King County

Urban Consortium Joint Recommendations Committee

Meeting Materials for Thursday, May 28th 2015

Click on a link below or use the Acrobat bookmarks to access documents

Item	Info
Agenda	Agenda for May 2015 Meeting
Attachment A	ApprovedApril 23rd JRC Meeting Minutes
Attachment B	Housing Repair Guidelines Proposed Amendments
Attachment B.1	Redlined Housing Repair Guidelines
Attachment C	Proposed update to HFP Non-HOME Program Polices
Attachment C.1	General Non-HOME Guidelines
Attachment D	Estimated 2016 CDBG Funds 'Waterfall' (For printing, please note this page is 11x17 tabloid size.)

Web version: June 1. 2015

King County

JRC Members

Chair
Ken Hearing
Mayor North Bend

Vice Chair
Gerald (Jerry) Robison
Burien, Councilmember Sound Cities Association

Paul Winterstein
Issaquah, Councilmember Sound Cities Association

Pam Fernald
SeaTac, Councilmember Sound Cities Association

Terry Mark
King County, DCHS Deputy Director

Gary Prince
King County, DOT, TOD Program Manager

John Starbard
King County, DPER Director

Dan Stroh
Bellevue, Planning Director

Rob Odle
Redmond, Director Dept. Planning & Community Dev.

Merina Hanson
Kent, Housing and Human Services Manager

Rob Beem
Shoreline, Community Services Division Manager

Steve Walker
Seattle, Director of Office of Housing

Agenda

JOINT RECOMMENDATIONS COMMITTEE (JRC) MEETING

Thursday, May 28, 2015
9:30 AM - 11:30 AM
South Renton Treatment Plant Admin Building
1200 Monster Road S.W., Renton, WA 98057
Directions and map
http://www.kingcounty.gov/environment/wtd/About/System/South.aspx

I. Welcome and Introductions

II. April 23, 2015 Meeting Minutes — 5 Min
Attachment A – Action Item All

III. Housing Repair Program Policies–Adoption — 15 Min
Attachment B– Action Item – All w/exception of Seattle
Clark Fulmer, Housing Repair Program Coordinator

IV. Housing Finance Non-HOME Program Policies–Adoption — 30 Min
Attachment C – Action Item – All
John deChadenedes, Housing Finance Program Coordinator

V. 2016 CDBG/HOME Budget Review — 15 Min
Attachment D - Info Item
Kathy Tremper, Community Development Coordinator

VI. Round Table Discussion / Other Items

VII. Announcements

ADJOURN

Next Meeting:
Date June 25, 9:30 AM - 11:30 AM
Location: South Renton Treatment Plant, Renton WA

JOINT RECOMMENDATIONS COMMITTTEE MEETING

Thursday, April 23, 2015

9:30 am – 11:30 am

King County Airport

Members Present:

Ken Hearing - Mayor, City of North Bend, JRC Chair (Sound Cities Association)
Gerald (Jerry) Robison - Councilmember, City of Burien, JRC Vice-Chair (Sound Cities Association)
Pam Fernald - Councilmember, City of Seatac (Sound Cities Association)
Rob Beem - Community Services Division Manager, City of Shoreline
Colleen Kelly, Assistant Director-Planning and Community Development, City of Redmond, Joint Agreement City Alternate
John Starbard - Director, King County Department of Permitting and Environmental Review
Terry Mark – Deputy Director, King County Department of Community and Human Services
Gary Prince - Transit Oriented Development Program Manager, King County Department of Transportation
Paul Winterstein - Councilmember, City of Issaquah (Sound Cities Association)
Jeffrey D. Watson - Community Services Manager, City of Federal Way (representing HOME Cities)

Members Not Present:

Merina Hanson, Housing and Human Services Manager, City of Kent
Rob Odle – Director-Planning and Community Development, City of Redmond
Dan Stroh, Planning Director, City of Bellevue
Steve Walker – Director of Housing, City of Seattle

King County Staff:

Kathy Tremper - Coordinator, Housing and Community Development, HCD
John DeChadenedes, Project Coordinator, Housing Finance Program, HFP
Mark Ellerbrook, Regional Housing and Community Development Manager, HCD
David Mecklenburg – Project Manager, HCD
Eric Jensen, Project Manager, HCD
Clark Fulmer, Manager, Housing Repair Program, HRP
Randy Poplock, Project Manager, HCD
Elaine Goddard – Administrative Staff Assistant, Community Services Division, CSD

Guests:

Evie Boykan – Human Services Manager, Tukwila
Doreen Booth - Sound Cities Association
Colleen Brandt-Schluter – Human Services Manager, City of Seatac
Alaric Bien, Senior Planner, City of Redmond
Diane Utecht, Human Services Coordinator, City of Renton
Lori Fleming, Management Analyst, City of Burien
Chris Pasinetti, Planner, City of Enumclaw

I. Welcome and Introductions

Ken Hearing opened the meeting at 9:32 am. He welcomed guests and asked for introductions.

