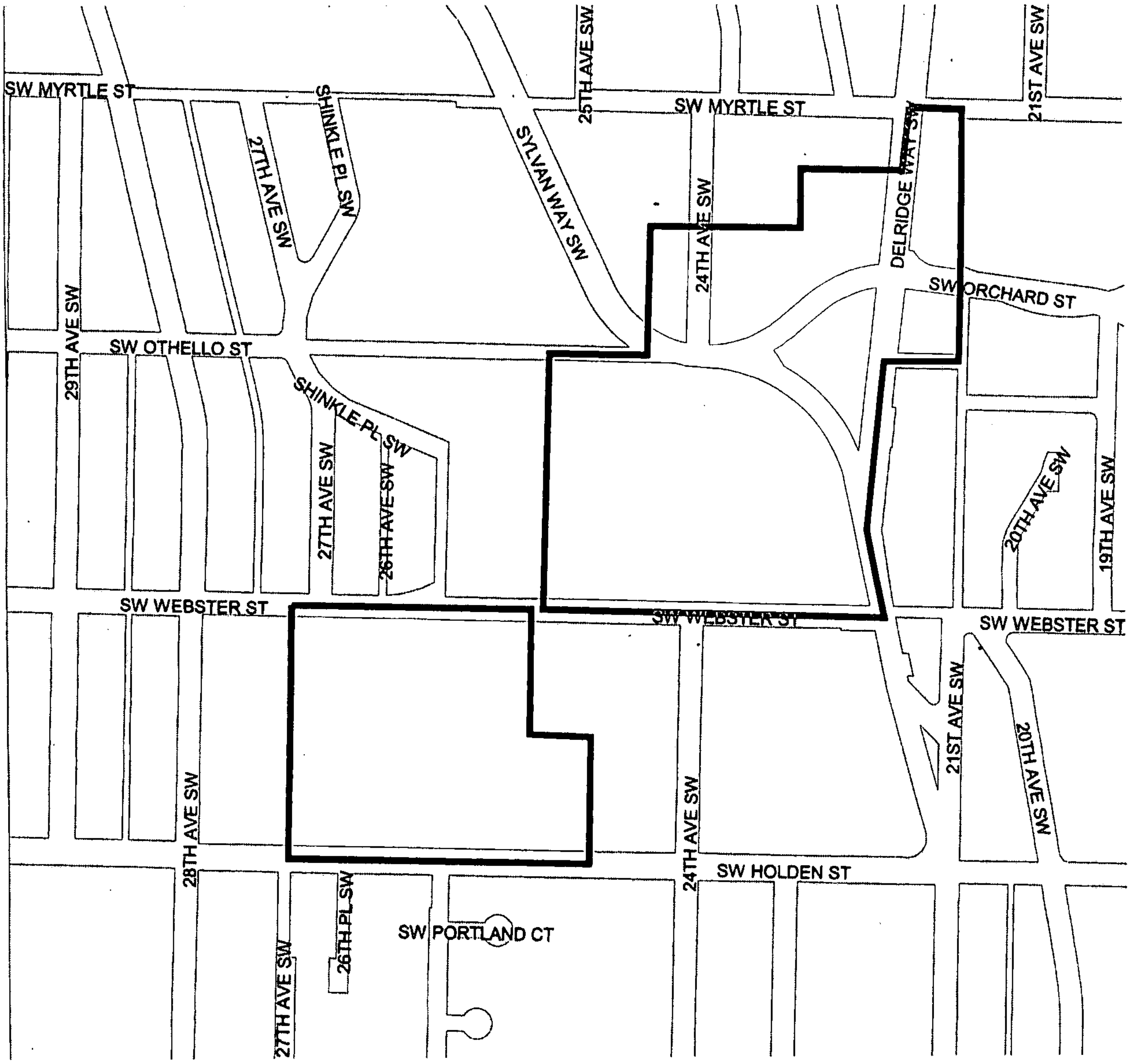
Map 10: Delridge Campus Node



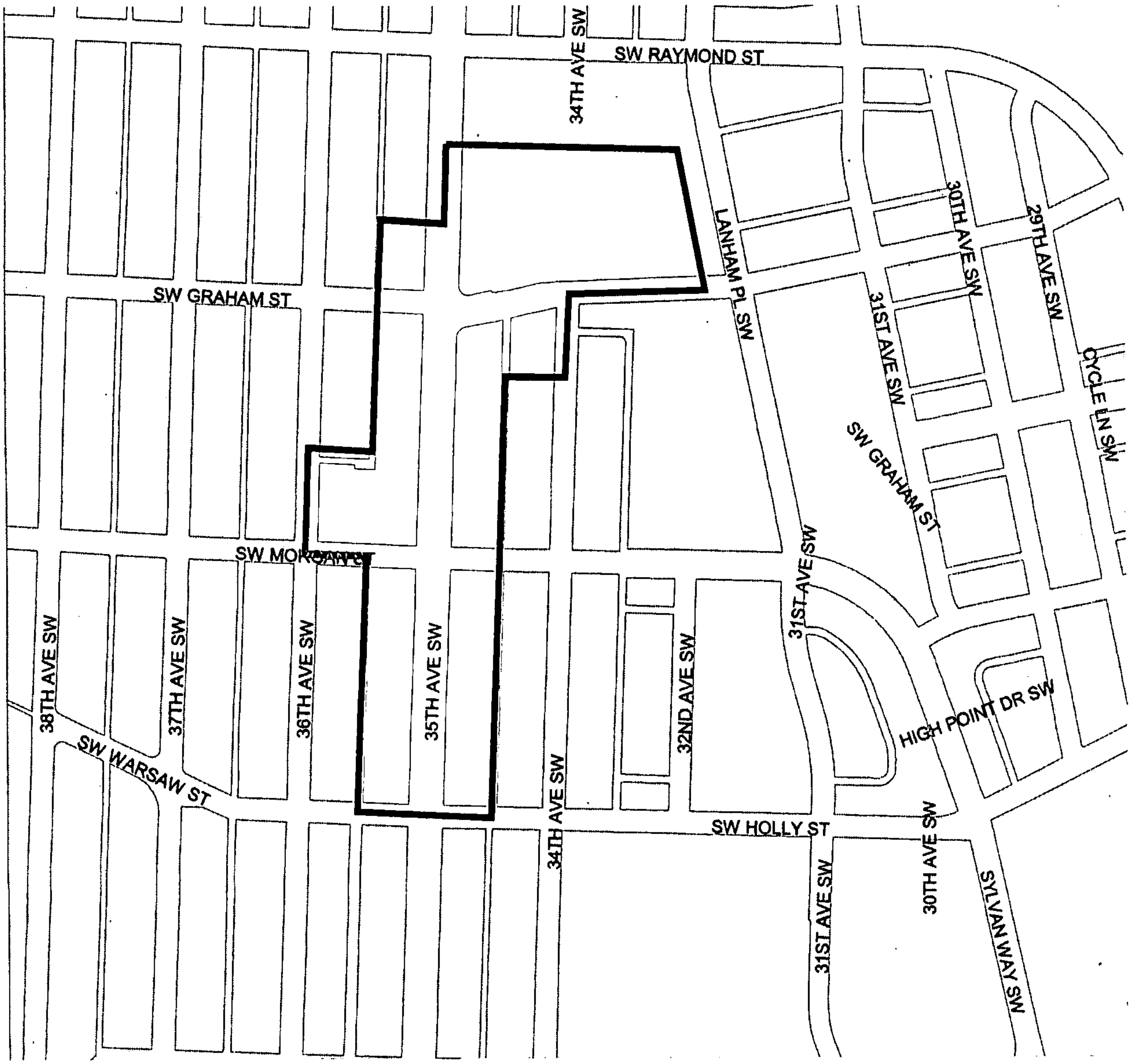
Map 11: Delridge Central Node



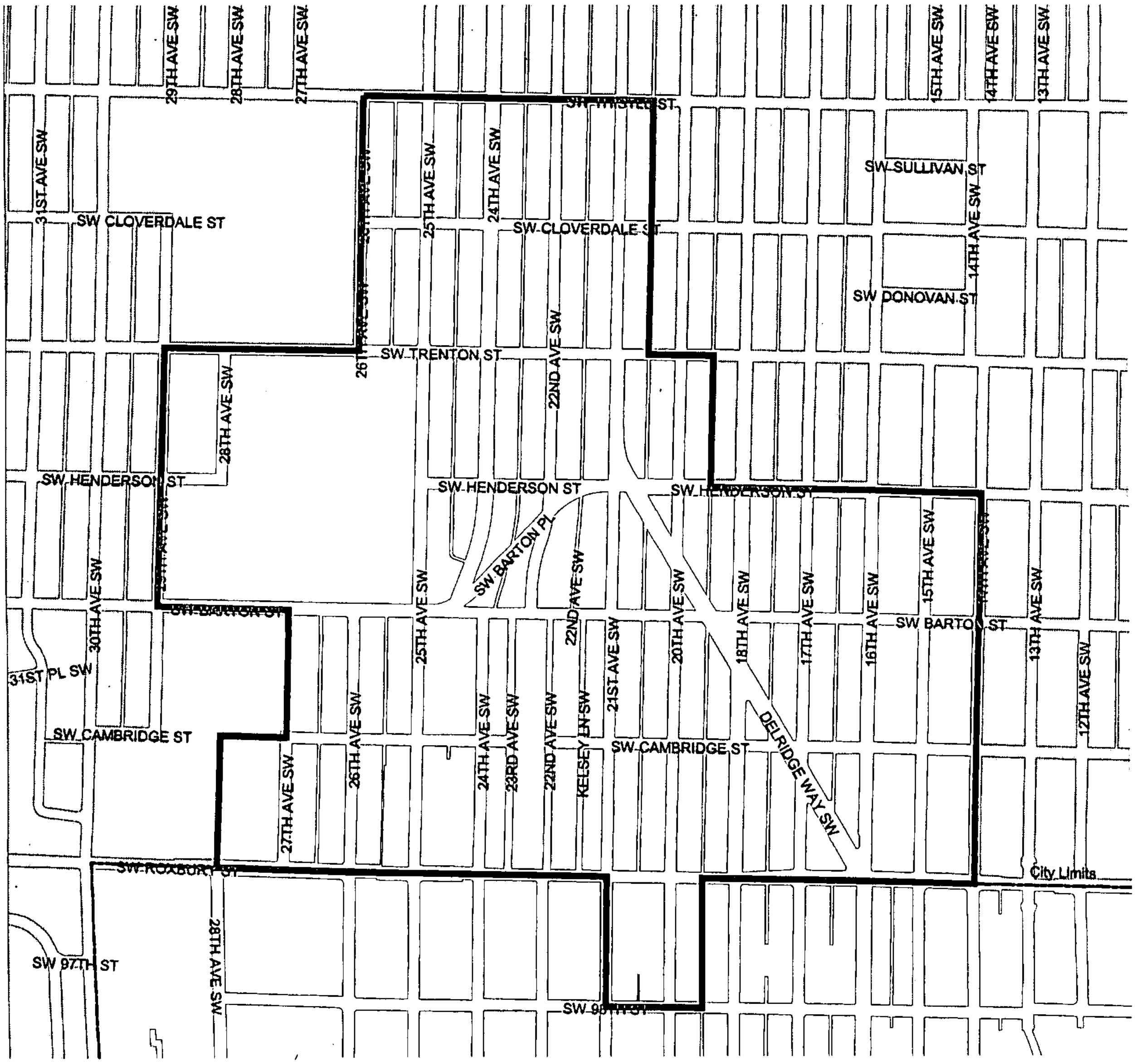
Map 12: Delridge South Node



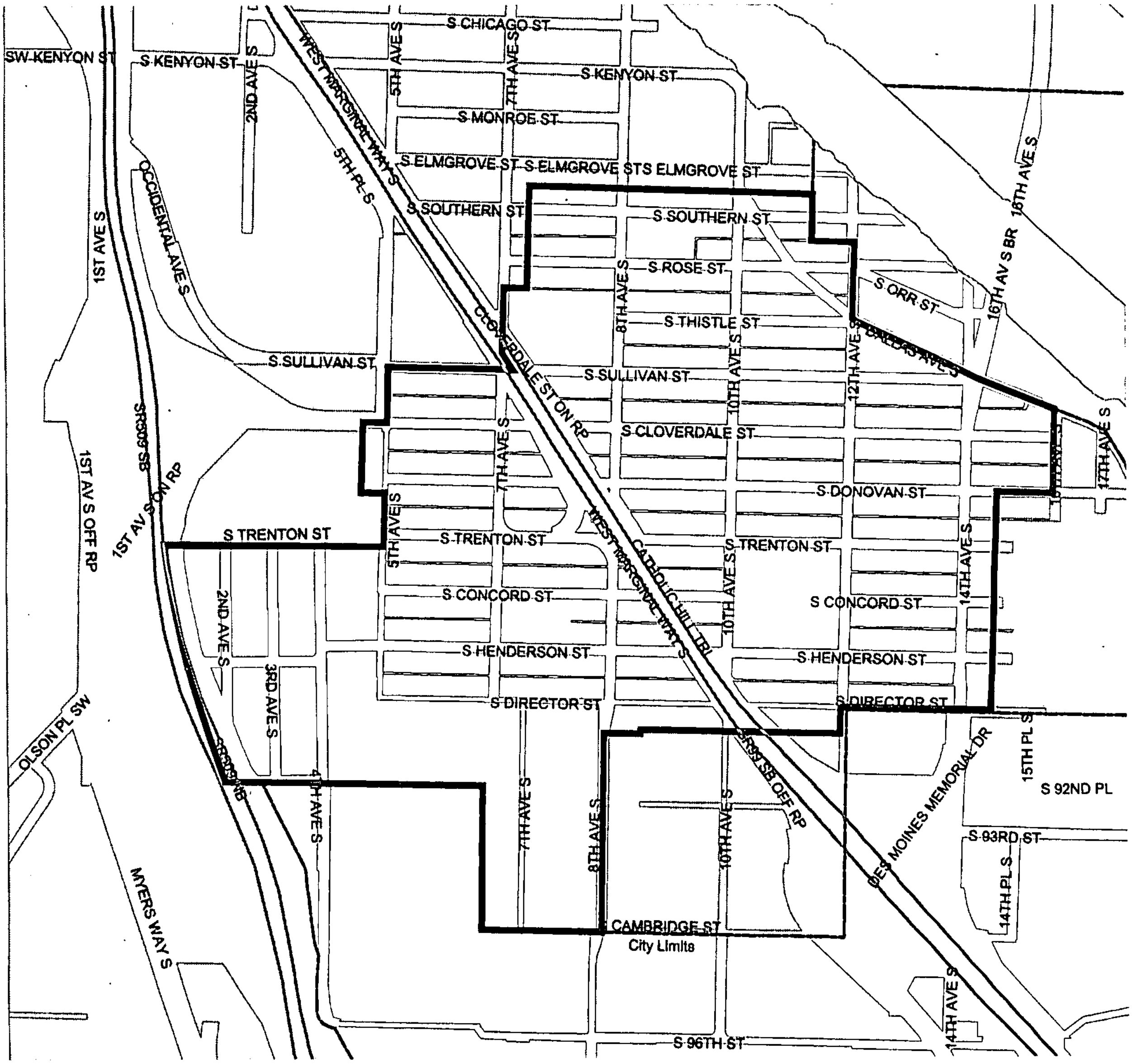
Map 13: High Point Node



Map 14: Westwood-Highland Park Residential Urban Village



Map 15: South Park Residential Urban Village



Amendments to the Affordable Housing Financing Plan

[New text underlined, deleted text ((~~struck through~~))]

5. Homeownership Assistance Program

* The homeownership assistance program will ((~~provide financial assistance to~~))help first-time ((~~home buyers~~))homebuyers ((~~that~~))who are low-income households to purchase homes, with preference given to City of Seattle residents or households with at least one person working within the City of Seattle. All types of units shall be eligible for purchase, including single-family residences, condominiums, limited-equity cooperatives, co-housing, land trusts and homes on leased land.

