CB 117202

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Amy Gray
OH Housing Levy A & F Plan ORD
May 25, 2011
Version #3

ORDINANCE _______________

AN ORDINANCE relating to housing for low-income households, adopting the 2012-2013 Administrative and Financial Plan for 2009 Housing Levy Programs; and adopting or modifying certain policies for use of funds for housing from the 1986 Housing Levy, the 1995 Housing Levy, the 2002 Housing Levy and other sources.

WHEREAS, pursuant to Ordinance 123013 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

WHEREAS, Ordinance 123013 provides for periodic adoption by the City Council of an Administrative and Financial Plan for programs funded by the 2009 Housing Levy; 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 2009 Housing Levy Administrative and Financial Plan Program Years: 2012-2013; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council hereby adopts the 2009 Seattle Housing Levy Administrative and Financial Plan Program Years: 2012-2013 attached to this Ordinance as Exhibit 1 (the "Plan"). This Plan is intended to provide policy direction for the implementation of programs funded by the 2009 Housing Levy and for the use of other housing funds to the extent provided in Exhibit A, and not to confer any legal rights or entitlements on any persons, groups or entities.

Section 2. To the extent expressly provided in the Plan, effective January 1, 2012, the policies set forth in the Plan shall apply to the use of funds derived from other sources, including the City's 2002 Housing Levy, 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 any of those prior housing levies or in the 2009-2010 Administrative and Financial Plan for the 2009 Housing Levy adopted by Ordinance 123281.

Section 3. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ____ day of ____________________, 2011, and signed by me in open session in authentication of its passage this

_____ day of ____________________, 2011.

____

President ______________ of the City Council

Approved by me this ____ day of ____________________, 2011.

____

Michael McGinn, Mayor

Filed by me this ____ day of ____________________, 2011.

____

Monica Martinez Simmons, City Clerk

(Seal)

Exhibit 1: 2009 Seattle Housing Levy Administrative and Financial Plan Program Years: 2012-2013

Rick Hooper/RH/TR
2009 Housing Levy A & F Plan Ordinance Exhibit A
June 7, 2011
Version #5

City of Seattle

2009 Housing Levy

Administrative & Financial Plan

Program Years: 2012-2013

Prepared by:

Seattle Office of Housing

Rick Hooper, Director

June 2011

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INTRODUCTION

The 2009 Seattle Housing Levy provides $145 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 and Production
2. Operating & Maintenance
3. Homebuyer
4. Acquisition & Opportunity Loans (NOTE: there is not a separate allocation for this program; rather, loans may be made from fund balances from other Levy programs)
5. Rental Assistance (beginning in 2012)

The 2009 Housing Levy, approved by Seattle voters in November 2009, includes property tax levies authorized for seven years, from 2010 through 2016. The Office of Housing (OH) administers all 2009 Seattle Housing Levy programs with the exception of the Rental Assistance Program, which will be administered by the Human Services Department beginning in 2012.

Ordinance 123013, passed by City Council on June 12, 2009, placed the Levy proposition on the November ballot and directed OH to prepare a Levy Administrative and Financial Plan (A & F Plan) every two years beginning in 2010. The A & F Plan includes the funding plan for the levy and policies governing administration of each levy program. The A & F Plan may also include other information as the Mayor or Housing Director may deem appropriate or the City Council may request.

The Levy A & F Plan is adopted by City Council by ordinance, with such modifications as the City Council may require. A draft A & F Plan is first developed by OH with input and assistance of working groups that include housing provider representatives, the Seattle Housing Authority, business groups, groups addressing homeless and other human service issues, and other interested community members. The Housing Levy Oversight Committee reviews the draft and makes recommendations to the Mayor and City Council. This A & F Plan governs Housing Levy programs for two years, 2012 and 2013.

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. In particular, applicants for Levy funding should review Seattle's Consolidated Plan for Housing and Community Development for applicable housing policies.

PROGRAM FUNDING PLAN

All revenues collected from the additional taxes levied for housing are deposited in the Low-Income Housing Fund in subfunds or accounts created by the Director of Executive Administration as needed to implement the purposes of the 2009 Levy.

Levy revenues in the Low-Income Housing Fund shall fund the Rental Preservation & Production, Homebuyer, Operating & Maintenance, and Rental Assistance programs. Table 1 below shows fund totals for those programs based on projected amounts of additional taxes levied for low-income housing. Total annual amounts available for administration of these four Levy programs are also shown in Table 1. Administration funding shall be allocated proportionally to the annual funding amounts of the four Levy programs. Administration revenues shall be transferred to the Housing Operating Fund annually based on staffing and other operating costs needed to administer the Rental Preservation & Production, Homebuyer, and Operating and Maintenance programs. Starting in 2012, the Office of Housing will transfer to the Human Services Department revenues funding the Rental Assistance program, including funding for administration.

Program income from the 2009 Levy shall be used to fund programs from which the program income is derived, which are predominantly the Rental Preservation & Production and Homebuyer programs. Program income from repayment of Acquisition & Opportunity Loans shall be used to fund the program from which the loan funds originated.

Investment earnings from 2009 Operating & Maintenance Program fund balance shall be allocated to that program. Investment earnings from other 2009 Levy fund balances shall be allocated to each Levy program in proportion to program funding levels for that year, excluding Administration and Acquisition & Opportunity Loans, as shown in Table 1. Investment earnings shall be used in the same manner as the Levy program to which it is allocated.

	Home-buyer 6.2%	Rental Preservation & Production 71.7%	Operating & Maintenance 9.9%	Rental Assistance (HSD) 2.9%	Acquisition & Opportunity Loans* 0%	Admin-istration 9.2%	Total
2010	1,131,000	14,689,000	3,000,000	-	-	1,894,286	**$20,714,286**
2011	1,326,500	14,885,167	2,609,000	-	-	1,893,619	**$20,714,286**
2012	1,326,500	14,885,167	1,760,000	849,600	-	1,893,019	**$20,714,286**
2013	1,326,500	14,885,167	1,757,750	849,600	-	1,895,269	**$20,714,286**
2014	1,326,500	14,885,167	1,757,750	849,600	-	1,895,269	**$20,714,286**
2015	1,326,500	14,885,167	1,757,750	849,600	-	1,895,269	**$20,714,286**
2016	1,326,500	14,885,167	1,757,750	849,600	-	1,895,269	**$20,714,286**
Total	**$9,090,000**	**$104,000,000**	**$14,400,000**	**$4,248,000**	**-**	**$13,262,000**	**$145,000,000**

*** Not separately funded, but financed through short-term use of funding from other levy programs.**

PROGRAM INCOME AND INVESTMENT EARNINGS FROM PRIOR LEVIES

The provisions of this section shall govern the use of program income and investment earnings to the extent consistent with provisions that remain in effect of applicable City ordinances submitting housing levy measures to the voters and with State Law. Program income from any of the 1986, 1995, or 2002 Housing Levy programs in the table below, received during the term of this A & F Plan will be used consistent with current policies for the respective programs shown in the table below. Investment earnings received during the term of this A & F Plan on the balance in any subfund or account derived from the 1986, 1995, or 2002 Levy programs shown in the table below will be used consistent with the current policies for the respective program shown in the table below, as the Director of Housing shall determine. Anything in this section notwithstanding, program income and investment earnings derived from taxes levied under RCW 84.52.105 pursuant to the 1995 and 2002 Levies shall be used only to finance affordable housing for very low-income households.