II. Approval of March 26 2015 Meeting Minutes

Attachment A – Action Item All

Terry Mark requested a correction related to the State Legislative Update. SHB 1223 would bring in approximately $7.5 million/year, about $45 million new funds for affordable workforce housing.

MOTION: Paul Winterstein made a motion to accept the minutes as corrected. Jeff Watson seconded. The motion was approved unanimously.

III. Review Prior Year CDBG and HOME Project Status for Timeliness of Expenditure

Attachment B. Information Item

Kathy Tremper gave an update on the status of CDBG and HOME Capital project spending. CDBG reserves must not exceed a 1.5 ratio. Kathy reported that we are currently under the limit. We have not received current grant agreement funding, but several projects are underway that should keep us below the threshold. County HCD Project Managers were available to answer questions. They each gave a brief introduction to explain their role in the process. Jeff Watson was concerned that some projects would not go under contract until fall, so the 2015 grant would only have a few months to be spent down. Does this group need to act? Kathy explained that this is the same scenario as past years, the County can contract for planning and other related work which would keep it under the limit. Kathy asked the group to approve extensions for projects that end May 30. They need to extend to November with exception of the Burien project which got a fund switch at the last meeting. Gary Prince asked about the Dottie Park extension. Kathy explained that it was being extended to cover final payment. The preconstruction is done, and the project will be underway shortly.

MOTION: Paul Winterstein moved to adopt the extensions listed on Attachment B2, Jerry Robison seconded. The motion was approved unanimously.

John DeChadenedes addressed the HOME Projects. He explained that housing projects approved by the JRC using HOME funds are going according to plan, but it is customary to check in annually to update the committee on progress so that they are assured that spending is following federal guidelines. Some projects are under contract already, others are expected to go under contract and begin construction within the timeline. No projects require extension. John did point out that the Housekey/ARCH project awarded in 2011, is not being spent down. This project provides down payment loans. Recipients must pay the money back which is returned to the program. Currently, program spending is not utilizing any new money. Because of this, HCD recommends recapturing that money to allocate to other programs. Gary Prince asked if the contractor concurs with this assessment. John explained that the contractor understands the situation and that if the market changes and they need additional funding it would likely be made available, however they would need to go through the application process. Mark Ellerbrook added that the volume for down payment loan requests has been very low and repayments are bringing in more than sufficient revenue to cover their projected needs. He believes there would be a long enough lead time if money was needed to recommit funds to this program. John also noted that 2014 funding for the Homeowners Community Land Trust project was recaptured due to a change in management and direction. The agency agreed that $200,000 should come back to the County pending a reassessment of their business model. Jeff asked whether re-awarded funds would be subject to the revised HOME rules and regulations. All new money will be subject to new rules. HOME funds need to be spent within 5 years, and HCD needs to make sure the money is on track to be spent. Typically this is not a problem. Decisions for capital funding are planned to follow the scheduled process, and coordinated to ensure projects move quickly. Few projects run into delays that need action. No action is required on these projects, this is informational only.