* ((~~Borrowers~~))Buyers benefited by the program must be low-income, first-time homebuyers. First-time homebuyer is defined as any individual and his or her spouse who have((~~s~~)) not owned a home during the ((~~three~~))3-year period prior to the individual's purchase of ((~~a~~))the home((~~using City homebuyer assistance funds~~)). The term first-time homebuyer also includes an((~~Any~~)) individual who is a displaced homemaker or single parent, as defined((~~may not be excluded because that individual, while a homemaker, previously owned a home with his or her former spouse or partner. Any individual who is a single parent or guardian of a minor child may not be excluded because that individual previously owned a home with his or her spouse or partner. Definitions of "displaced homemaker" and "single parent" are as set forth~~)) in 24 CFR Part 92 HOME Investment Partnerships Program, Section 92.2 Definitions((~~.2~~)).

* Eligible uses of funds may include (1) downpayment and closing cost assistance((~~,~~)) and/or interest rate writedown for eligible buyers,((~~. Financing of homeownership development costs, except for acquisition costs in a land trust project~~))or (2) site acquisition and/or

development costs for a home or homes to be sold to eligible buyers. ((~~, and h~~))Homebuyer counseling is((~~are~~)) not an eligible use((~~s~~)) of funds.

* Homeownership assistance funds shall be focused primarily in((~~on~~)) economically distressed communities (to be defined in the A & F Plan) and on those areas in the City with homeownership rates below the Citywide average.

* Downpayment assistance and interest rate writedowns shall be structured with repayment obligations with repayments used for subsequent loans to low-income homebuyers. Downpayment assistance offered through this program shall be provided through one or more revolving loan funds, which may be held by the City and administered by the Office of Housing, or may be held by one or more non-profit agencies that lend or re-lend funds under contract with the City. In addition, assistance offered through this program shall include protections such as anti-windfall profit protection measures, including shared appreciation requirements; right-of-first refusal requirements; or other measures to attempt to ensure that the units continue to be affordable for low-income households for the long term.

* Eligibility Limits

* At least $3.9 million (50%) of program funding shall be used for units serving people with incomes at or below 60% of median income.

* ((~~Up to $3.9 million (50%) of~~))All program funding ((~~may~~))shall be used for units serving people with incomes at or below 80% of median income.

Section 6 - Housing Policies
APPENDIX H
to the 2005-2008 Consolidated Plan, as amended 2007

Appendix H, Housing Policies, is amended to read in its entirety as follows:

The policies outlined in this Appendix H to the Consolidated Plan pertain to all capital funds administered by the Seattle Office of Housing (OH) unless otherwise noted. Policies for rental assistance funds administered by OH and the Seattle Human Services Department (HSD) are also included. Please refer to the currently applicable 2002 Housing Levy Administrative & Financial Plan for additional policies governing the use of Levy funds.

Rental Preservation & Production Program Policies

Rental Housing Priorities

The rental housing priorities described below indicate the types of rental housing the City is most interested in funding, but are not listed in priority order. Proposed projects not meeting one or more these priorities may still be considered for City funding.

PRIORITY: HOUSING FOR FAMILIES WITH CHILDREN

Particular interest:

- The area of greatest need based on 2000 Census special tabulation data provided by HUD is housing for extremely low-income families (0-30% of median income (MI));
- Supportive transitional and permanent housing for families who are homeless, including projects participating in the Gates Foundation Sound Families Initiative.

Needs rationale:

- Over 5,000 extremely low-income families in Seattle have housing problems as defined by HUD, meaning they pay more than they can afford for rent and utilities (i.e., > 30% of their income), live in overcrowded conditions, or lack complete kitchen and plumbing facilities. Almost 60% of extremely low-income families pay more than one-half of their household income for rent and utilities.
- The January 2006 One Night Count found that 809 families with children were living in shelters or transitional housing.
- Preliminary findings from a recent evaluation of the Sound Families Initiative found positive outcomes for homeless families, with two-thirds moving on to stable housing, and slightly more than half with increased monthly income.

PRIORITY: HOUSING FOR SMALL HOUSEHOLDS

Particular interest:

- The area of greatest need among Seattle's small households is for housing for extremely low-income (0-30% of MI) single individuals;
- Permanent supportive housing projects serving people who are chronically homeless and/or disabled.

Needs rationale:

- In Seattle, over 10,000 extremely low-income singles (under the age of 62) and another 2,500 extremely low-income seniors who live alone or with others pay more than one-half of their income for rent and utilities.
- The Seattle-King County Health Care for the Homeless Network (HCHN) estimated that, in 2002, at least 4,900 single men and women in the downtown Seattle area met the definition of chronically homeless, meaning they had been homeless for a year or longer or had four or more episodes of homelessness in the past three years.
- Ninety-eight percent of persons who are homeless or who live in transitional housing report either having no source of income or having extremely low incomes through social security, unemployment insurance, or State general assistance.
- Most homeless persons suffer from one or more disabilities, such as mental illness, chemical or alcohol dependency, and/or chronic and acute medical conditions.
- National studies have documented the success of supportive housing models on multiple levels:
  - ✓ utilization of health services (decreases in emergency room visits, hospitalization, and emergency detoxification, and increases in preventive health care services);
  - ✓ employment status (increase in earned income and employment rates when employment services are provided in supportive housing, and decrease in dependence on entitlements);
  - ✓ treatment of mental illness (decreased symptoms of schizophrenia and depression); and
  - ✓ ending substance abuse (much higher success rates for people living in supportive housing).

PRIORITY: PRESERVATION OF SUBSIDIZED RENTAL HOUSING PROJECTS WITH EXPIRING AFFORDABILITY RESTRICTIONS

Particular interest:

- Projects that preserve affordable units that are at risk due to expiring project-based Section 8 subsidy.
- Preservation of tax credit projects with expiring affordability restrictions, if rents are currently below-market and buildings serve a significant number of very low-income (0-50% of MI) households.

Needs rationale:

- The Washington Low Income Housing Alliance estimates that 984 affordable units in 19 buildings in Seattle are at risk of being lost by 2006 due to expiring project-based Section 8 subsidies.
- In addition, a list provided by the Washington State Housing Finance Commission in January 2004 showed 19 other low-income housing tax credit buildings (1,023 units) in Seattle with affordability restrictions that will be expiring by 2006. Some of this affordable housing stock may be at risk of converting to market-rate.

PRIORITY: HOUSING THAT HELPS ADDRESS SPECIFIED COMMUNITY DEVELOPMENT OBJECTIVES

Particular interest:

- Affordable workforce housing (generally housing affordable to households with incomes 31-80% of MI) that furthers revitalization or other community development goals in Housing Investment Areas. Strategies and priorities for Housing Investment Areas are identified in the Levy Administrative & Financial Plan, Consolidated Plan, and neighborhood plans.
- New construction of affordable housing in urban centers, especially those lagging in meeting their residential growth targets as identified in the Comprehensive Plan or those where affordable housing is needed to help mitigate displacement of low-income people due to gentrification.
- Transit-oriented development projects that are generally located within ½ mile of a light rail station or major transit center.

Needs rationale:

- Mixed-use and multifamily development projects are needed in certain Seattle neighborhoods, particularly ones where the private market is not developing due to economic distress or other factors. Such projects fulfill both housing and commercial needs, and higher-density populations and pedestrian- or transit-friendly orientation meet goals of smart growth, the Growth Management Act, and neighborhood plans.
- The market in some Seattle neighborhoods is not mature enough to support desired mixed-use and residential development without public subsidies. Non-profit developers often are relied on to lead community development and revitalization in distressed areas.
- Housing is integrally connected to targeted community development strategies, as well as to wealth creation efforts for economically disadvantaged families and individuals. Affordable housing not only benefits residents, but also contributes to security and stability of neighborhoods. As neighborhoods revitalize, continued provision of affordable housing helps enable existing residents to continue to live there.
- Locating affordable housing near employment centers and public transit reduces household transportation costs and increases transportation choices.

Affordability Policies

The policies described in this section apply to capital funds awarded by OH for production or rehabilitation to provide or preserve affordable rental housing, including HOME and CDBG funds, except that these policies do not apply to Housing Levy funds, Sound Families funds, programs where the City leverages other funds through credit enhancement strategies, other City fund sources for which specific affordability guidelines are adopted by City legislation, mitigation funds that are used to provide affordable rental housing in accordance with the findings of a nexus study, or funds used for bridge loans (but amounts repaid on bridge loans and bridge loans converted to long-term financing are subject to these policies unless the fund source for the bridge loan was otherwise exempt). Affordability policies for Levy Rental Preservation & Production Program funds are provided in the currently applicable 2002 Levy Administrative & Financial Plan.

