



City of Seattle
Office of Housing

TO: Councilmember Nick Licata, Chair, Housing, Human Service, Health, & Culture Committee
Councilmember Sally Bagshaw
Councilmember Bruce Harrell
Councilmember Tom Rasmussen

FROM: Rick Hooper, Director

DATE: August 3, 2012

SUBJECT: Seattle Housing Levy Administrative & Financial Plan, 2012 Amendments

City Council adopted the 2012-2013 Housing Levy Administrative & Financial Plan (A&F Plan) last year. The A&F Plan contains policies that guide administration of levy programs. Although revisions are usually considered every two years, we need to bring several policy amendments to you for approval at this time. The proposed A&F Plan amendments were developed with input from the Housing Levy Oversight Committee and other community members.

Legislation adopting the proposed revisions will be before the Committee at the September 12th Committee meeting. We wanted to brief you on the changes at the August 8th meeting. The proposed changes are as follows:

1. *Fund Transfer.* The Council-adopted 2012 Budget transferred \$165,000 from the Housing Levy administrative category to the Rental Preservation & Production Program. The A&F Plan amendment will revise the Levy Funding Plan to conform to that budget decision.
2. *Rental Housing Program - Good Standing.* Recent A&F Plan amendments clarified that OH will consider an agency's performance on previously funded projects when awarding funding for new projects. The proposed amendment furthers that policy direction. It establishes a procedure for an agency to resolve any contract compliance issues, and for OH to determine whether the agency is in good standing, prior to each year's funding round. (See attached table illustrating this procedure.) OH will make compliance findings based only on major or chronic non-compliance with the terms of the loan agreement or other loan documents, not minor deficiencies that the agency is correcting. An agency that receives a finding must correct the deficiency within a

specified timeframe, or take actions to remedy the finding according to a plan acceptable to OH, to be eligible to apply for funding for a new project.

3. *Yesler Terrace Redevelopment.* The proposed Yesler Terrace Cooperative Agreement authorizes funding for replacement housing and other low-income housing in Phases I and II of the Yesler Terrace redevelopment. Several A&F Plan changes are needed for OH to fund these projects consistent with the Cooperative Agreement.
 - *Waiver for Relocated and Returning Residents.* The Cooperative Agreement requires replacement housing to be offered to Yesler Terrace residents who must relocate due to redevelopment. Over 85% of these households currently have incomes below 30% of median income. The A&F Plan change would allow relocated Yesler Terrace residents with income that exceeds 30% of median income but is below 80% of median to move into replacement housing. The policy also allows OH to use levy and other funds set-aside for households below 30% of median income when funding replacement housing.
 - *Replacement Housing Rent Policy.* Replacement housing at Yesler Terrace will have federal operating subsidy (public housing or Section 8) that will enable extremely low-income residents to pay only 30% of their adjusted income for rent. HUD regulations mandate that tenant-paid rent must rise as the household's income grows, which can be inconsistent with Levy policies when the tenant's income exceeds the income limit for the unit. Levy policies also require building owners to charge higher rents for over-income tenants, but not until the tenant's income exceeds 140% of the limit for the unit. The A&F Plan change will allow SHA to comply with HUD's requirements and charge higher rents for some over-income tenants.
 - *Application Process.* The City's Yesler Terrace funding commitments were made in support of SHA's application for federal Choice Neighborhood funding. The City funding is authorized up to a maximum amount, and SHA must submit a standard application to OH for underwriting. Due to the timing of these funding awards and the requirements of the Choice Neighborhood grant, OH is proposing to review the Yesler Terrace applications separate from the typical Notice of Fund Availability (NOFA) process. The amendment would allow this separate process while still applying all other funding guidelines.
4. *Homebuyer Assistance* – Based on recent program experience, nonprofit homeownership organizations have requested technical fixes that clarify lending guidelines. OH recommends the following changes to lending guidelines for certain specialized lending programs, as follows:
 - *Loan limits for resale-restricted homes.* Current policies allow OH to provide homebuyer assistance in the form of subordinate downpayment assistance loans

to households, or as loans to nonprofit entities to create affordable homeownership opportunities. Current policies allow homebuyer assistance loans up to \$45,000 per loan. Higher loan amounts are allowed for homes with resale restrictions, such as land trusts (an additional \$5,000) and for lower income borrowers up to 60% AMI (an additional \$10,000). Based on program experience, OH recommends a higher loan amount for resale-restricted homes (an additional \$10,000, up to a maximum of \$55,000). The additional subsidy will make it more feasible for nonprofit organizations to meet Levy criteria for long-term affordability with the initial and subsequent homebuyers. The change in policy also clarifies that OH has the flexibility to provide the maximum loan amount to nonprofits in cases where OH's homebuyer assistance helps lower the initial sale price of the resale restricted home to be affordable to a household earning at or below 80% of AMI.

- *Borrower contributions for sweat equity programs.* Current policy requires buyers to provide a minimum amount of their own funds toward the home purchase. The policy provides an exception for homebuyers below 60% of AMI who are participating in sweat equity programs, such as Habitat for Humanity, who may count their volunteer time in lieu of the cash contribution. The amendment would allow all sweat equity program participants, up to 80% of AMI, to count volunteer hours in lieu of the minimum cash down payment, and would match Habitat for Humanity program guidelines.

Staff from OH will provide information about these proposed changes at the Committee meeting. Josephine Tamayo Murray, chair of the Housing Levy Oversight Committee, will participate in the presentation. Please let me know if you have questions.

cc: Traci Ratzliff, Council Central Staff
Darryl Smith, Deputy Mayor
Jeannette Blankenship, City Budget Office

Attachment

Rental Housing Program Annual Review - Steps and Schedule

<i>Annual Review applies to all OH-funded projects with at least one full year of operation</i>		
Steps	Timeframe	Description
Inspections	January – June	Projects are inspected in a 1, 2, 3 or 4 year cycle depending on funding programs. OH coordinates on-site inspections with other funders. Agencies are notified of cited deficiencies and timelines for correction. Timelines may vary from 24 hours for extremely serious safety issues to 30 days for routine repairs. Longer timelines may require an accepted Plan.
Annual Reports	Due by June 30	Agency submits Annual Report for each project utilizing WBAR system.
Annual Review and Performance Letters	July to October	Annual review of projects focuses on contract compliance requirements and operating performance. OH sends Performance Letters to each borrower, which may include notice of Findings with instruction on how to satisfy the Finding in “Required Action.” Agencies without Findings are in Good Standing.
<i>For agencies with Performance Letter identifying Findings</i>		
Agency Response	Timelines in Performance Letter (usually 30 days)	Agency provides: <ul style="list-style-type: none"> • Documentation of corrected deficiencies, or • Plan to correct deficiencies acceptable to OH
OH provides notice of status	Within 30 days of response deadline	OH provides written notice: <ul style="list-style-type: none"> • Finding is resolved and/or plan is acceptable to the City and agency is considered in Good Standing, or • Finding is not resolved and agency has not provided an acceptable plan or has failed to implement an accepted plan.
Final notice of Good Standing	January 30	OH Director provides written notice that agency is not in Good Standing due to unresolved Findings.
<i>For agencies intending to apply for Rental Housing Program funding</i>		
Intent to Apply	January	Agency submits and schedules pre-application meeting
NOFA	May/June	OH publishes Notice of Funding Availability
Application	August/September	Eligible Agencies submit application for review