IV. Housing Repair Program Policies Review for Adoption
Attachment C. Voting Item

Clark Fulmer went over the proposed changes to the HRP Guidelines, which are highlighted in the attachment. Changes were made after meeting with consortium cities and listening to comments. These guidelines are intended to be clearer and help staff make decisions as equitably as possible. The main policy change is returning the AMI to the original 50% for Manufactured Home Grants and Emergency Grant applications only. Several questions were raised regarding prioritizing projects. Clark explained that each project is evaluated for merit based on income eligibility and the severity of the repair. Emergency repair requests and Health and Safety repairs are prioritized above building preservation items, and lower income applicants are prioritized above higher income applicants. Due to recent housing repair budget reductions it may be necessary to prioritize projects and reduce the total scope of work due to funding availability. Prioritization of these two criteria to determine the highest need will be determined by the individual project engineer and the Housing Repair Coordinator. HRP engineers go to each site to determine the severity of the repair situation. A minimum of two Housing Repair Program staff review each application. The Housing Repair staff will meet as a loan committee to discuss all applications that are in need of priority funding recommendations. Another aspect of the process is ensuring regional equity. The Housing Repair Program Coordinator will continually throughout each year, review equity issues. Projects should not predominantly assist one part of the county over another, but try and distribute housing repair project funding to areas of King County based on the percentage of low-mod populations within each consortium city and unincorporated areas of King County. These are difficult issues to sort out when funding is tight, but over the years the Housing Repair Program has done a thorough job of balancing applicant issues and need with program resources. An appeal process is available to all applicants that would be reviewed by the Program Coordinator and the Regional Housing Manager, if an application is turned down or limited in scope due to funding issues. Mark Ellerbrook added that the highest priority is keeping low income people in their homes to prevent them from becoming homeless. The question was raised as to how clear the policy/guidance needs to be in order to help staff make decisions? There is always room for discretion. No formula will address all possibilities.

Since ultimately applicants are determined on a case-by-case basis, Colleen Kelly suggested describing this process in the guidelines.

Rob Beem commented that this is a very complex process. He appreciates that staff strive to balance all of the criteria and needs. Based on his experience over the past few years, Rob is comfortable moving ahead, understanding that there will be ongoing conversation on how it is working. This document actually describes how it is already working. Jeff and others would like further explanation on how timing fits in as the year progresses and clarity on income and urgency, considerations regarding distribution and timing. Mark responded that although the HRP has been able to meet demands in the past, there is currently not sufficient funding. He appreciates these conversations on how to prioritize who gets funded. Due to the number of questions and concerns it was agreed to take the suggestions back to the office and revise the guidelines for a final review and vote at the May meeting.

ACTION: The action was tabled until next JRC meeting.

V. List of CDBG 2015 Pre-Applications
Attachment D. Information Item

Kathy Tremper presented the list of approved pre-applications. Pre-applicants have been prescreened and are now eligible to submit a project application for the next funding round. Formal applications are due May 29. The upcoming awards will be processed through King County Procurement, and personal assistance will be limited. However, three technical workshops will be available to help agencies with their applications. This will be another competitive funding round. Applications total over $3 million, but just over $1 million is available. Recaptured dollars are not yet included in this amount. Gary asked about the difference in funding amounts for each sub-region. Kathy explained that the sub-region split is based on number of low- to moderate-income persons residing in the sub-region. She also reminded the group that the Northeast region takes 40% of the NorthEast sub-region's capital funds as a priority for housing projects funded through ARCH. The amount on the handout reflects the remaining amount. Gary asked whether this limits applicants in the northeast. Kathy does not believe the number of applicants is related to the money available. Some applicants may be referred to other funding. Kathy also reminded the group that these are only pre applications and some may not actually apply. There will not be more than what is listed, but it could be less. Kathy also emphasized that the dollar amounts listed on the Pre-Applications are not locked, these are best estimates based on information known at the time.

VI. Housing Finance Non-HOME Program Policies-Review for Adoption at May Meeting
Attachment E. Information Item

John deChadenedes reminded the committee that he brought the HOME program guidelines before them last September. Now he is presenting guidelines for the rest of the fund sources. Eventually these two documents will be merged. These are general guidelines. They have been reorganized for clarity and updates. Some of these guidelines have not been updated since 2004.

The intention of this document is to show how work is done so outside agencies and new staff can understand how rules govern HFP work. There is a new section added regarding developer fees. HFP is developing a formal policy to align with Seattle and others to help developers budget regarding fees. Additional language changes concern the HFP contracting process, environmental review on rental properties, policy on fair housing, access, and affirmative marketing. These have been in practice, but were not in the guidelines in the past. This document is scheduled to be approved in May, and HFP is looking for questions or concerns in order to address them before the final vote. Rob asked about the new section on fair housing and why it was being added at this time. John responded that non-discrimination language is required by federal law. The County wants to be explicit regarding its policy. Not only is it federal law, it is also good policy. This section includes policy on creating affordable housing that is designed to be accessible to people with disabilities, i.e. ADA. John went on to explain the importance of affirmative marketing. This approach makes notification available to everyone, for example a developer cannot choose advertising only to certain markets to limit visibility from protected classes. Rob expressed some concern regarding the ability to engage local communities rather than expanding to the entire county. Will there be a requirement for regional vs. local marketing. John explained that affordable housing has many layers of requirements, some jurisdictions may want to limit their outreach, but many laws do not allow this. Gary made a comment about the emphasis on the Evergreen Standard. He would like residents' access to public transportation be a consideration in determining "green" developments. John asked Gary to send him language to be included. Rob Beem asked if the developer community was reviewing this as well. John responded that he has received input from many stakeholders. Not all input can be accommodated, but discretionary policies are open. Ken asked that members get any other suggested changes to John as soon as possible so that he can send the final draft out early for final review. This will be voted on at the May meeting.