Original Levy Program	Program policies that now apply to program income and investment earnings
1986 Levy	
• Small Family Program	• 2009 Levy Rental Preservation & Production
• Large Family Program	• N/A Units in SHA's inventory
• Downtown Preservation	• 2009 Levy Rental Preservation & Production
• Special Needs Housing	• 2009 Levy Rental Preservation & Production
1995 Levy	
• Rental Production	• 2009 Levy Rental Preservation & Production
• Homeowner Rehabilitation	• Homeowner rehabilitation guidelines in Consolidated Plan
• Homebuyer Assistance	• 2009 Levy Homebuyer Program
2002 Levy	
• Rental Preservation and Production	• 2009 Levy Rental Preservation & Production
• Homebuyer Assistance	• 2009 Levy Homebuyer Program
• Neighborhood Housing Opportunity	• 2009 Levy Rental Preservation & Production
• Rental Assistance	• N/A 2002 Levy funds spent---do not revolve

REPORTING

The Office of Housing will provide an annual program progress and performance report to the Mayor and City Council each year. Reports will be reviewed in draft by the Housing Levy Oversight Committee.

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, including actual unit production compared to goals:
    - Rental Preservation & Production -- units funded and funding reserved for those units, location of funded projects, populations served by projects
    - Operating & Maintenance -- units funded and their funding level
    - Homebuyer -- number and value of loans approved; number, value and location of closed loans; income and demographics of assisted homebuyers; average length of repaid and outstanding loans; and number and term of affordability for land trust and other housing units with resale restrictions.
    - Acquisition & Opportunity Loans – loans approved along with loan amounts and due dates, loans repaid, and projected units assisted
    - Rental Assistance -- number of households provided housing assistance and success at stabilizing households
- Affordability levels served, actual compared to goals;
- Leverage achieved for each Levy program;
- The extent of Section 8 vouchers linked to Levy-funded projects;
- Any additional information that the Housing Levy Oversight Committee believes should be included.

RENTAL PRESERVATION & PRODUCTION PROGRAM

Housing Levy Funds	TOTAL 2010-2016	YEARS 2012-2013
Amount	*$104,000,000*	*$29,574,167*
Goal	*1,670 units*	*475 units*

The Office of Housing's Rental Housing Program funds the development of affordable rental housing in Seattle using the Housing Levy Rental Preservation and Production Program funds and other fund sources. At least once per year, OH publishes a Notice of Funds Available (NOFA) for the Rental Housing Program. The NOFA describes specific funding priorities and requirements for each available fund source, of which the Housing Levy is the largest.

The following program objectives and policies apply to the Rental Housing Program as a whole unless otherwise indicated as specific to the Housing Levy Rental Preservation and Production Program. Additional Rental Housing Program policies are published in Seattle's Consolidated Plan for Housing & Community Development, including additional requirements for federal funds administered by the Office of Housing.

RENTAL HOUSING PROGRAM OBJECTIVES

The following objectives will guide the Rental Housing Program:

- Provide a mix of affordable rental housing, consistent with Levy affordability policies, promoting housing opportunity and choice throughout the City.
- Working collaboratively with other funders of affordable rental housing, ensure that the greatest number of quality affordable housing units are preserved or produced each funding round.
- Contribute to countywide efforts to end homelessness by providing housing that serves individuals and families who are homeless or at risk of homelessness.

- Promote cost-effective sustainable design, construction, rehabilitation, and operations of affordable housing.
- Promote preservation of affordable housing, and prevent displacement of low-income residents, through purchase and rehabilitation of existing housing.
- Contribute to the revitalization of low-income communities through development and preservation of affordable housing, including mixed-income housing and housing opportunities for existing low-income residents at risk of being displaced by redevelopment and rising housing costs.
- Contribute to the development of sustainable, walkable neighborhoods, particularly near high-capacity transit, giving low-income residents access to transportation, services and economic opportunity.

HOUSING LEVY FUND PRIORITIES FOR 2012-2013

Housing Levy funds are intended to serve vulnerable people in our community, including seniors and people with disabilities, families and individuals who are either experiencing homelessness or who are at risk of homelessness, and people who earn low-wages and have difficulty finding housing they can afford. According to 2006-2008 American Community Survey reports, 22% of all renter households in Seattle are severely cost burdened, paying more than half of their income for housing. The vast majority of these households have extremely low-incomes, at or below 30% of median income.

The current economic downturn makes it especially challenging to provide housing for these vulnerable groups. To meet Levy production goals, projects must leverage other public and private fund sources: capital funding for housing development and, for homeless and special needs housing, ongoing funding for building operations and supportive services. In the next two years capital funding leveraging is expected to be quite constrained. The State Housing Trust Fund is expected to have limited funding available, and federal HOME, CDBG and other capital funds have been cut. Operating and service funding is uncertain due to reduced revenues from document recording fees and sales tax, and the expiring King County Veterans and Human Services Levy. At the same time, construction costs are still lower than prior to the economic downturn. Federal funding for the Choice Neighborhoods and the new federal emphasis on Sustainable Communities will reward local communities that connect housing investments with schools, transportation, and other investments to address broad community needs.

Over the next two years, the Rental Housing Program will emphasize sustainable housing development that optimizes leveraging of other public and private investment and cost-effectiveness. Leverage includes capital funding for housing development, and operating and supportive services funding for residents with special needs. Geographic dispersion of very-low income housing throughout the city is encouraged. Mixed-income housing (projects serving households with incomes from 50% to 80% of median income) is encouraged in underdeveloped areas in the city where higher percentages of low-income residents or housing exist. In addition, OH will emphasize housing that addresses the following over-arching goals:

- Contributes to City efforts to create sustainable transit-oriented communities: create or preserve affordable housing opportunities in **areas with high capacity transit stations or high frequency transit service** where the City is making transportation, infrastructure and other investments and, if available, other housing subsidies for transit-oriented communities can be secured (see Program Definitions, page 45). Maps showing these areas will be available at the Office of Housing and will be published in NOFA documents.
- Contributes to City and countywide efforts to end homelessness: preservation or new construction of housing serving individuals and families who are homeless or at risk of homelessness.

The following are funding priorities for specific populations to be served in rental housing:

Housing for homeless families, individuals and youth, including chronically homeless individuals with disabling conditions.

Housing for the homeless continues to be a critical need in Seattle. Over 1,700 people are homeless on the streets in Seattle on any one night and many more in shelters and transitional housing; and Seattle Schools report 1153 homeless students over the 2009-2010 school year. A range of housing, combined with supportive services, is needed to assist families, individuals and youth regain housing stability and work toward self-sufficiency. The Office of Housing works closely with other funders to maximize services and operating funding dedicated to housing for the homeless. Funding coordination is especially important for permanent supportive housing. A "Housing First" model has demonstrated success in Seattle and nationally. These programs provide housing and intensive services for people with disabilities who have long or repeated histories of homelessness, and for people who are high utilizers of public health and justice systems. Housing First also saves significant public costs such as for emergency services. Projects using this model will be prioritized so that those most in need are served and system-wide cost savings can be achieved. In addition, projects that use cost effective measures to create housing for homeless families, individuals and youth, including but not limited to single room occupancy units, and acquisition and moderate rehabilitation of existing housing, are encouraged.

Proposed projects serving homeless populations will be prioritized if they demonstrate a high likelihood of securing funds to provide appropriate levels of supportive services to help residents gain housing stability. Projects that will serve homeless families must be aligned with local planning and funding initiatives for ending family homelessness. Projects that will serve chronically homeless populations must demonstrate a high likelihood of securing funds to provide intensive services, including behavioral health, health care, and chemical dependency services; project sponsors will be required to participate in the emerging client care coordination system.

Housing for seniors and people with disabilities.

Many seniors and people with disabilities live on limited fixed incomes, and struggle to afford housing while paying for food, health care and other expenses. Seattle renters over age 62 are more likely to be severely cost burdened; over 27% of these households pay more than half their income for housing. People receiving social security disability typically have incomes as low as 17% of median income, so they cannot maintain stable housing without an affordable place to live.

Proposed projects serving these seniors and people with disabilities will be prioritized if they demonstrate high likelihood of obtaining appropriate levels of operating and services funding for the intended residents and/or preserve existing housing subsidies and prevent displacement of low-income residents.

Housing for low-wage working families and individuals.