The following rental affordability policies apply to permanent capital funding appropriated for use in a biennial budget cycle (e.g. 2005-2006):

- At least 50% of rental program funds shall be used for units with affordable rents for extremely low-income households;
- Remaining rental program funds shall be used for units with affordable rents for very low-income households, except:
  - ✓ Funds may be used to produce or preserve units with affordable rents for low-income households, that are not affordable to very low-income households, in the Central Area, Rainier Valley/Beacon Hill, Delridge/Westwood, South Park, Pioneer Square, and International District Housing Investment Areas as described in Appendix G of this Consolidated Plan;
  - ✓ Funds may be used to produce or preserve units with affordable rents for low-income households, that are not affordable to very low-income households, within half a mile of a light rail station or major transit center located outside of Downtown;
- Tenant households with income above the applicable eligibility levels are called "over-income households." Funds may be used to acquire or rehabilitate an existing, occupied project and subsidize some units affordable to low-income households, but occupied by over-income households with incomes up to 80% of median income. Such funds will be considered to have been used for housing affordable to extremely low-income households or very low-income households, respectively, to the extent the units are required to be occupied solely by and affordable to, such households within 2 years of the date of the loan agreement. In such case, the initial regulatory term will be established for a 52-year period. By the end of the initial 2-year period after the date of the loan agreement, over-income households need to be relocated or the Borrower will be in default and required to return a prorata portion of the OH funding.

Rent Standards and Eligible Households

Except as provided in the *Affordability Policies* above, program funds are to be used only for units that are occupied or will be initially occupied by eligible households at affordable rents for the respective income categories.

For the purposes of the Consolidated Plan, "affordable rent" for low-income households means annual rent not exceeding 30% of 80% of median income; affordable rent for very low-income households means an annual rent not exceeding 30% of 50% of median income; and affordable rent for extremely low-income households means an annual rent not exceeding 30% of 30% of median income. For the purposes of determining whether a unit bears affordable rent, the term "rent" includes the rent paid by the tenant plus an allowance for utilities paid by the tenant.

City funding is not available for units that are occupied at the time of funding by over-income tenants, as defined under Affordability Policies above, with household income greater than 80% of median income. The City may require as a funding condition that units occupied by such households, although not City-funded, become rent-regulated under a City regulatory agreement when occupancy changes.

Siting Policy

Unless the Director waives the siting policy as stated below, OH will not fund, or certify as consistent with this Consolidated Plan, a project if the proposed number of subsidized rental housing units for extremely low-income households would exceed the capacity for additional subsidized rental housing units for extremely low-income households in the Census block group where the proposed project is located.

Capacity for additional subsidized rental housing units for extremely low-income households is defined as:

- The total number of housing units in the Census block group according to the latest information as updated annually by the Department of Planning and Development (DPD), multiplied by 20%;
- Less the number of existing subsidized rental housing units for extremely low-income households in the Census block group according to the latest report available from OH (OH's inventory of subsidized rental housing in Seattle includes projects with capital subsidies from public agencies; i.e. City-funded projects as well as non-City funded projects as reported annually by county, state and federal agencies).

The siting policy does not apply to projects located within Downtown because of its special nature as a high priority area for affordable housing investment. A map of Downtown is included in Appendix G of this Consolidated Plan.

The OH Director may grant a waiver of the siting policy if one or more of the following criteria are met:

- The proposed project is a neighborhood-supported project.

  To be considered a neighborhood-supported project, OH will need to determine that the proposed project is supported by a reasonable number of immediate neighbors and/or affected neighborhood organizations. Such determination will be based on review of results of the community notification process as described in the *Neighborhood Notification and Community Relations Guidelines* section of this Appendix H, including notification of immediate neighbors, consultation with established community groups, public meetings, and/or other means of community notification as OH deems appropriate. In accordance with national, state and local fair housing laws, OH disregards, in evaluating neighborhood support for the project, any opposition that appears to be based on characteristics of future residents of a project if discrimination based on such characteristics is prohibited.

- Additional market-rate housing development is planned in the Census block group, and OH determines that the proposed project would not result in more than 20% of total housing units in the block group being subsidized rental housing for extremely low-income households, based on an adjusted estimate of total housing units that includes units for which building permits have been issued (based on the Department of Planning & Development's latest annual report of building permit data) or other such documentation as deemed appropriate by OH.

- OH determines that natural or manmade barriers (e.g. a bluff, waterway, or freeway) physically separate the proposed project from existing concentrations of subsidized rental housing for extremely low-income households.

Affirmative Marketing

Borrowers are required to affirmatively market vacant units. Borrowers must use marketing methods designed to reach persons from all segments of the community, including minorities, 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. Borrowers of funding for 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.

Homeownership Program Policies

The policies that follow apply to HOME funds awarded by OH for homeownership purposes, including American Dream Downpayment Initiative (ADDI). The policies do not apply to CDBG, Housing Levy funds or other non-federal funds except where otherwise specifically noted. Policies for use of Levy homeownership funds are provided in the currently applicable 2002 Levy Administrative & Financial Plan.

Eligible Use of Funds

- HOME funds, including ADDI funds, may be used for (1) downpayment and closing cost assistance and/or interest rate write down for eligible buyers; and (2) site acquisition and/or development costs for a home or homes to be sold to eligible buyers.
- OH may provide up to $1,000 of HOME funds to non-profit homeownership organizations at the time of loan closing to help pay for counseling services provided by such organizations in connection with each home to be sold to an eligible buyer household. However, the $1,000 for counseling services must be authorized in the contracts between organizations awarded homeownership funding and OH, and may not be included as part of homebuyer assistance loans to homebuyers.
- The value of the home must not exceed 95% of the median purchase price in Seattle, as published by HUD, or as determined locally through market analysis in accordance with HUD HOME Program requirements.
- Eligible buyer households must purchase a home in Seattle and use it as their principal residence. Purchases of investment properties are not allowed under this program. All types of for-sale units are eligible, including single-family residences, condominium units, limited equity cooperatives, co-housing, land trusts, and homes on leased land. Homes with an accessory dwelling unit (ADU) are eligible, provided that the buyer will be an owner-occupant of the home and ADU tenants and rents meet household income limits and affordability requirements, per HOME regulations. A lease-to-own contract or long-term lease may be considered a purchase.

Homebuyer Eligibility

- Buyers benefited by the program must be low-income, first-time homebuyers. First-time homebuyer is defined as any individual and his or her spouse who have not owned a home during the 3-year period prior to the individual's purchase of the home. The term first-time homebuyer also includes an individual who is a displaced homemaker or single parent, as defined in 24 CFR Part 92 HOME Investment Partnership Program, Section 92.2 Definitions, as follows:

  Displaced homemaker means an individual who:
  (1) Is an adult;
  (2) Has not worked full-time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and
  (3) Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

  Single parent means an individual who:
  (1) Is unmarried or legally separated from a spouse; and
  (2) Has one or more minor children of whom the individual has custody or joint custody, or is pregnant.

  OH may narrow the definition of "first-time homebuyers" in order to ensure equitable treatment between married and non-married persons, subject to federal requirements in the case of loans using ADDI funds. OH also may, for the same purpose, expand the "single parent" eligibility category with respect to loans not using ADDI funds.

  For purposes of ADDI funds, an individual shall not be excluded from consideration as a first-time homebuyer on the basis that the individual owns or owned, as a principal residence during the three-year period, a dwelling unit whose structure is not permanently affixed to a permanent foundation in accordance with local or other applicable regulations or is not in compliance with State, local, or model building codes, or other applicable codes, and cannot be brought into compliance with the codes for less than the cost of constructing a permanent structure.

- Eligible buyer households must successfully complete a pre-purchase homebuyer education program approved by OH.

- Borrowers must be able to financially qualify for a first mortgage approved by OH. In programs administered directly by the City, qualifying income will be defined using the IRS definition of adjusted gross income for reporting on IRS Form 1040, subject to any adjustments or exclusions required by federal law or regulations. House Key Plus Seattle, a program administered for the City by the Washington State Housing Finance Commission, will use the Section 8 Program definition for gross annual income.