VII. Roundtable

Terry Mark announced that the State Senate has passed SHB 1223 which will allow the County to bond against future hotel/motel tax revenue. This will bring in additional revenue for housing. Next steps – the County Council must approve bonding, the County will then need to start working on the policy implications of this bill. The group applauded Terry for all of her hard work and perseverance to get this bill passed!

Kathy asked members to RSVP to meeting requests. Ken asked if it was possible to send Outlook meeting requests to ensure meetings are put on calendars. Kathy will look into this.

Meeting Adjourned at 11:08 am.

Proposed Amendments to Housing Repair Program Guidelines

Issue: The JRC is asked to review, discuss and approve amendments to the Housing and Community Development Program's Housing Repair Program Guidelines. The amendments are proposed in order to update the guidelines to meet the housing needs of very-low to moderate-income home owners throughout the King County Consortium.

Background: King County Housing and Community Development Program staff began meeting with Consortium city staff over the last few months, regarding current issues within the Housing Repair Program (HRP). Those discussions led to proposals for updating the Consortium's HRP Guidelines, in order to address some of the unfortunate situations regarding the reduction of the HRP budget.

At the March 26th and April 23rd JRC meetings, the proposals were reviewed and discussed with JRC members, and JRC members gave staff some feedback. Staff has taken all of the comments and drafted the attached amendments to the HRP Guidelines.

Action Requested: Review, discuss and adopt updates to the Consortium's Housing Repair Program Guidelines.

Staff Contacts: If you have any questions about the proposed activities and or processes, you may contact Clark Fulmer, Housing Repair Program Coordinator, at Clark.Fulmer@kingcounty.gov or 206- 263-9087; or Mark Ellerbrook, DCHS Program Manager, at Mark.Ellerbrook@kingcounty.gov or 206-263-1117

Attachment B.1

King County Consortium
Housing Repair Program Guidelines

1. Program Objective. The King County Consortium (the Consortium) supports the maintenance of a consortium-wide program to repair and rehabilitate the ownership housing of very-low to moderate-income households that is staffed by the King County Housing and Community Development Program (HCD). The Consortium also supports a program to modify the rental housing units of very low to moderate income tenants with a disability. These programs are administered pursuant to the adopted King County Consortium Consolidated Housing and Community Development Plan (the Consolidated Plan).

The Housing Repair Programs were established by the Consortium in order to provide a public benefit that preserves and improves the safety and security of housing that is affordable to households with incomes equal to or less than 80% of area median income (AMI) as determined by the U.S. Department of Housing and Urban Development (HUD), and the life and safety of the very-low to moderate-income owners of those homes. According to the most recent American Community Survey data, the stock of affordable ownership housing continues to lag behind the needs of the population in King County that are at or below 80% AMI.

An additional public benefit is provided through the provision of access and safety in rental housing stock that is affordable to households with a disability at or below 80% AMI. Securing an accessible rental unit is an ongoing challenge for persons with a disability.

These Housing Repair Programs are not entitlement programs. The determination of whether assistance is provided through these Programs is based upon the discretion of program administrators exercised in accordance with these Guidelines, and is further subject to availability of federal funds set-aside for consortium-wide housing repair activities pursuant to the Consortium's Interlocal Agreement.