Extremely low-income families and individuals—with incomes at or below 30% of median income—are the most likely to be severely cost burdened renters in Seattle. These households have incomes below $18,000 for an individual or $23,150 for a family of three. They may be working a minimum wage job, or working part-time or intermittently. They are at high risk for homelessness if a child's illness forces a parent to miss work or an unexpected expense results in a missed rent payment.

In addition, the people who provide everyday services to residents and visitors in Seattle often struggle to pay market rents. People working in food service, hotel housekeeping, retail sales typically earn $11 to $14 per hour. Office administrative staff, teacher's aides, and medical assistants may earn $17 per hour. Even in today's housing market, an income of $20 per hour is needed to afford the average one-bedroom apartment.

Proposed projects serving these populations will be prioritized if they are located near transportation and local services and amenities, giving low-wage workers the option to forgo a car. In particular, locations near high-capacity transit stations or high frequency transit service, and projects that preserve affordable housing in locations where rents are rising, will be prioritized. A mix of unit sizes to accommodate families is preferred in new construction projects.

PROGRAM POLICIES

I. Housing Levy Affordability Requirements

Affordability guidelines are applied Levy program-wide during the two-year term of this A & F Plan, not on a project-by-project basis. All 2009 Levy Rental Preservation and Production Program funding awarded during the term of this A & F Plan will be included in calculating the affordability policy performance. Housing Levy funds for the Rental Preservation and Production Program are subject to the following affordability policy:

- At least 60% of funds shall be used for housing serving households with incomes at or below 30% of median income;
- Up to 10% of funds may be used for housing serving households with incomes from 61% to 80% of median income; and
- The balance of funds shall be used for housing serving households with incomes from 30% to 60% of median income.

II. Eligible and Ineligible Activities and Costs

Rental Housing Program funds shall be used to fund the preservation and production of rental housing. Funds may be used to finance entire developments, individual units, or residential portions of a development.

A. Eligible costs

Eligible costs include, but are not limited to:

- Appraisals
- Architectural/engineering fees
- Capitalized Operating Reserves
- Capitalized Replacement Reserves
- Closing costs
- Construction
- Contingency
- Developer fees
- Environmental Assessment
- Financing fees
- Hazardous materials abatement
- Inspections & Surveys
- Insurance
- Interest
- Option costs
- Permits
- Reimbursement of pre-development costs*
- Professional Fees
- Purchase price
- Relocation
- Title insurance

*Nonprofit borrowers are encouraged to use Impact Capital or other cost-effective sources for pre-development funding.

B. Residential spaces

Rental Housing Program funds may be used to fund housing units, residential spaces, and common areas to the extent they serve the low-income housing and not other uses. Examples include:

- Areas for cooking, eating, bathing
- Building Lobby
- Areas for resident use such as television or reading rooms
- Corridors, stairwells, storage areas
- Management and service office space that is accessory to the housing
- Spaces used for on-site social services

C. Non-residential portions of mixed-income or mixed-use developments

Rental Housing Program funds can be used for projects that combine affordable rental housing with market-rate units and/or commercial spaces. However, costs associated with market-rate units or commercial spaces are not eligible for Rental Housing Program funding.

Borrowers must demonstrate that Rental Housing Program funding is attributable to eligible residential spaces and that costs of other parts of the project are paid by funds eligible for that purpose. Where it is impractical to segregate costs between Rental Housing Program-funded units and other portions of a mixed-use project, the OH Director may permit such costs to be pro-rated between Rental Housing Program funding and other funding sources based on a reasonable formula.

In order to facilitate development of the eligible residential spaces, OH may allow Rental Housing Program funds to be disbursed for the full amount of a shared cost item if:

1. Documentation is provided prior to expenditure of Rental Housing Program funds that assures sufficient funding from other sources will be provided prior to project completion equal to the full amount allocable to such space; and
2. The final cost certification confirms the allocation of appropriate non-Rental Housing Program funds for such spaces.

D. Leases

Site control through ownership of a property is preferred to site control through a long-term lease except in cases where the City is lessor, or the lessor and the lessee agree to accept the loan conditions described below and the City receives security in both leasehold and fee interests. Projects involving a borrower that is a lessee where the 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 term and conditions above:

1. 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.

2. Lease term: Minimum lease term is 50 years with a preference for longer terms when feasible. The lease term must exceed the City loan term by at least six months.
3. Security: Security for the City loan should be appropriate to protect the City's interest in repayment of the loan.

E. Replacement housing obligations

Levy Rental Preservation and Production Program funds shall not be used to finance development of replacement housing developed as a condition to a tax exemption through the Multifamily Tax Exemption program or a Major Institution Master Plan boundary expansion. If the City receives funds from a Major Institution to satisfy the replacement housing requirements under SMC 23.34.124 .B.7, no permanent City funding shall be used in the development of these units. In addition, the Office of Housing shall use the funds received from a Major Institution to develop replacement housing consistent with any conditions included in the Major Institution Master Plan.

Financing Methods

The following are eligible methods of financing for Rental Housing Program funds.

A. Acquisition and bridge loans as described in Acquisition & Opportunity Loan program section of this A & F Plan.

B. Long-term loans as described in Section VI, Loan Conditions.

C. Supplemental funding for projects previously funded by the City

The Office of Housing may provide financing to meet the capital needs of existing City-funded projects that meet at least two 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, and d) the Borrower will make a significant financial contribution. All such financing is dependent upon the borrower's ability to meet the goals and requirements of the NOFA and demonstrate 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.

In cases where the City has determined a project eligible for supplemental funding, original loan terms and conditions may be changed to the terms and conditions applicable at the time of refinancing.

D. Use of Levy projects as security for other low-income projects

Borrowers may use Levy funded projects as security for financing other low-income housing projects if borrowers receive advance written approval from the OH Director. OH may give such approval if the borrower 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.

E. Conduit financing

To take advantage of opportunities 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 City's regulatory terms and must provide a deed of trust for the benefit of the City or assigned to the City.

III. Project Requirements

A. Eligible Borrowers

Through the NOFA selection process, priority will be given to applicants that have demonstrated ability to develop, own, and/or manage affordable housing. Applicants that do not have previous experience in these areas will be expected to propose an appropriate relationship with an entity that does have this experience. OH will evaluate the experience of a applicant's development team, management team, Executive Director, staff, and Board of

Directors to determine there is sufficient capacity to develop, own and operate housing on a long-term basis.

Eligible borrowers are:

1. Nonprofit agencies: Eligible nonprofits must have a charitable purpose. The City's preference is to provide funding to nonprofit borrowers that have established housing as a primary mission. Private nonprofit agencies will be required to submit articles of incorporation and an IRS letter as proof of nonprofit status.
2. Any corporation, limited liability company, general partnership, joint venture, or limited partnership created and controlled by a nonprofit or public corporation in order to obtain tax credits or for another housing-related objective approved by OH.
3. Public Development Authorities.
4. Seattle Housing Authority (SHA), except that Levy Rental Preservation and Production funds for housing units developed as part of SHA HOPE VI (or successor program) redevelopments are not eligible unless the City Council approves such use through a Memorandum of Agreement or other agreement with SHA.
5. Private for-profit firms: Eligible for-profits must have experience developing, owning, and managing multifamily rental housing.

B. Cost-effective long-term investments

Proposals for quality affordable housing must demonstrate a cost effective, sustainable investment of public funding. Following are minimum requirements:

1. Land acquisition costs must be justified and represent a competitive market price.
2. Design must clearly promote efficient use of space and utilities.
3. Per-square foot and per-unit costs should reflect current market trends for the type of housing being produced.
4. Low per-square-foot land acquisition costs should not be sought at the expense of considerable site work challenges.
5. Fees for contractors and professional services must be competitive.
6. Unnecessary costs are avoided whenever possible.