Funding Guidelines

HOME funds for homebuyer assistance loans to eligible buyer households are subject to the following conditions:

- Loans will be limited to the amount needed for each buyer household, providing gap financing to enable low-income households unable to qualify for sufficient private financing to purchase a home.
- In order that single-source downpayment assistance may be provided for the convenience of borrowers, in lieu of loans from Levy or other City funds and non-City sources to the same borrower, OH may allow a higher amount of City-funded homebuyer assistance, not to exceed $70,000, for a borrower that receives assistance made as part of a project or lending program for which a developer or nonprofit lending agency has obtained commitments of non-City homebuyer subsidy funds, but only if all of the following conditions are satisfied:

  (1) Non-City subsidy funds provided to such project or program must be used for deferred downpayment assistance loans or other assistance that increases the ability of low-income households to purchase a home.

  (2) The average amount of City-administered homebuyer assistance for all eligible households benefited by the program, including buyers who do not receive any City-administered funds, may not exceed $45,000.

- Loans will generally be 30-year deferred loans. Loans may include provisions for payment of a share of appreciation. Any share of appreciation payable may be reduced and/or eliminated over time. Loan repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest; loan term; period of payment deferral; and any contingent interest or share of appreciation.
- Loans using the recapture option will be structured with repayment obligations, using a promissory note and deed of trust approved by OH.
- Borrowers must provide a minimum of $2,500 or 1% of the purchase price, whichever is greater, of their own funds toward the home purchase as a condition to any homebuyer assistance loan. Homebuyers may receive gifts of funds towards their portion of the downpayment; however, gifts must not exceed 25% of the borrower's total downpayment requirement.
- The terms of each homebuyer assistance loan, except loans involving land trust projects, shall provide that the entire principal balance is due upon sale or refinancing of the home, at the lender's option, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible borrower in lieu of repayment.
- Eligible buyers or developers may receive homebuyer assistance up to a maximum of $45,000 per assisted household, including both Levy funds and other City-administered funds, unless the maximum is increased in accordance with provisions below. The $45,000 cap includes any fees paid to non-profit homeownership organizations for counseling services. Homebuyer assistance loans include loans to homebuyers and loans to developers or prior owners assumed by, or otherwise passed through to, homebuyers. Homebuyer assistance loans may be used for downpayments, closing costs, and/or first mortgage loan interest rate write down, as approved by OH.

- City-funded assistance for any home improvements, if committed or provided in connection with a home purchase, is considered to be assistance for the purchase and, together with the homebuyer assistance, cannot exceed the applicable funding limit except in the following cases: (1) assistance provided to a nonprofit developer for home purchase or land purchase and/or improvement costs associated with an OH-approved land trust project, and (2) assistance to an eligible buyer purchasing a home located within a Housing Investment Area, for which the combined homebuyer assistance and home improvement assistance may total up to $65,000, provided that the homebuyer assistance does not exceed $45,000.
- Borrowers may use any first mortgage product approved by OH, including FHA and Fannie Mae products, and portfolio loans. FHA 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds $5,000.

Recapture and Resale Guidelines

- In conformity with HUD rules, OH will impose either resale or recapture requirements, at its option, when HOME funds, including ADDI, are used. The recapture or resale options may be managed by the City, a subrecipient, or other contracting party at OH's option. The recapture or resale options cannot be used together in the same loan, except that OH may recapture funds loaned to a land trust in case of a transfer of a home contrary to resale restrictions.
- For HOME funds that are allocated for eligible development costs and programs operated by nonprofit housing agencies, the resale option may be used. In such cases, the agreement with the developer or nonprofit housing agency will provide for long-term affordability of the housing. Requirements include:
  - ✓ The initial sale and any resale of subsidized units during the applicable affordability period must be made to low-income households.
  - ✓ The resale price during the applicable affordability period is limited to maintain an affordable purchase price for subsequent low-income homebuyers. The resale formula must also provide for a fair return to the seller. The resale price and return formula must be approved in advance by OH.
  - ✓ New purchaser income and resale price are restricted during the affordability period via a recorded deed restriction or land covenant, or there is a purchase option or right of first refusal in favor of the City or a City-approved entity at a restricted price, or both methods are used.
- For HOME funds allocated to lending programs, the recapture option may be used. The City or a City-approved entity will have the right to require full repayment of the HOME subsidy, including ADDI funds, when resale occurs, regardless of the applicable affordability period, to the full extent permitted by law.

Subordination Policy

Many program borrowers refinance their homes or borrow against the value of their homes, and request that their homebuyer assistance loan's lien position be subordinated to another loan. In some cases agreeing to these subordination requests could greatly increase the risk that taxpayer funds may not be paid back. The current policy of OH is that subordination requests will be evaluated by the Homeownership Program Manager and will be considered only when all of the following conditions are met:

- The total proposed loan to value ratio does not exceed 90% of the appraised or assessed value, whichever is less. The new loan does not have a balloon payment before the homebuyer assistance loan maturity date and is not an interest only loan.
- The homeowner needs to refinance only the existing first mortgage indebtedness against the property to take advantage of better rates, terms, and payments, and is not incurring additional indebtedness against the property, except for one or more of the following:
  - ✓ Refinancing fees;
  - ✓ Payments needed in order to save the house from a foreclosure;
  - ✓ Costs of an urgent health and safety repair;
  - ✓ Medical, funeral, or other emergency expenses of the homeowner or immediate family that are determined to be allowable by the Homeownership Program Manager.

Targeted Outreach

OH has worked with the Seattle Housing Authority (SHA), local lenders, and the Washington State Housing Finance Commission (WSHFC) to make City downpayment assistance funds available for residents and tenants of public housing and manufactured housing. SHA, through its Family Self-Sufficiency and Section 8 Homeownership programs, is marketing to residents and tenants of public housing and identifying eligible families for homeownership programs. The City will work with the WSHFC and participating lenders to identify tenants of manufactured housing in the City and mail program brochures to them. The City has made Levy, ADDI, and other HOME funds available for downpayment assistance. WSHFC is making below-market interest rate first mortgages available to eligible borrowers. Private mortgage lenders are originating and closing the mortgage loans.

Homebuyer Education and Counseling

All homebuyers using City downpayment assistance funds are required to attend homebuyer education. A portion of available federal funds are awarded by OH for delivery of homebuyer education and counseling programs. In addition, the Seattle Housing Authority (SHA) has contracted with the Urban League and the International District Housing Alliance to provide homebuyer education and counseling to residents and tenants of public housing who are planning to buy homes. SHA staff screen and determine the suitability of residents and tenants of public housing for participation in homebuyer programs.

SHA and King County Housing Authority (KCHA) received ROSS Homeownership Counseling funding in a joint application in FY 2002. SHA and KCHA procured the services of an ethnically-diverse homeownership counseling and referral consortium. The consortium of the Urban League, El Centro de la Raza and International District Housing Alliance has begun culturally-specific outreach to qualified public housing tenants in Family Self-Sufficiency or similar programs to identify possible Section 8 homeownership recipients. The consortium also recruits and enrolls eligible households in homebuyer education workshops, works with participants on credit issues, prequalifies and connects them with lending programs and assists with housing search and other supportive services.

General Policies for Capital Funding

The following is a description of policies presently applied by OH in funding affordable rental and homeownership housing capital projects.

Bridge Loan Policy

OH bridge loans are intended to provide short-term funding to permit low-income housing development activities to proceed in advance of the availability of permanent project funding. Bridge loans for affordable housing may be made utilizing any OH-administered fund sources determined to be appropriate by the OH Director. Additional policies for use of Levy bridge loan funds are provided in the currently applicable 2002 Housing Levy Administrative & Financial Plan.

Bridge loans may be made only when, in the judgment of the OH Director, the borrower provides reasonable assurance that the funds will be used for eligible purposes and that permanent funding will be available from other sources on acceptable terms to ensure repayment of the funds before the loan maturity date. The maximum term for bridge loans shall be two (2) years, unless subject to additional bridge loan pilot program conditions and guidelines pursuant to the currently applicable 2002 Levy Administrative & Financial Plan. OH shall require payment of a reasonable rate of interest on bridge loans, which shall be no less than 3% simple interest. In addition, a loan fee may be charged for providing bridge loans.