2. Eligible applicants.

   a. Financial assistance may be provided to homeowners with incomes equal to or less than 80% AMI for Deferred Payment Loans (DPL) only. Homeowners must have an ownership interest in the property, must occupy the property as their principal residence and must have resided in the property for one year prior to the submission of their application to the Housing Repair Program. An eligible ownership interest includes: 1) fee simple title; 2) 99 year leasehold interest in property; and 3) ownership or membership in a cooperative.

   b. Financial assistance may be provided to homeowners of manufactured home units that reside in mobile home parks or on leased land, with applicant incomes equal to or less than 50% ~~80%~~ AMI. Homeowners must possess a valid manufactured home title reflecting home ownership as the legal owner and or registered owner of the personal property. Manufactured Homeowners must have an ownership interest in the property, must occupy the property as their principal residence and must have resided in the property for one year prior to the submission of their application to the Housing Repair Program. The applicant must have a formal rental agreement or lease on the land that the unit resides.

c. Financial assistance may also be provided to disabled renters with incomes equal to or less than 80% of median as determined by HUD. Renters must live in a units specifically designed for residential use and have a formal rental agreement or lease.

d. Qualified participants in the Neighborhood Stabilization Program (NSP) or non-profit organizations that have purchased a foreclosed property in order to rehabilitate the home to comply with local housing code standards, provide energy efficiency upgrades, as applicable, and sell the home at an affordable home price for the income level of an eligible low to moderate-income home buyer.

3. Asset limits for individual home owners. Asset limits assure that the neediest households are served by the program. Applicants for loan assistance may not have assets, other than their personal residence, personal retirement accounts and vehicles, greater than $40,000 net value. Applicants for grant assistance may not have assets with a net value greater than $20,000. Homeowners for whom the principal applicant and/or the principle applicant's spouse or domestic partner ~~are over the age of 55 or~~ has ~~ve~~ a long-term disability, thus will not be subject to asset limitations due to the substantial savings required for full-time assisted care living environments.

   An applicant with a stated disability is defined as "Any person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having as having such impairment. "In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex, and Mentally challenged that substantially limit one or more major life activities,. Major life activities include walking, talking, and hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.

4. Eligible properties. Eligible properties are any single-family properties, occupied as a principal residence by the owner, including a one-to-four family property; condominium unit; manufactured home; mobile home; or cooperative unit. Travel trailers, motor homes, and other recreational vehicles designed and manufactured for recreational use are not eligible for assistance.

5. Types of Assistance.

   a. Grant assistance.

      i. Emergency Grants are available to owner-occupant households with incomes below 50% ~~80%~~ of area median income, to address urgent health and safety repairs. Emergency grants are subject to field inspection and determined by housing repair staff. The lifetime limit for emergency grants per eligible household is $6,000.

ii. Mobile/Manufactured Home Grants are available to owners of mobile or manufactured housing located on leased or rented property. Mobile/Manufactured Home Grants are available to owner-occupant households with incomes below 50%~~80%~~. The lifetime limit for mobile/manufactured home grants per eligible household is $8,000.

Mobile/Manufactured home grant funds may be used in conjunction with other leveraged funding for the purpose of total replacement and removal of the subject unit when repairing the unit is inappropriate. This activity is subject to the availability of an appropriate manufactured home for replacement, and the following requirements: 1) a replacement may only occur within a manufactured home park for which there is a long-term commitment in place through a contract or covenant/agreement that the park will remain affordable to low-income tenants ("Agreement Parks"); and, 2) legal ownership of the replacement home will be with the Agreement Park, with the manufactured home resident as the registered owner.

iii. Home Access Modification Grants (HAM) are available to renters with a disability in order to make accessibility modifications to their rental unit, which includes manufactured housing located on leased land. The landlord must give written approval of the proposed work HAM grants are available to renters with incomes below 80%. The lifetime limit for home access modification grants per eligible household is $8,000.

b. Loan assistance

i. Deferred Payment Loan (DPL) – Home repair assistance, in the form of non-amortizing, interest-free secured loans, up to a maximum lifetime loan amount of $25,000, may be provided to eligible homeowners with incomes equal to or less than 80% of AMI. The loans are to be paid back at the time of the homeowner's sale or transfer of the property, or when the home is no longer the primary residence. The loan shall be secured by a mortgage or other security interest to King County on the homeowner's property. Payment on the obligation shall be made to the King County HCD, and becomes available for future appropriation pursuant to the King County Consortium's Consolidated Plan.