C. Maximizing production and preservation

The City strives to leverage non-City resources for capital, operating, and supportive services to the greatest extent possible. OH works collaboratively with other funders of affordable housing including, but not limited to: the Washington State Housing Trust Fund, King County's Community and Human Services Division, the City's Human Services Department, the Washington State Housing Finance Commission, equity syndicators and Investors, and private lenders. The Office of Housing and its borrowers are expected to maximize these capital resources to ensure that the greatest number of quality affordable housing units are preserved or produced by the public funders each funding round, consistent with adopted priorities and affordability requirements for the Housing Levy and other housing fund sources. In order to produce the maximum number of extremely low-income housing units in the Levy Rental Production and Preservation Program, the City Council encourages the Director not to use Levy funds to replace housing for extremely low-income households that is to be demolished as part of a housing project, unless the Director determines the housing is nearing the end of its useful life and would be more cost effective to replace than to renovate, or replacement facilitates a net gain in the number of extremely low-income housing units.

D. Leveraging and maximum percentage of capital funds

For purposes of this section, "project" is defined as those housing units that are City funded and rent-regulated and the common areas to the extent they serve those housing units. In general, the City will provide a maximum of 40% of total development costs (TDC) of a project. Funds are awarded competitively, and the actual City percentage is generally 25%. Total development costs are all components of typical development budgets, including site acquisition, construction costs, and soft costs.

The City's maximum percentage includes all Rental Housing Program funds and other City capital funds including, but not limited to: Housing Levy, Community Development Block Grant, HOME, 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 used as capital for development or other long-term capital gap-financing subsidy. The City's maximum percentage of project financing also includes document recording fees awarded by King County. The maximum percentage does not include any funds used by the City to purchase transferable development rights (TDR). Bridge loans, Acquisition & Opportunity Loans and Section 108 loans are not included in computing the percentage.

The OH Director may allow for up to a total of 50% of residential TDC to be paid by City funds for projects that meet one of the following criteria:

1. Projects that are located in an area with little or no subsidized housing or in an area identified in the City's Comprehensive Plan or other adopted policies as one in which subsidized housing should be encouraged.
2. Projects that provide special amenities and/or unique design features for the proposed tenant population such as large units for families; units requiring reconfiguration 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.
3. Projects where other public funders have made their maximum award and the project is a rental housing priority as described in this A & F Plan or the City's Consolidated Plan. The OH Director may ask borrowers to apply for other fund sources later, if appropriate.

E. Consolidated plan policies

Rental Housing Program projects must also comply with applicable requirements stated in the City's Consolidated Plan for Housing and Community Development regarding siting, community notification, fair contracting, Section 3 contracting and hiring for low-wage workers, National Environmental Policy Act, Women and Minority Business Enterprises, relocation, displacement, and real property acquisition, and affirmative marketing.

IV. Construction Requirements

The Office of Housing strives to ensure fair contracting methods and competitive pricing in the construction of affordable housing. Borrowers shall meet the following minimum construction requirements. Additional requirements and guidance can be found in the NOFA. OH reserves the right to review and approve all bid documents. Borrowers remain responsible for the compliance of all documents, plans and procedures with all applicable laws, regulations, codes, contracts and funding requirements.

A. Competitive selection of contractors

Borrowers must competitively select their contractors. Borrowers must propose a competitive process that clearly meets the City's requirements as published in each NOFA. The borrower shall submit a summary of their proposed competitive selection process. OH reserves the right to review and approve the process prior to implementation.

B. Contracting types & project delivery methods

Borrowers may propose to use a Cost Plus a Fee with a Guaranteed Maximum Price, a Stipulated Sum contract, or an alternative contract type to OH in their NOFA applications. OH reserves the right to review and approve contract type and construction delivery methods. The construction contract with the general contractor and any amendments to the contract shall also be submitted to OH prior to execution. The Office of Housing publishes specific contracting requirements in its NOFA.

C. Construction management

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 demonstrate capacity to OH. 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.

D. Wages

State Residential Prevailing Wage Rates shall be the minimum rates applicable to all projects funded by the Rental Housing Program, unless a higher minimum rate applies or an exception is made as allowed in this paragraph. When federal funds trigger prevailing wages determined under the Davis-Bacon Act in a project, the higher of either the State Residential Prevailing Wage Rates (unless modified as stated below) or Davis-Bacon wage rates will apply to each job classification, unless applicable law requires otherwise. The OH Director may approve a change in these prevailing wage 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. The Office of Housing works closely with the Department of Executive Administration to monitor the payment of appropriate wages under a published set of procedures. In cases where Davis Bacon wages are triggered, Davis Bacon monitoring procedures are followed instead of OH monitoring procedures.

E. Apprenticeship programs

Borrowers are encouraged to require contractors to participate in State-approved apprenticeship programs.

F. 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.

G. Washington State Evergreen Sustainability requirements

All OH-funded Rental Housing Program projects must follow the Washington State requirements for Evergreen Sustainable Development Standards. Details are available through the Washington State Department of Commerce.

V. Project Selection

A. Notice of Funds Available

At least once per year, the City will issue a Notice of Funds Available (NOFA) for the Rental Housing Program. The NOFA will provide application requirements, details on specific fund sources available, application forms, and deadlines. Minor deficiencies and clarifications may be corrected during the review process. Incomplete applications will be withdrawn from competition.

All applicants are required to attend a project pre-application conference with OH staff prior to submitting an application for funding.

B. Application components

The Office of Housing uses the Washington State Combined Funder Application for Affordable Housing. At minimum, applications must contain the following:

1. Project description: location, number of units, rent levels, need, and special characteristics.

2. Borrower capacity in the development, ownership, and management of affordable multifamily housing and capacity in serving the focus population.

3. Tenant profile: a description of proposed and existing tenants and their needs, household size, estimate and source of tenant income.

4. 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.

5. Appraisal: If the project involves acquisition, an appraised value based on the highest and best use at the time of site control will be used to assess whether or not a fair price is paid for land, including any structures. Project applicants should make acquisition offers subject to verification by appraisals acceptable to the City.

6. Construction description: Proposed contractor selection plan; scope of work; outline specifications; cost estimates; contract type and project delivery method; Evergreen standards; reports and evidence of early design guidance from the City's Department of Planning and Development;

7. Project schedule

8. Zoning: Zoning must be appropriate for the proposed project at the time of application.

9. 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.

10. Development budget and proposed sources

11. Relocation Plan, if applicable

12. Operating Pro Forma, including 15 year operating Pro Forma with proposed rents and required rental assistance or operating subsidy; taxes, insurance, utilities, salaries, management fees, replacement and operating reserves, maintenance supplies and services.

13. Support services: budget and support services plan, if applicable.

14. 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.

C. Proposal review

Funding applications are reviewed and evaluated in detail by OH staff based on the requirements listed in this section and additional criteria published in the NOFA. OH staff works closely with the other public funders that have been requested to fund each project. The public funders collaborate on proposal evaluations and financing strategies that meet the requirements of each fund source while maximizing the number of affordable housing units that can be produced and/or preserved each funding round.

When all projects have been evaluated, staff makes funding recommendations to a Credit Committee composed of persons appointed by the OH Director to serve as advisors from the private and public sectors and members of the Mayor's Office and City Council who have expertise in affordable housing financing and/or public policy. The OH Director, whose decisions on funding shall be final, makes funding awards based on the Director's judgment as to the merits of the proposed projects; their strengths in meeting the goals and requirements of the NOFA and this A & F Plan; the overall mix of projects funded by the City; and the leveraging of public resources to preserve or produce the highest number of quality affordable housing units each funding round. Results are reported to the Housing Levy Oversight Committee and made public.

D. Fund reservation

The OH Director authorizes fund reservations for each selected project that provide information about fund source requirements; funding levels; and conditions that must be met prior to closing. Fund reservations are not binding on the City until contract documents are negotiated and signed by both the Director and the owner.

After fund reservations are announced, the Director may reduce or revoke funding to any project based on failure to meet funding conditions; decrease in costs from the preliminary cost estimate submitted in the application; 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. If a project continues to be eligible for OH funding throughout the development process, OH will take into account, in considering any reduction in a funding award, whether it would eliminate the project's ability to utilize another critical funding source. 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.