A bridge loan may be made as a component of a larger loan that includes long-term financing. OH may allow all or a portion of a bridge loan to be converted to a permanent loan subject to maximum subsidy limits for funds administered or allocated by OH and other City agencies that may be combined to provide permanent gap financing for the housing portion of a project, pursuant to the currently applicable 2002 Levy Administrative & Financial Plan. Applications for bridge loans may be made outside of OH's Notice of Funding Availability (NOFA) process.

Neighborhood Notification and Community Relations Guidelines Policy

Prior to application for OH funding (permanent or bridge) for production or preservation of affordable rental housing or development of housing for low-income homebuyers, applicants are required to prepare and begin implementing a community relations plan, including neighborhood notification activities.

A successful notification effort leads to open, ongoing communication between developers and neighbors. This requires cooperation by developers, the City, and neighborhood residents. A positive, open relationship between housing developers and neighbors can prevent misunderstandings, facilitate prompt resolution of any inadvertent misunderstandings, and provide a fair, thoughtful, dependable means of ironing out differences. While not meant to be a definitive process for each proposal and neighborhood, the steps outlined below provide a comprehensive notification process.

It is the policy of the City of Seattle that OH funding of affordable housing not be refused solely on the basis of concerns expressed by neighbors; the City supports and is committed to promoting diversity in Seattle neighborhoods. Consistent with State and Federal law, a housing project should not be excluded from a neighborhood solely based on any of the following characteristics of the persons who will live there: age, ancestry, color, creed, disability, gender identity, marital status, national origin, parental status, political ideology, race, religion, gender, sexual orientation, possession or use of a Section 8 certificate, or use of a guide or service animal by a person with a disability.

The City supports affordable housing projects that will preserve and enhance the strengths of Seattle's neighborhoods. Housing developers and neighbors should keep OH informed of any issues or concerns throughout the community notification process and operation of the project.

This policy section is intended to provide guidance to developers, acknowledging that neighborhood notification efforts and appropriate community relations plans may vary.

Prior to releasing purchase and sale agreement contingencies the developer shall:

1. Consult with OH. OH will help identify developers of other affordable housing in the neighborhood(s) being considered and suggest neighborhood organizations to contact.
2. Contact other affordable housing owners to learn about a neighborhood's historical and current housing- and development-related concerns.

Prior to submitting an application for City funding the developer shall:

3. Notify neighbors within at least 500 feet of the site using a written notice, letter or flyer. Consider including basic information about the developer agency, proposed project, estimated schedule, contact person, and neighborhood organizations that have also been notified about the project in the written communication.
4. Contact neighborhood organizations, including the neighborhood community council and the local district council, with updated information about the project, including final site selection, schedule, and proposal for ongoing communication with the neighborhood. The ongoing communication plan may include presentation(s) at

regularly scheduled neighborhood organization meeting(s), invitation to a meeting hosted by the housing developer, formation of an advisory committee, and/or regular project updates in neighborhood organization publications or posted at local libraries, community centers, etc. Information the housing developer should consider sharing at meetings includes the following:

- Experience as a housing developer and manager; provide names and addresses of other affordable housing projects;
- Description of targeted population of the housing, to the extent that it does not compromise the safety, confidentiality or well-being of the residents; information about property management and support services, if applicable;
- Mechanisms for communication between the housing developer and neighbors, including 24-hour contact person and number if possible;
- Estimated schedule for construction and completion; and
- Opportunities for neighbors to provide input on the project (i.e. names of interested neighborhood organizations and how to contact them; community advisory committee; etc.).

5. Maintain communication with immediate neighbors and the neighborhood and community organizations throughout the project's design and construction phase.

Once the housing is operational the developer shall:

6. Invite neighborhood and community organizations and neighbors to project open houses.
7. Establish ongoing communication with neighborhood organizations and neighboring residents and businesses. Promptly address emerging issues and share successes.
8. Keep the City appraised of any issues.

Guidelines for Neighbors:

1. Encourage housing developers and residents to be active members of your community. Invite them to neighborhood meetings and events. Build foundation for long-lasting, positive relationship.
2. Communicate concerns about design, operation and management of a project. Work collaboratively with housing developers and/or residents to identify ways to address those concerns.
3. Neighbors may want to consider negotiating a good neighbor agreement with the housing developer if it turns out that clarity of understanding is difficult to reach verbally.
4. Make sure housing developer and/or residents know what is working well.

Relocation, Displacement, and Real Property Acquisition

OH discourages proposals for development of affordable rental and homeownership housing that will result in permanent displacement of households. Projects should be designed to minimize displacement of households. Any temporary relocation or permanent displacement of households must comply with all applicable provisions of (a) Seattle Municipal Code 20.84–Relocation Assistance; (b) the City's Tenant Relocation Assistance Ordinance (TRAO), (c) the City's Just Cause Eviction Ordinance; and (d) for projects using federal funds, the federal Uniform Relocation Act (URA) and other relocation regulations and handbooks applicable to the particular funding program.

These policies, laws and regulations contain, among other requirements, different timelines under which households must be given various notices and provided financial assistance under certain circumstances. More information is available from the Department of Planning & Development, www.seattle.gov/dpd/publications/landlord_tenant/landlordtenant.asp, and the Fleets and Facilities Department, www.cityofseattle.net/realestate/policyrelocation.htm. In addition, consultation with OH staff prior to submission of applications for funding is required for any applicant whose project will involve any temporary or permanent relocation activities.

Fair Contracting Practices, WMBE Utilization

Sponsors must comply with the City's Fair Contracting Practices Ordinance. Sponsors and their general contractors shall be encouraged to take actions, consistent with that ordinance, that would increase opportunities for women and minority business enterprises (WMBEs). A combined WMBE aspirational goal of 14% of the total construction and other contracted services contracts shall apply for all affordable rental housing capital projects funded by OH. OH shall encourage additional efforts to increase WMBE participation including mentoring programs and participation in apprenticeship and other training opportunities.

HomeWise Program Policies

OH's HomeWise Program provides for low-interest rehabilitation loans and weatherization grants primarily for the purpose of improving the health, safety, and energy efficiency of housing for low-income households. Income limits for rehabilitation loans vary by fund source, but in no case exceed 80% of MI. The maximum individual rehab loan is $45,000, with a waiver by the OH Director allowing up to $10,000 additional (for an overall total of $55,000) due to demonstrated health and safety needs. Interest rates generally are set at 3% simple interest. Depending on the circumstances of the individual household, the loan may be amortized or deferred. HomeWise forgivable grants are available, up to $10,000, for lead-based paint abatement if required in a rehabilitation project. Grant terms require full repayment if the home is sold within 5 years and provide for forgiveness after 5 years.

The program generally gives priority to loans for improving health and safety, and for curing code violations. For a time period through December 31, 2007, the program will also give priority for repairs that address exterior dilapidation or conditions that would contribute to neighborhood revitalization in the Rainier Valley/Beacon Hill Housing Investment Area in Southeast Seattle.

Weatherization grants are made for energy efficiency-related repairs in owner- and renter- occupied single-family homes and eligible multifamily rental properties. The income limits for such grants vary by both fund source and tenure of the household (i.e. owner, renter).

Rental Assistance Policies

The policies that follow apply to federal funds awarded by OH for rental assistance purposes. The policies do not apply to Housing Levy funds and other non-federal funds. Policies for use of Levy Rental Assistance funds are provided in the currently applicable 2002 Levy Administrative & Financial Plan.

Rental assistance is a cash subsidy that enables low-income individuals and families to pay rent. The rental assistance is usually paid to a private landlord through a community-based, non-profit organization. Rental assistance is often supported with case management or other supportive services to help the tenant remain stable.

The high cost of housing in Seattle poses a significant challenge for many people. The three primary factors that demonstrate the need for tenant-based rental assistance funds are:

- The increasing number of individuals who are homeless;
- The extent to which gross housing costs exceed 30% of gross household income (referred to as "cost burden"); and
- The number of households on the Seattle Housing Authority's waiting list for subsidized housing.