A DPL may be utilized to assist in replacing an existing manufactured home with a new or newer manufactured home, subject to the availability of a manufactured home that meets applicable standards. A Housing Repair Program inspector must determine that the existing manufactured home has surpassed its physical life cycle in order to qualify for this program. For the Deferred Payment Loan Program, the activity must take place on owner-occupied fee simple land where the manufactured home is placed on the property in accordance with HUD set-up guidelines. Such guidelines contemplate a concrete ribbon footing/foundation with adequate tie-downs that secure the home permanently to the property. The subject property is considered fee simple and is taxed as real property.

ii. Match Loan Program – Eligible home owners may be eligible for additional deferred payment loan funds above the DPL limit of $25,000, if the homeowner secures a dollar for dollar match of the additional loan funds in the form of private funds. Provided that each dollar is matched by a dollar of private funds, the Housing Repair Program may provide up to an additional lifetime limit of $25,000 for an additional deferred match loan. Any costs over a maximum combined $50,000 in loan funds from the Housing Repair Program, plus matched private funds, will be the sole responsibility of the homeowner. The Matching Loan Program can be utilized to assist in replacing an existing manufactured home with a more suitable replacement manufactured home, subject to the availability of an appropriate manufactured home. A Housing Repair Program inspector must determine that the existing manufactured home has surpassed its physical life cycle in order to qualify for this program. This manufactured home activity must take place on owner-occupied fee simple land where the manufactured home is placed on the property in accordance with HUD set-up guidelines. Such guidelines contemplate a concrete ribbon footing/foundation with adequate tie-downs that secure the home permanently to the property. The subject property is considered fee simple and taxed as real property.

iii. Energy Conservation and Efficiency Loans - The Housing Repair Program may provide energy audits and energy efficiency upgrades for eligible applicants. The program identifies energy conservation measures that will reduce energy costs for the homeowner and reduce the carbon footprint of the housing unit. Major areas of focus will concentrate on infiltration, insulation, efficient heating systems, lighting, and energy star appliance replacement.

The lifetime limit for energy conservation and efficiency loans per eligible household is $8,000. The loans shall be interest-free secured loans subject to all of the same terms and conditions as the program's regular DPLs, with the exception of loan to value limits per Section 10 of these guidelines. Payment on the loan obligation shall be to King County HCD, and will be available for future energy efficiency loans.

6. Extenuating Circumstances to Exceed DPL and Grant Limits. The Housing and Community Development Program may approve a DPL that exceeds the $25,000 lifetime limit, and may approve a grant that exceeds the applicable grant limit on a case by case basis, due to extenuating circumstances. The Housing Repair Coordinator will review such requests and make a recommendation to the Housing

and Community Development Program Manager, who has the authority to determine whether extenuating circumstances exist to warrant an increase in the applicable loan or grant assistance limits, and to approve the request.

a. Definitions. Extenuating circumstances are defined as follows:
   i. Circumstances in which additional major mechanical or structural deficiencies are discovered during the course of eligible repair program work performed pursuant to these guidelines, resulting in costs exceeding the amount of the housing repair loan or grant.
   ii. Circumstances in which a former Housing Repair Program client has received the maximum lifetime limit of housing repair assistance, per a DPL or a grant, has a new, life threatening or public health problem, and does not have the financial ability to address it.

b. Threshold review. HCD Management Staff will only review a case for extenuating circumstances if:
   i. The homeowner has agreed that all non-urgent repairs not yet begun will be eliminated, and the cost savings will be redirected to the critical item discovered; and
   ii. The homeowner provides private funds toward the increased costs, or a determination has been made that the homeowner does not have the assets or resources to provide private funds to contribute to the increased costs.

7. Priority of the work. Repairs will be considered in the following order of priority:
   a. Urgent emergency repairs;
   b. Health and safety repairs, including access for persons with disabilities;
   c. Building preservation repairs;
   d. Energy conservation repairs; and
   e. All other eligible repairs.

8. Priority of the applications. Applicants will be screened in priority order, based on HUD's household income guidelines, where the lowest of income applicant having priority. Priority of repairs will be, Emergency Repairs, Health and Safety and Major Building Preservation issues, and will be arranged and weighted with consideration to income and repair need. Prioritizing projects will be addressed by Project Engineer and the housing repair coordinator. If additional review is necessary the housing repair staff will meet as a loan committee to review and determine priority applications. Application appeals process will be resolved by the Housing Repair Coordinator and Regional Program Manager. Even distribution of Housing Repair service between cities will continue as a priority in the overall approach and outreach of the program. The overall prioritization will be determined by the Housing Repair staff on an individual and case by case basis.