VI. Loan Conditions

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:

1. For tax credit entities, where such loan terms may impair the availability of tax benefits; or
2. When the borrower 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.
3. To enable a project to secure other financing, including HUD-insured loans and HUD capital grants.

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 Rental Housing Program 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 Program 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 entity and the entity makes a substantial equity investment in the low-income housing;
- The property is transferred by a tax credit entity to a nonprofit corporation or public agency approved by the Director, including without limitation a transfer to the general

partner or manager pursuant to the terms of an option agreement made in connection with the formation of the tax credit entity; 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. Refinancing of private debt

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 and reduced debt service; or that produce some other long-term project benefit. OH shall review the proposed new financing terms; proposed transaction costs; a capital needs assessment; and the adequacy of reserve accounts. OH may define additional submittal requirements.

F. 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.

G. Supportive housing

Loan terms may include requirements specific to dedicating units for people who have been homeless or who have special needs. Borrowers 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 loan term. If an event occurs requiring a change in population group served, borrowers with special needs projects will first be required to serve another special needs population. If OH determines that it is not feasible or appropriate, OH may allow for a population of a specific income to be served.

H. 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 borrower 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).

I. 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 borrower 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.

J. 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. Loan documents may provide borrowers with an option of extension, or, in certain circumstances described below, satisfaction of some or all of the amounts owing through extended provision of affordable housing. 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 requirements.

K. Debt satisfaction through extended affordability

As an inducement to serve extremely low-income households, the OH Director may agree to terms in loan documents, for projects in which 50% or more of the units serve these households, 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 projects, principal debt and ordinary interest are not forgivable, but if the period of affordability restrictions is extended after the initial 50-year term 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 OH Director, then the terms may provide that contingent interest will be deemed satisfied at the end of that extension period or the contingent interest percentage reduced ratably over the extension period.

L. 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. Payments 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.

M. Non-recourse

Loans shall generally 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 for a specific amount of time or until certain conditions are satisfied when the City's security in the property may be inadequate.

VII. Management and Operations

Good management is critical to the overall success of projects. Project borrowers will be required to submit a management plan to OH for approval.

A. Management plan

Management plans should include the following:

1. Occupancy standard (# of persons per unit) that is consistent with Federal, State or City Fair Housing standards.
2. Rent standard (household income and rents) that complies with contract restrictions.
3. A management philosophy that is appropriate for the target population.
4. Affirmative Marketing Plan that complies with Federal, State and City laws and demonstrates outreach to all segments of the community and protected classes. Borrowers serving homeless and diverse populations must demonstrate cultural competency.
5. Roles and Responsibilities of key staff and contracted management.
6. Maintenance Plan including a schedule of routine and preventative maintenance; a schedule of inspections; and the long term maintenance plan.
7. A Capital Needs Assessment (CNA) that includes a 20 year schedule of major replacements with a corresponding schedule of replacement reserve account deposits.
8. Budget: Annual projection of income, expenses, capital improvements, and reserve accounts.
9. Operating Policies and Procedures for the following management functions, at a minimum:
    a. Leasing: referrals, screening criteria, selection, income qualification, and a copy of the lease or program agreement.

   b. Rent: Rent collection, deposits, late payments, addressing damage to units, rent increases
   c. Commitment to the City's Just Cause Eviction Ordinance.
   d. Management of tenant files and records
   e. Work order and Repair process
   f. Unit turnaround: filling vacancies
   g. Building security and emergency plan
   h. Community education and involvement plan for addressing complaints or issues raised by tenants and neighbors about the building or tenants.

10. Management plans for special needs housing and housing with support services should also include the following:
   a. Description of service support program to be provided to tenant households including funding commitments and contracts.
   b. Identification of key staff roles and responsible related to service delivery including written agreements that describe relationships with other agencies.
   c. Involvement of tenants in project governance and house rules.
   d. Description of performance or outcome measures.

B. Tenant income and rent requirements

Housing units funded by the Rental Housing Program are restricted to tenants whose income does not exceed 80% of median income. In many cases, housing units are restricted to households with income up to 30%, 50%, or 60% of median income. Tenants must be income qualified prior to move in or prior to City funding for acquisition of occupied units. A maximum restricted rent is established for each housing unit, no higher than Affordable Rent for the income eligibility category and based on the number of bedrooms.Where an existing, occupied project is acquired or rehabilitated with Rental Housing Program funds, OH may waive the unit affordability restrictions for existing over-income tenants for up to two years of the date of the agreement between OH and the borrower. However, OH may require as a funding condition that units occupied by such tenants will be rent-regulated under a City Regulatory Agreement when occupancy changes. In such cases, the regulatory term would be established for a fifty-two year period. After the end of the initial two-year period, over-income tenants must be relocated.

C. Rent increases

Modest rent increases are permitted as operating costs increase to avoid undue financial hardship on borrowers so long as sudden, sizeable rent increases that could displace residents are avoided. During the loan term, borrowers may raise rents for occupied units 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. OH may provide an allowance for a borrower to raise rents higher than this for projects that have experienced extraordinary expenses so long as the higher rent remains consistent with the applicable affordability restrictions.

Borrowers should not raise rents for existing tenants immediately after rehabilitation or acquisition to avoid displacement of low-income tenants. Post-rehabilitation or post-acquisition rent increases that exceed ordinary annual rent adjustments will be considered only if necessary to ensure adequate project operating funds.

Tenants who are income-eligible at the time of their initial occupancy or the time of City funding, whichever is later, are not generally required to be relocated when their incomes exceed the restrictions of their unit. However, such over-income tenants are subject to separate mandatory or optional rent increases, or both, as follows: (1) If a tenant's income surpasses 140% of the maximum income limit for the unit, borrowers must charge the maximum restricted rent for that unit, and (2) If a tenant's income surpasses 65% of median income, the borrower has the option of raising the rent to a level up to 30% of the tenant's income at the following year's income certification, regardless of the maximum restricted rent. Upon unit turnover, rents may be adjusted to the maximum allowable rent based on number of bedrooms and affordability level.

All rent increases are subject to other funder restrictions, and State and local law.

D. Floating units

OH may approve a "floating unit" regime that allows affordability levels in specific units to change so long as the total number of units at each affordability level in the development is maintained.

E. Special populations

Borrowers who have committed to serve specific populations and who sustain a loss of services funding that affects service delivery to such populations, shall consult with OH concerning alternatives.

VIII. Project Monitoring

Borrowers must report annually on the status of their projects each year by June 30th, or on an alternative date upon reasonable advance notice. The City coordinates its monitoring, site visits and inspections with other funders to help reduce administration time and disturbance to residents. Borrowers will submit written reports on a combined funders' annual report form.

OH ensures quality management of the City's investment by evaluating the following: (Project-specific requirements will be included in loan documents.)

1. Sound borrower fiscal health: The project borrower and its managing member when applicable are in sound fiscal health.
2. Management Plan: The project is operated according to the agency's original or amended management plan.
3. Affordability: borrower must be in compliance with affordability requirements including tenant income determinations and rent levels.
4. Affirmative marketing and nondiscrimination: The housing is being affirmatively marketed; the population served is diverse; and the borrower can demonstrate nondiscriminatory treatment for all applicants and occupants.
5. Occupancy: The tenant family sizes must be appropriate for the unit sizes and projects designed for particular populations are appropriately serving that population with housing and, if applicable, services.
6. Unit Turnover and Vacancy: Vacant units are turned over quickly and vacancies are minimized.
7. Physical conditions: The Property is maintained in good and tenantable condition and repair that ensures safe, secure and sanitary conditions. The property must comply with the Seattle Housing and Building Maintenance Code and Housing Quality Standards.

Spaces must be used for their intended purposes (housing units, common areas, storage, accessibility etc.). The project's sustainable 'green' features are maintained and operating as designed.