OH funds support two rental assistance programs: the Rental Stabilization Program and the Emergency Rental Assistance Program. Policies for use of Levy rental assistance funds, which fund the Emergency Rental Assistance Program and fund one aspect of the Rental Stabilization Program, are provided in the currently applicable 2002 Levy Administrative & Financial Plan.

The Rental Stabilization Program provides 6 to 18 month rent subsidies to very low-income households transitioning out of homelessness as well as those in danger of eviction. Levy funds pay for case management services to help tenants remain stable in their housing and to address the many special needs of those who have been or are at risk of becoming homeless. Federal HOME funds are leveraged to pay for tenant rent assistance. Administration of this program is contracted out to a community-based non-profit organization through a competitive process managed by the City's Human Services Department. The Rental Stabilization Program serves between 75 and 100 households a year.

HOME rental assistance funds must be used for rent payments and/or security deposits. Only low-income and very low-income households are eligible for rental assistance. The Rental Stabilization Program is administered in accordance with additional requirements as outlined in 24 CFR Part 92 HOME Investment Partnership Program, Section 92.209 Tenant-based Rental Assistance.

The City certifies that rental-based assistance is an essential element of Seattle's Consolidated Plan given the priority to secure affordable rental housing to very low-income households most in need.

Form revised December 4, 2006

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Office of Housing	Rick Hooper 4-0338	Janet Credo 4-8687

Legislation Title:

AN ORDINANCE relating to housing for low-income households, adopting the 2007-2009 Administrative and Financial Plan for 2002 Housing Levy Programs; amending the Affordable Housing Financing Plan adopted by Ordinance 121803; adopting certain policies for use of funds from the 1986 Housing Levy and 1995 Housing Levy; and amending the 2005-2008 Consolidated Plan for Housing and Community Development

- **Summary of the Legislation:**

This Council Bill adopts the 2007-2009 Administrative and Financial Plan for the 2002 Housing Levy, as required by Ordinance 120823. It also adopts corresponding changes to the Affordable Housing Finance Plan and the Consolidated Plan for Housing & Community Development 2007 Housing Policies.

- **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

The 2002 Housing Levy, approved by Seattle voters in September 2002, includes property tax levies authorized for seven years, from 2003 through 2009. The Office of Housing (OH) administers all 2002 Seattle Housing Levy programs with the exception of the Rental Assistance Program, which is administered by the Human Services Department.

Ordinance 120823, passed by City Council on June 10, 2002, adopted an Affordable Housing Financing Plan ("AHFP"), placed the Levy proposition on the September 2002 ballot, and directed OH to prepare a Levy Administrative and Financial Plan ("A&F Plan") covering all Levy programs every two years beginning in 2003. The A&F Plan also includes information on Levy administration and the funding plan for the 2002 Housing Levy by program area.

The A&F Plan must be submitted to the City Council for adoption by ordinance. Each Levy A&F Plan is developed by OH with the assistance of working groups that include nonprofit group representatives and other community members. Prior to adoption by Council, the A&F Plan is reviewed, revised and approved by the 2002 Housing Levy Oversight Committee.

Some policies in the A&F Plan also appear, although not necessarily in as great of detail, in the AHFP and the Consolidated Plan 2007 Housing Policies ("Housing Policies"). Therefore, a few of the A&F Plan policy changes being recommended necessitate amendments to those other plans, which also require Council approval. OH is also taking this opportunity to make technical, strictly non-substantive changes to the A& F Plan and Housing Policies, including eliminating repetition of General Policies for Capital Funding in the A&F Plan since sponsors of all rental or homeownership projects are required to demonstrate consistency with those policies as a condition to City funding. Such repetition sometimes leads to unnecessary confusion.

Please refer to Fiscal Note Attachment A below for an outline of substantive policy changes included in this A&F Plan.

- *Please check one of the following:*

__X__ **<u>This legislation does not have any financial implications.</u>** (*Stop here and delete the remainder of this document prior to saving and printing.)*

____ **<u>This legislation has financial implications.</u>** *(Please complete all relevant sections that follow.)*

Attachment: Recommended Levy A&F Plan Policy Changes

ATTACHMENT 1

RECOMMENDED LEVY A&F PLAN POLICY CHANGES

Program Funding Plan

1. Site acquisition bridge loans. In response to a request from Council for OH to explore a land acquisition fund, OH is proposing a 3-year pilot within the existing bridge loan program that would enable affordable housing developers to take advantage of site acquisition opportunities for specific kinds of affordable housing. The maximum term for bridge loans that meet the additional requirements would be increased from 2 years to 5 years. The longer term bridge loans could only be used to acquire sites for housing for people who are homeless or for housing in Southeast Seattle for people generally with incomes 51-80% of area median. Under this proposal, a total of approximately $2 million per year would be available for bridge loans, compared to about $4 million currently, to prevent loss of interest earnings that would negatively impact the Levy's Operating & Maintenance Program.

   Recommended Policy: *Through the year 2009, a pilot program will allow bridge loans with maximum terms of up to five (5) years, subject to additional requirements and conditions. The bridge loans must be used for site acquisition, which includes the acquisition of interests in land or in improvements to land, or both. Site acquisition bridge loans with terms longer than two (2) years may only be used outside of Southeast Seattle for housing for households who are homeless, or within Southeast Seattle for housing for people with incomes generally of 51%-80% of median income.... The maximum term for all other bridge loans shall be two (2) years.*

2. Creating one set of guidelines for homeownership loan repayments. OH is proposing that 2002 Levy A&F Plan Homeownership Program policies apply to interest earnings and loan repayments from homebuyer assistance loans made under the1995 Levy Homeownership Program. Currently, the Plan is silent on use of 1995 Levy Homeownership Program loan repayments and interest earnings. The change would enable the homeowner program to operate under one set of guidelines.

   Recommended Policy: *To the extent consistent with Ordinance 117711, as amended by Ordinance 117753, the 2002 Levy Homeownership Program policies will govern the use of homeownership funds derived from the 1995 Levy.*

Rental Preservation & Production Program

3. Calculation of maximum City funding amounts. Current policy limits City funding to 40% of a project's total development costs. OH is proposing to remove transferable development rights (TDR) sale proceeds from the list of funds subject to this cap. Since

TDR is real property that is sold by the low-income housing owner and permanently restricts the development capacity on a site, TDR sale proceeds should not be counted as a City subsidy to the project.

Recommended Policy: *The City's maximum percentage of project financing includes all OH and other capital funds administered or allocated by the City that may be combined to provide permanent gap financing for the housing portion of a project, including... The City's maximum percentage of project financing also includes funding awarded from King County Document Recording Fees allocation processes, but does not include any funds used by the City to purchase transferable development rights (TDR).*

4. Replacement reserve requirements. A workgroup with HDC representatives recently evaluated the status of replacement reserves in nonprofit housing. The group found that reserve levels are too low in a portion of the OH-funded housing inventory, and concluded that City's current loan policies do not effectively encourage adequate reserves. OH proposes to eliminate requirements for repayment of loans with surplus cash and instead require initial capitalization and on-going deposits to replacement reserves as part of loan repayment terms.

   Recommended Policy: *OH will generally make deferred payment loans that ~~must be repaid out of a share of surplus, residual cash flow, and~~ are payable in full on sale, change of use, or at the end of the loan term. Terms generally will permit borrowers to 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. Terms of repayment required will be established as each project is reviewed. OH will develop policies to address replacement reserve levels in buildings that have been funded with Levy Rental Preservation & Production funds.*

Homeownership Program

5. Revise Levy Homeownership Program production goal. OH is proposing to establish a more realistic production goal of 190 home purchases for the 7-year program, averaging 27 loans per year. The homeownership program had not been administered through multiple partner organizations prior to the 2002 Levy, so the new production goal of 326 loans was simply based on an average loan of $24,000 per homebuyer. Since then, average loan amounts have increased significantly due to higher Seattle home prices. In 2006 the average loan amount was $43,500, and the average is expected to increase to $45,000 or more over the remaining years of the Levy. Changing the goal to 190 would better reflect home price reality over the 7 year Levy term.