~~Applications with the greatest repair needs will be considered for highest priority.~~ Lower priority applications may be assisted if funding levels permit, and if funding is available.

9. Performance of work. Once approved, repairs to dwellings under this program are generally performed by a licensed and bonded contractor that meets King County risk management criteria. King County maintains a list of such approved contractors through which the homeowner may choose to receive competitive bids on the approved repair work. Repairs may be performed by the homeowner personally if the homeowner has the knowledge and skill to do the work, and/or by a contractor or other persons hired by the homeowner. The materials and hired labor costs shall be approved in advance by the county, provided that a homeowner shall not be reimbursed for his or her own labor, or the labor of immediate family members or other members of the household.

10. Loan to value ratio limits.

    Loan to Value Ratio Limit for DPL Loans. The combined loan to value ratio (CLTV) for any DPL loans approved under these Housing Repair Program Guidelines shall not exceed 90% of the property value as determined by King County assessed value, MIA appraisal or a reliable real estate market analysis[1].

    Loan to Value Ratio Limit for DPL Loans Combined with Energy Conservation/Efficiency Loans. The CLTV ratio for any DPL loans combined with energy conservation/efficiency loans approved under these Housing Repair Program Guidelines shall not exceed 100% of the property value. This is for CDBG Funded projects only.

    Loan to Value Ratio Limit Accommodation for Special Circumstances. Applicants with a CLTV ratio exceeding 90% or 100% may request a CLTV limit accommodation for rehabilitation activity as described in Section 7, Subsections a. and b. of these Housing Repair Program Guidelines. Any accommodation approved shall not exceed a CLTV of 125% of the property value. A CLTV limit accommodation will only be available to homeowners that demonstrate that their monthly income is sufficient to service the household's existing housing debt, and other current revolving and long-term debt. Income to debt ratios cannot exceed 45% for housing debt and 62% for housing and long-term debt. The applicant must also be free of adverse liens against the subject property, personal judgments, or unresolved collections. For CDBG funded projects only.

11. Loan, Grant and Loan to Value Limits to be Re-visited. The limits of assistance for loans and grants in these guidelines, and the LTV limits, are updated and effective when passed by the Consortium's Joint Recommendations Committee (JRC) [on April 23, 2015~~on November 15, 2012~~]. Periodically ~~Every two to three years~~ the JRC may be asked to review the assistance limits and recommend an increase, if warranted, based upon the Consumer Price Index inflation table or some other index of need for an increase in the limits. The JRC will review the CLTV limit accommodation annually to determine if the

[1] Property value shall be determined through one of these methods for all of the limits covered in Section 10.

increased CLTV is still warranted by the housing market and economic environment along with other potential program details~~.~~

Attachment C

Proposed update to Housing Finance Program Guidelines (general guidelines, non-federal funds)

Issue: The JRC is asked to review, discuss, and approve general guidelines for the Housing Finance Program (HFP). The document presented today reflects updates and clarifications of existing guidelines, and additional guidelines for program elements not covered in the earlier HFP Guidelines document.

Background: The guidelines under which the HFP operates are subject to periodic review and updating. Updated HFP guidelines applicable to the handling of federal funds were adopted by the JRC in 2014, incorporating all changes necessary to comply with the revised 2013 HOME Program Rule.

The present document presented for JRC approval reflects current policies and procedures covering all aspects of the Housing Finance Program's work. At the April JRC meeting the proposed changes were reviewed and discussed with JRC members, who have had a month in which to ask questions, propose changes, or suggest clarifications. The present document reflects all such suggestions and proposals.

Action requested: Review, discuss, and adopt updates to the County's Housing Finance Program Guidelines.

Staff contacts: If you have any questions about the proposed guidelines, you may contact John deChadenedes, Housing Finance Program Coordinator, at John.deChadenedes@kingcounty.gov, or 206.263.9081; or Mark Ellerbrook, Regional Housing and Community Development Manager at Mark.Ellerbrook@kingcounty.gov or 206.263.1117.

King County

Housing and Community Development: Housing Finance Program

Housing Finance Program Guidelines

2015 Update

Table of Contents

Funds for Affordable Housing

Fund sources

The King County Housing Finance Program (HFP), a section of the Housing and Community Development Program (HCD), administers capital funding for affordable housing projects. These funds are governed by federal, state, and local laws and by a number of plans, updated periodically. Federal funding sources include the HOME Investment Partnership Program (HOME), and the Community Development Block Grant (CDBG) Program. Local funding sources include the Regional Affordable Housing Program (RAHP) and revenue from the Homeless Housing Document Recording Fee Surcharge (2331), both of which derive from state laws authorizing the collection of surcharges on document recording fees. In addition, a portion of the voter-approved Veterans and Human Service Levy funds is administered through HFP as capital for housing.