8. Long-term replacement needs and capital improvements are adequately planned for and completed on schedule according to capital needs assessment (CNA) schedule of replacements. Preventive maintenance and repairs are completed according to maintenance plan and schedule.
9. Sound project fiscal management: The project is operated according to sound fiscal management practices, and all reserves, taxes, utilities and debt service including any amounts due to the City are paid on schedule and reported as required.
    a. Revenue management: The borrower collects rents in a timely manner and in a way that ensures adequate income to the property; ensures compliance with contracts for operating subsidy and rental assistance.
    b. Expense management: The borrower manages expenses by re-evaluating and re-procuring goods and services from time to time.
10. Community relations: The housing project is a good neighbor, which is measured by good maintenance, street appearance, and responsiveness to neighborhood concerns and complaints.

OH will provide a performance letter each year to all borrowers specific to their projects that have at least one full year of operation. The performance letter will summarize OH's review of compliance and performance in the areas described above, and identify any findings or concerns that require action by the borrower, including a timeline for response. Borrowers are expected to respond and resolve outstanding issues in order to maintain good standing on their OH loans. Failure to satisfy the requirements outlined in the performance letter may result in a determination by the OH Director that the borrower is not in good standing and affect future OH funding awards.

OPERATING & MAINTENANCE PROGRAM

	TOTAL 2010-2016	YEARS 2012-2013
Program funding	*$14,400,000*	*$5,609,000*
Goal	*220 units approved for funding*	*63 units approved for funding*

PROGRAM OBJECTIVES

The 2009 O&M Program builds upon the success of the O&M programs in the 1986, 1995 and 2002 Housing Levies. The program provides operating support, or contingent commitments of operating support necessary to secure adequate financing, for Levy funded 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.

PROGRAM PRIORITIES

Priority will be given during the project review process to Levy funded 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.

PROGRAM POLICIES **(2009, 2002, 1995, and 1986 Levy funding)**

These policies shall apply to all initial commitments of O&M funds from the 2009 Housing Levy and to O&M subsidy agreements and annual renewals made under any of the previous housing levies for periods beginning after January 1, 2012, 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 and except to the extent of any inconsistency with provisions of an ordinance proposing a levy measure to the voters that remain in effect. If there are terms still in effect governing renewals in a binding contract, renewals shall be based upon the terms of the contract, except to the extent that OH and the project sponsor shall agree to substitute different terms consistent with these policies.

A. Eligible projects; Project selection for initial commitments

New rental projects funded with 2009 Levy capital funding are eligible for 2009 Levy O&M Program funding subject to 2009 Levy O&M Program policies. Private owners and developers as well as all types of nonprofit agencies, including public development authorities and other public agencies, are eligible to participate in the program.

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.

B. Eligible households

To be eligible for O&M subsidy, units must be occupied by extremely low-income households. Households must be income qualified prior to move in for the unit to be eligible for subsidy.

C. Funding limits and match target for initial commitments

In order to provide opportunities for as many projects as possible, maximum funding of $2,500 per unit per year, for the initial full year of occupancy will apply this 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. 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. 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.

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 it is determined that additional support 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.

D. Rents

Eligible households are required to pay 30% of adjusted monthly gross income for rent and any tenant-paid utilities associated with a project. Sponsors may request alternate rent schedules to meet unique program objectives. OH will review and 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. Specific program requirements will be outlined in subsidy contracts. Occupancy rates are expected to be maintained at 95% or better or a rate determined optimal for the specific project and housing program. Annual project budgets should reflect estimated rental income based on type of occupancy each project.

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.

E. 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 employment or education of an adult household member. The cost of childcare can be deducted from gross income. The amount must reflect the reasonable cost of care.

F. Non-subsidized units

When a household, in an O&M subsidized unit, has an increase in income that results in a household income greater than 30 percent of median income, the household is determined "over-income" and the unit is no longer eligible to receive subsidy. In such cases, the O&M subsidy amount would be adjusted from the date the unit was determined ineligible based upon a revised calculation of the gap between income and expenses for eligible units. The household may have an adjustment in rent depending on the terms of the City Regulatory Agreement or conditions of other funding.

G. 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.

H. Maintenance plan

Each project must have a maintenance plan that describes how the building will be managed and maintained. It should describe the acceptable standard for each room, common space (hallways, stairs, lobby), building systems and exterior. The Plan should include a schedule for inspections and regular and preventive maintenance of the building. The plan must also describe how long-term replacements and maintenance will be accomplished.

I. Operating budget and use of funds

An operating budget in the required format must be submitted with each application for subsidy. Each year, sponsors with O&M subsidy contracts will be invited to apply for an annual renewal of subsidy. Applicants will submit actual financial statement for the previous year and a proposed operating budget based on the actual expenses from the previous 12 month period plus a reasonable adjustment for inflation. The budget and the annual award follow the City's fiscal year, which begins January 1, unless OH allows an alternate subsidy period.

Eligible uses of O&M subsidy include operating expenses for:

- On-Site Management: Operations and maintenance costs directly associated with operating the building. This includes on-site management salaries, benefits and personnel costs; utilities; contracted building services such as elevator, pest control, landscaping, fire safety, security; repair and maintenance expenses such as materials, janitorial supplies, unit turnover costs and other repairs. Enhanced property management 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 (e.g. 24 hour resident manager).
- Off-Site Management: Property management and personnel costs directly associated with operating the building.

- Administration: Property taxes, insurance, legal, marketing, and other costs directly associated with administration in the building. Accounting including the cost of a financial audit. An audit is 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 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.

- Replacement and Operating Reserves: Replacement reserve deposits are an eligible operating expense. O&M funds can be used to fund 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 are an eligible expense. The annual deposit amount is normally 2.5% of total annual operating expenses. The operating reserve account is considered adequate when the balance is equal to 50% of a year's operating budget. The operating reserve may also be used to pay for building improvements that cannot be entirely funded by the replacement reserve. As part of the management plan, each sponsor must provide their policy and procedures for managing reserve accounts. 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.

The program will not subsidize debt service. 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 carried by the income from the non-O&M supported portion of the building and also demonstrate a shortfall between income and expenses. At no time will O&M subsidy be applied to a project for a shortfall on the non-O&M supported portion of the building.

J. Subsidy term

O&M subsidy awards have a maximum contract term of 20 years from the date that the O&M units are complete and occupied. Subsidy is 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 cover operating costs of the units, but not to exceed Affordable Rents. The sponsor must prepare a plan acceptable to OH prior to any change in occupancy or program focus. The plan must give preference to the lowest income households who can pay such rents.

K. Expiring contracts

For the 2009 Levy period (2010-2016), it is projected that most of the properties supported by the 1986 O&M subsidy program will have expiring contracts. The Office of Housing may grant extensions to O&M subsidy contracts, beyond the initial 20 year term provided there are available funds in the 1986 Levy O&M program reserves. Projects requesting extensions will be required to demonstrate:

- Need for continued subsidy;
- Housing meets current City priorities; and
- Project meets performance measures and housing outcomes of the Levy Rental Preservation & Production Program.

L. Annual reviews

OH will conduct financial, management, operations, and maintenance reviews of projects receiving subsidy each year. OH will determine the subsidy amount on a year to year basis for the term of the contract.

For the annual review, the sponsor must provide:

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

- Operating Budget projected for the next year based on current year 'actuals'.
- 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.
- Tenant Rent Roll including household incomes and rents charged for each unit.
- Capital Needs Assessment updates and details on major repair and maintenance work planned for the next year, if any including an estimate of the work and source of funds.
- Examination of services outcomes and copies of service contracts.
- 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.

M. 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 cannot 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 if in the judgment of OH, there are sufficient uncommitted O&M funds to provide an increase.

A project that is showing a surplus at the end of the year may be (1) required to make repayment to OH or (2) make additional contributions to replacement reserves in the amount of the surplus, or (3) if reserve balances are deemed adequate, the surplus will be applied to the following year and reduce the O&M subsidy amount 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.