   Recommended Policy: *Overall Levy Homebuyer Program goal = ~~326~~ 190 homebuyers (with acknowledgement that the goal had originally been set at 326 but that, with the* *dramatic increases in home prices over the last several years, the average loan amount assumptions made five years ago are no longer valid).*

6. Allow use of Levy homeownership funds for development. Current policy restricts Levy funds to homebuyer loans and property acquisition by land trusts. OH is proposing that Levy funds be available for development costs similar to the way federal homeownership funds (HOME Program) can be used. Upon completion of the development, the homes must be sold to eligible buyers and the Levy funds would be structured as deferred loans to the borrowers using standard City loan terms.

   Recommended Policy: *Levy funds may only be used for (1) downpayment and closing cost assistance and/or interest rate write down for eligible buyers, or (2) site acquisition and/or development costs ~~incurred by a nonprofit organization that will restrict the initial sale and subsequent resales of the~~ for a home or homes ~~through an OH-approved land trust project~~ to be sold to eligible buyers.*

7. Revise loan terms. OH is proposing that funds be used to provide deferred downpayment loans due at sale or refinance, rather than loans that are amortizing beginning in year 9. This is consistent with other homebuyer assistance fund sources and will bring our loan terms in line with those of the first mortgage, simplify terms for the homebuyer, and reduce loan servicing costs.

   Recommended Policy: *Loans will generally be 30-year ~~amortizing~~ deferred loans~~, with payments deferred for the first 5-8 years or longer for hombuyers with disabilities or who are participating in certain OH homebuyer programs~~.*

8. Minimum borrower cash contribution. Current Levy policy requires a minimum borrower contribution of 2% of the purchase price or $2,500, whichever is greater. As sales prices have increased, this requirement has become a significant hurdle for many potential borrowers. OH is proposing to reduce the borrower cash contribution to 1% of the purchase price or $2,500, whichever is greater. "Whichever is greater" will tend to be $2,500 given housing prices, and that is a significant and reasonable downpayment amount, especially given other costs paid by homebuyers (e.g., appraisal, inspection).

   Recommended Policy: *Borrowers must provide a minimum of $2,500 or ~~2~~1% of the purchase price, whichever is greater.*

Rental Assistance

9. Emergency Rental Assistance Program description and policy. HSD is proposing to revise the program description to reflect the eligible recipients and the purposes of the program. This revised description is consistent with the use of funds since the inception of the program. The allocation process is omitted to allow flexibility in aligning and leveraging

funds to support Ten Year Plan implementation. In addition, HSD is proposing to add a policy specifying allowable uses of Emergency Rental Assistance program funds, consistent with current use of funds.

Recommended Program Description: (2) The Emergency Rental Assistance Program provides short-term, one-time financial help to renter households with incomes up to 50% of median who are homeless or at risk of losing their housing. Households are helped to remain in their current home, move from high rent to more affordable housing, move into permanent housing following housing loss, or move from homelessness into permanent housing~~is administered jointly by the City's Human Services Department and the United Way of King County. Assistance is disbursed through pre-qualified community-based agencies to very low-income households in need of rental assistance of three months or less. The City contacts with United Way to allocate rental assistance funds to nonprofit agencies~~. Community-based agencies make the Emergency Rental Assistance Program subsidies available as a supplement to their existing case management and other human services programs. The program serves approximately 400 persons a year.

Recommended Policy: The Emergency Rental Assistance Program funds are used to pay for short-term housing assistance, including rent and utility payments to prevent eviction, or first and last month rent and damage deposit payments to enable the recipient to access housing.

Program Administration

10. Operating & Maintenance Program administration funding. OH is proposing to increase annual O&M Program administration funding from $120,000 to $162,000. O&M administration is currently funded at $40,000 per year by each of the three housing levies (1986, 1995, and 2002). The $40,000 per levy per year amount has not been increased since the 2002 Levy was adopted, though administrative costs have increased. This amount would increase to $54,000 per levy per year to account for increased administrative costs; e.g. increases in rent, telephone, staffing, etc. The amended A&F Plan policy would reflect total administration funding for the O&M Program at $486,000 for the three remaining program years, 2007-2008-2009.

Recommended Policy: *Total required for Operating & Maintenance administration of 1986, 1995, and 2002 Levy O&M programs in ~~2005-2006~~ 2007-2008-2009 is ~~$240,000~~ $486,000.*

City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

April 10, 2007

Honorable Nick Licata
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Licata:

I am pleased to transmit the attached proposed Council Bill that adopts a Housing Levy Administrative and Financial Plan for program years 2007, 2008, and 2009. Ordinance 120823 requires the Director of Housing to submit a Levy Administrative and Financial Plan to the City Council for adoption by ordinance every two years. The most recent Plan covered years 2005 and 2006. As the current Levy expires at the end of 2009, the updated plan being adopted by this legislation covers the remaining three years of the Levy.

The 2002 Housing Levy, which provides a total of $86 million over a seven-year period for affordable housing for low-income families and individuals in Seattle, has just passed its mid-point mark. To date, the Levy's rental development project has produced 1,090 affordable units and Levy rental assistance has helped 2,073 low-income households. Additionally, Levy funds have helped 138 first-time homebuyers purchase houses they would not otherwise have been able to acquire.

In 2007-2009, the Housing Levy will continue to help produce and preserve low-income rental apartments throughout Seattle, a number of which will be located in developments intended to serve as catalysts for revitalizing economically distressed areas. Levy funds will continue to provide operating subsidies for service-enriched housing for homeless people, downpayment assistance for low-income first-time homebuyers, and rental assistance for people who are transitioning out of homelessness or who are in danger of becoming homeless.

The 2002 Housing Levy has had a solid record of accomplishment, and is on track to exceed key program goals by the end of its seven year-term. Thank you for your consideration of this legislation. Should you have questions, please contact Rick Hooper at 4-0338.

Sincerely,

GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749
Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, Email: mayors.office@seattle.gov

122391

STATE OF WASHINGTON – KING COUNTY

--ss.

211256 No.

CITY OF SEATTLE,CLERKS OFFICE

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

CT:122389-122395 TITLE

was published on

05/16/07

The amount of the fee charged for the foregoing publication is the sum of $ 104.63, which amount has been paid in full.

Subscribed and sworn to before me on

05/16/07

Notary public for the State of Washington,
residing in Seattle

JENNIFER A. PATZER
COMMISSION EXPIRES
NOTARY
PUBLIC
24 20
STATE OF WASHINGTON

Affidavit of Publication

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on May 7, 2007, and published here by title only, will be mailed upon request, or can be accessed electronically at http://clerk.ci.seattle.wa.us. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 122395

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

ORDINANCE NO. 122394

AN ORDINANCE relating to the 2007 Budget; carrying forward certain unexpended appropriations and funds for both capital and non-capital purposes from the 2006 budget of various departments; and imposing budget provisos; all by a three-fourths vote of the City Council.

ORDINANCE NO. 122393

AN ORDINANCE authorizing the Department of Executive Administration to close certain funds and subfunds; authorizing the transfer of all unexpended and unencumbered balances and other assets and liabilities of those funds and subfunds; and abandoning appropriation authority from those funds and subfunds.

ORDINANCE NO. 122392

AN ORDINANCE amending the 2006 Adopted Budget, including the 2006-2011 Capital Improvement Program (CIP); changing appropriations to various departments and from various funds in the Budget; and amending the total dollar amounts allocated for a project in 2006 in the 2006-2011 CIP; all by a three-fourths vote of the City Council.

ORDINANCE NO. 122391

AN ORDINANCE relating to housing for low-income households, adopting the 2007-2009 Administrative and Financial Plan for 2002 Housing Levy Programs; amending the Affordable Housing Financing Plan adopted by Ordinance 121803; adopting certain policies for use of funds from the 1986 Housing Levy and 1995 Housing Levy; and amending the 2005-2008 Consolidated Plan for Housing and Community Development.

ORDINANCE NO. 122390

AN ORDINANCE relating to assistance for the homeless, authorizing an agreement with the United States Department of Housing and Urban Development for additional funds available under the McKinney-Vento Homeless Assistance Act.

ORDINANCE NO. 122389

AN ORDINANCE relating to the Seattle Center Department; authorizing execution of an agreement with Northwest Folklife for the presentation of the annual Northwest Folklife Festival at Seattle Center.

Publication ordered by JUDITH PIPPIN, City Clerk

Date of publication in the Seattle Daily Journal of Commerce, May 16, 2007.

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