RENTAL ASSISTANCE PROGRAM

	TOTAL 2010-2016	YEARS 2012-2013
Program funding	*$4,248,000*	*$1,699,000*
Goal	*3,025 households*	*1,210 households*

The Rental Assistance Program serves vulnerable families and individuals who are at risk of homelessness or experiencing homelessness. The Levy funds are intended to help stabilize housing for 605 households annually for five years beginning in 2012, or 1,210 households during the term of the current Levy A & F Plan.

The Rental Assistance Program addresses those housing related barriers that put a household at risk of homelessness or keep a household homeless. Program funds may be used to provide financial assistance to people at risk of homelessness. Financial assistance may include: rent assistance, security and/or utility deposits, move in costs, and rental and utility arrears. The Rental Assistance Program is the financial assistance part of the Human Services Department's homelessness prevention strategy. The City's homelessness prevention approach can include combining financial assistance (funded with Levy dollars) with housing stabilization support services (funded by the City's General Fund and Federal Community Development Block Grant). Housing stabilization support services (case management) include: landlord negotiations, financial and tenancy skills, housing search and placement, and referrals to mainstream benefits and to resources such as utility assistance. A case manager assessment is required to determine the level of need and assistance required to maintain or obtain permanent housing for people at risk of homelessness.

This rental assistance program is structured to be flexible to meet the different financial and service needs of those at risk of homelessness. This is consistent with current national promising practices and local experience that point to the need for a more holistic and flexible approach to homelessness prevention.

PROGRAM OBJECTIVES

Consistent with the goals of the Ten-Year Plan to End Homelessness in King County, the Rental Assistance Program focuses resources to prevent homelessness and/or immediately house those who do experience homelessness. The annual program goal is to assist 605 households and to evaluate their housing stability after 6 months. Program activity and performance will be monitored with our region's Homelessness Management Information System, Safe Harbors.

PROGRAM POLICIES

A. Eligible households

To be eligible to apply for Rental Assistance Program funds, households must meet all the following requirements:

- reside in Seattle City limits
- 50% of area median income or below
- homeless or at risk of homelessness
- inadequate financial resources to maintain stable housing

B. Eligible use of funds

Financial assistance is available for:

- Rent payments
- Move in costs (background check fees, first and last month's rent)
- Security and/or utility deposits
- Limited rent or utility arrears needed to obtain or retain secure, stable housing

C. Program requirements

Levy funds will be administered by contractors, selected via a competitive process, who demonstrate ability to do the following:

- Provide short-term (1 to 3 months) or medium-term (4 to 6 months) financial assistance to prevent homelessness
- Provide case management services

- Monitor housing stability outcomes for participants 6 months after all program assistance has ended
- Enter data directly into the region's Homelessness Management Information System, Safe Harbors

HOMEBUYER PROGRAM

	TOTAL 2010-2016	YEARS 2012-2013
Program funding	*$9,090,000*	*$2,457,500*
Goal	*180 homebuyers*	*49 homebuyers*

Levy Homebuyer Program funds assist low-income first-time homebuyers to purchase homes in the City of Seattle. Levy funding can be used for direct homebuyer assistance, or for site acquisition and development costs for affordable for-sale homes that will be sold to eligible first-time homebuyers.

PROGRAM OBJECTIVES

The Homebuyer Program is intended to provide an ongoing resource to enable low-income "first-time homebuyers" (see definition under "Program Policies," subsection C., below) to purchase a home in Seattle. Homeownership provides housing stability, independence, and an opportunity for economic advancement. The homeowner takes on the responsibilities of repaying loans and maintaining property, and in return gains an economic resource that can help the family invest in education, weather financial crises, and pass on wealth to succeeding generations. Providing first-time homebuyer assistance benefits the entire city by enabling people with moderate wages to live close to their workplace and to contribute to the vitality of local community life.

The following general program objectives guide the Homebuyer Program:

- Assist first-time homebuyers to acquire their home at an affordable cost that will enable them to manage the costs of homeownership and to realize a reasonable share of any increase in home value so they can purchase other housing when family needs change.

- Create an on-going resource to assist future low-income first-time home-buyers through resale restrictions that will maintain an affordable home price and/or loan repayment terms that will generate funds to assist future home purchasers.
- Promote the expansion of programs that achieve long-term affordability through restrictions on resale, which may include land trusts, limited equity co-ops, co-housing, repurchase options held by nonprofit organizations, and lease-purchase arrangements with homes on leased land.
- Combine with other sources of homebuyer assistance funds (Washington State Housing Finance Commission, State Housing Trust Fund, Federal Home Loan Bank, etc.) to leverage the available Levy dollars.
- Use existing service delivery systems for lending activities.
- Promote pre-purchase homebuyer education as a best practice by requiring households using City of Seattle homebuyer assistance to complete a pre-purchase homebuyer education program sponsored by the Washington State Housing Finance Commission, U.S. Department of Housing and Urban Development, or other education program for first-time buyers approved by the Office of Housing.

PROGRAM POLICIES

A. Funding allocation policy

All funds will assist first-time homebuyers with incomes at or below 80% of median income.

B. Eligible use of funds

Levy funds may only be used for (1) subordinate mortgages to assist eligible homebuyers, (2) site acquisition and/or development costs for a home or homes to be sold to eligible buyers, or (3) loans to nonprofit entities to assist eligible homebuyers purchase resale-restricted homes.

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.

C. Homebuyer eligibility

Buyers benefited by the program must be low-income, first-time homebuyers.

Low-income means income not exceeding 80% of median income.

First-time homebuyer is defined as any individual and his or her spouse/partner 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.

D. Homebuyer 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 purchasing non-resale restricted homes may receive homebuyer assistance up to a maximum of $45,000 per assisted household, including Levy funds and other City-administered funds.

Homebuyers purchasing properties subject to resale restrictions may receive additional homebuyer assistance up to a maximum of $5,000 per assisted household, including levy funds and other City-administered funds. To be eligible for additional assistance, the resale of the home must be restricted to first-time homebuyers with incomes below 80% of median income for a period of at least 50 years and the resale price must be restricted to an amount affordable to a buyer at 80% of median income. Resale restrictions must be in the form of a ground lease, covenant, or other recorded document approved by OH.

An additional $10,000 in subsidy may be provided to homebuyers with income below 60% of median income if increases in interest rates or sales prices, or lack of other homebuyer subsidies, create difficulty in qualifying households.

The maximum loan amount for any homebuyer is $55,000. Council approval is required if the OH Director wants to increase the maximum loan amount to more than $55,000.

Homebuyer assistance may be used for first or subordinate mortgages, closing costs, and/or first mortgage loan interest rate write down, as approved by OH.

In order that single-source subordinate mortgages 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 subordinate mortgages 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.

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.

ACQUISITION & OPPORTUNITY AND BRIDGE LOANS

Acquisition & Opportunity Loans

	TOTAL 2010-2016	YEARS 2012-2013
Program funding	*$6,500,000*	*Up to $6,500,000*
Goal	*175 units*	*At least 50 units*

Acquisition & Opportunity (A & O) Loans are made with 2009 Housing Levy funds that are not yet needed for other levy programs. These loans are intended as only short-term uses of other program funds, and repayments are included in the amounts shown available for other levy programs. The amount of funds available for A & O Loans, including outstanding A & O Loans, is estimated to be up to $6.5 million.

Bridge Loans

OH may use any funds derived from the 1986, 1995, and/or 2002 housing levy, alone or together with other funds, to make bridge loans to assist in the development of low-income housing. Housing projects consistent with the objectives and priorities of the Levy Rental Housing and Homebuyer Programs are eligible for bridge loans. Bridge loans funded with prior housing levy funds shall be subject to the same program objectives, priorities and policies as 2009 Levy A & O Loans unless otherwise stated, to the extent consistent with ordinances submitted to the voters (Ordinances 112904, 117711 and 120823) and applicable State law. Repayments on bridge loans funded with prior housing levy funds will be allocated to the subfund from which the loan was made.

PROGRAM OBJECTIVES

A & O Loans are intended to provide short-term funding to permit strategic acquisition of sites for low-income housing development. These loans are expected to be repaid with permanent project financing, which may be from either City or non-City funding sources. Loans are intended to facilitate development of rental or homeownership housing consistent with the objectives and priorities of the Levy Rental Preservation and Production and Homebuyer programs. The Office of Housing is encouraged to work with other funder organizations to implement the A & O Loan program.

PROGRAM PRIORITIES

OH will give priority when selecting projects to receive A & O Loans to proposals that meet the following criteria:

- The applicant demonstrates that the project takes advantage of a low acquisition cost, and that short-term acquisition financing is critical to achieving cost savings, and/or
- The project leverages or demonstrates a high likelihood of leveraging significant funding for housing development, operations, and/or services, or project-related infrastructure investments, which may be lost without the availability of short-term acquisition financing, and/or

In addition, the program will give preference to:

- Projects that produce or preserve low-income housing located in a high-capacity transit station area or a high-frequency transit service area (see Program Definitions, below; maps showing these areas will be available at the Office of Housing), and/or
- Projects that develop affordable housing through acquisition and rehabilitation of existing buildings.

PROGRAM POLICIES

The A & O Loans must be used for site acquisition, which includes the acquisition of improved or unimproved property, or both, to assist in the development of low-income rental or homeownership housing. Once completed, the housing development must provide affordable housing consistent with affordability and other guidelines for the Rental Housing or Homebuyer Assistance program. For bridge loans using 1986, 1995, and/or 2002 levy funding, household incomes and affordability limits shall not exceed 50% of median income.

A. Notice of Funds Available

OH will issue a Notice of Funds Available (NOFA) for A & O Loans, either separately or in conjunction with other funders, and may accept applications on a rolling basis. The NOFA will provide specific application requirements, which will be very similar to those of the Rental Housing and Homebuyer programs, including the requirement for an appraisal. Pre-application meetings with OH staff will be mandatory. A & O Loans may be made only when, in the judgment of the OH Director, there is a high likelihood that permanent financing for eligible low-income housing will be available on acceptable terms before the loan maturity date.

B. Eligible Borrowers

To be eligible for an A & O loan, the borrower must meet all eligibility requirements for the OH Rental Housing or Homebuyer program, as applicable. In addition, the borrower must have successfully developed and operated at least three affordable housing projects; be in good standing on any OH loans; and have demonstrated capacity to secure permanent financing for the proposed project before the loan maturity date.

C. Loan Rate and Term

- The interest rate on A & O Loans shall be no less than 3% simple interest. Accrued interest shall be paid in full when the loan is repaid.
- The maximum term of an A & O Loan shall be 5 years. The maximum term of bridge loans funded with 1986, 1995, and/or 2002 levy funds shall be 2 years.

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 means annual rent not exceeding 30% of 30% of median income.

"Extremely low-income" means income not exceeding 30% of median income.

“High capacity transit station area” means an area within one-half mile of a light rail station.

“High frequency transit service area” means an area within one-quarter mile of bus and/or streetcar transit, including RapidRide, with service characterized by headways of 15 minute or less, during 12 hours per day, during at least 6 days each week; and headways of 30 minutes or less, over 18 hours per day, every day. The Office of Housing will work with the Seattle Department of Transportation to map high frequency transit service areas, and may adjust the definition and map when appropriate to reflect changes in transit service or add locations where transit service is sufficient to serve potential housing residents.

"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).

“Program income” means funds received by the City as payments on or with respect to a loan, or recovery from loan collateral, and may include interest and share of appreciation, as required under the terms of the loan.

"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 Ordinance 123013 and Consolidated Plan Housing Policies.

Amy Gray/ASG
OH Levy A&F Plan FISC
May 26, 2011
Version #2

Form revised: December 14, 2010

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Office of Housing	Maureen Kostyack/5-0986	Amanda Allen/4-8894

Legislation Title:
AN ORDINANCE relating to housing for low-income households, adopting the 2012-2013 Administrative and Financial Plan for 2009 Housing Levy Programs; and adopting or modifying certain policies for use of funds for housing from the 1986 Housing Levy, the 1995 Housing Levy, the 2002 Housing Levy and other sources.

Summary of the Legislation:

This Council Bill adopts the 2012-2013 Administrative and Financial Plan (A & F Plan) for the 2009 Housing Levy, as required by Ordinance 123013.

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

In November 2009, 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, pursuant to Ordinance 123013 (2009 Housing Levy). The 2009 Housing Levy collects $145 million in property taxes over its seven-year life. Ordinance 123013 requires the periodic adoption by the City Council of an A & F Plan establishing criteria, guidelines, and requirements for the funded levy programs. Additionally, the 2012 – 2013 A & F Plan establishes policies for the use of funds derived from the 1986, 1995, and 2002 housing levies. The A & F Plan was developed by the Office of Housing with input from the Oversight Committee for the 2009 Housing Levy and other community members.

The 2012-2013 A & F Plan replaces the 2010-2011 A & F Plan for the 2009 Housing Levy Programs. Please refer to Fiscal Note Attachment A for a summary of substantive policy changes included in this new A & F Plan.

Please check one of the following:

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

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

Attachment A: Recommended Levy A&F Plan Policy Changes

Attachment A: Recommended 2012-2013 Levy A&F Plan Policy Changes

The following provides a summary of the substantive policy changes in the 2012-2013 A & F Plan:

I. Rental Housing & Production Program

Rent Increases: Clarifies the policy on rent increases for over-income tenants to better reflect current regulatory requirements, and moves policy from "Tenant income and rent requirements" section to "Rent increases" section.

Project Monitoring: Adds language clarifying existing OH procedures. OH provides annual performance letters summarizing project compliance and performance monitoring. Failure to respond and resolve any outstanding issues may result in a determination that the borrower is not in good standing on an OH loan and affect future OH funding awards.

II. Acquisition and Opportunity Loans

Bridge Loans: Policies for bridge loans funded with previous Levy funds are moved to the Acquisition & Opportunity Loans chapter. A & O Loan policies are applied to bridge loans, except that bridge loans continue to be limited to a two-year term and housing projects that serve households below 50% of median income.

III. Rental Assistance

New Chapter: Funding for the Levy Rental Assistance program begins in 2012, therefore a new chapter is added containing program funding, goal, objective and policies.

City of Seattle
Office of the Mayor

May 31, 2011

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill adopting the 2012 – 2013 Housing Levy Administrative and Financial Plan (A & F Plan). The 2009 Housing Levy provides $145 million over seven years to provide affordable housing for low-income families and individuals in Seattle. The Housing Levy ordinance approved by the voters (Ordinance 123013) requires the Office of Housing (OH) to submit an A & F Plan periodically for approval by Council.

The A & F Plan establishes criteria, guidelines, and requirements for the funded levy programs. Additionally, the A & F Plan establishes policies for the use of funds derived from the 1986, 1995, and 2002 housing levies. The A & F Plan was developed by OH with input from the Housing Levy Oversight Committee and other community members.

In 2012 – 2013, the Levy will continue to help produce and preserve low-income rental apartments throughout Seattle. In addition, Levy funds will continue to provide operating subsidies for service-enriched housing for people who have been homeless or have other supportive service needs, and home purchase assistance for low-income first-time homebuyers. Beginning in 2012 the Housing Levy will provide rental assistance for households transitioning out of homelessness or at risk of becoming homeless.

The policies set forth in the Levy A & F Plan guide the use of funds entrusted to the City by Seattle voters. These funds make a real difference in the lives of people struggling to afford housing, while also strengthening Seattle neighborhoods. The Housing Levy has a solid record of accomplishment, and is on track to meet or exceed 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, OH Director, at 684-0338.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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COUNCIL CLERK