Each funding source must conform to the policies and requirements in its enabling legislation. The laws do not cover every administrative issue, however, so there is room for some level of local discretion within the statutory directives. Local plans and guidelines are adopted, when appropriate, to assure that this discretion is exercised within the bounds of good public policy. Guidelines related to administration of federal HOME Program funds were updated in 2014. This document represents the 2015 update to the guidelines that pertain to all other fund sources and programs administered by HFP.

Table 1, below, is an overview of the general housing finance program guidelines that apply to each fund source.

Fund source	Population	Affordability
HOME Program	Families and individuals with low incomes (rental housing and home ownership)	Household incomes at or below 60 percent AMI (rental housing), including those with special needs Household incomes at or below 80 percent AMI (home ownership)
Regional Affordable Housing Program (RAHP)	Families and individuals with low incomes	Household incomes at or below 50 percent AMI
Community Development Block Grant	Families and individuals with low incomes, including those with special needs	Household incomes at or below 80 percent AMI
2331 Homeless Housing Funds	Homeless families and individuals, including chronically homeless and households with a history of rental instability or other barriers to housing at risk of homelessness	Household incomes at or below 40 percent AMI
Vets and Human Services Levy	Homeless families and individuals (veterans and others), including chronically homeless and households with a history of rental instability or other barriers to housing	Household incomes at or below 50 percent AMI

Housing Innovations for Persons with Developmental Disabilities (HIPDD)	Individuals with developmental disabilities (DD) or families with a member with DD. For rental housing, these funds are prioritized to support units set aside for persons with DD within a larger multi-family housing project in preference to group homes for persons with DD.	Households incomes at or below 50 percent AMI (rental) Households incomes at or below 80 percent AMI (home ownership)

Each year capital funding priorities are established by the King County Funders Group, which includes representatives from the City of Seattle, King County, United Way of King County, A Regional Coalition for Housing, the King County and Seattle Housing Authorities, suburban cities, Building Changes, and the Committee to End Homelessness. The priorities are outlined in the Combined Funders Notice of Funding Availability. Capital priorities must also be consistent with the King County Consortium's Consolidated Housing and Community Development Plan which outlines five-year priorities for the use of federal funds.

In addition to direct capital funding for project development, King County also administers a program of loan guarantees known as the Credit Enhancement Program, which can help project sponsors secure advantageous terms for short- and long-term financing. The Credit Enhancement Program operates in accordance with County ordinance and program-specific guidelines and is administered in consultation with a credit committee made up of representatives from the Department of Community and Human Services (DCHS), the Department of Finance, the County Office of Performance, Strategy, and Budget, and outside financial experts.

Forms of financial assistance

For rental housing projects, HFP financial assistance is generally provided in the form of a loan with a term of fifty years, carrying no interest or one percent simple interest, with all payments deferred to the maturity date. Loans are generally payable in full upon sale, change of use, or upon maturity, and repayment will generally include a proportional share of the net appreciated value of the property. In some cases financial assistance may be provided as a low-interest amortizing loan or a loan with payments contingent on available cash flow, if the operating budget of the project can support payments.

For homeownership projects, loan terms will vary depending upon the design of the project. Loans will general have terms of fifty years but may go longer in certain circumstances. Loans to agencies administering down payment assistance loan programs will be deferred payment loans due upon sale or refinance of the home. HFP may require interest or shared appreciation for loans to homeownership programs or projects, depending upon the program design. Programs based on resale will be expected to emphasize long-term affordability.

Use of funds

Most of the funds administered by HFP are subject to laws, regulations, and plans established at the federal, state, or local level, as well as to guidelines developed by county staff in consultation with consortium city staff and stakeholders, which are reviewed and adopted by the inter-jurisdictional Joint Recommendations Committee (JRC). HOME Program guidelines that are within the discretion of the HOME Consortium and King County are reviewed by staff of the King County HOME Consortium member jurisdictions and recommended for approval by the JRC. Regional Affordable Housing Program (RAHP) guidelines that are within the discretion of the RAHP Consortium members are reviewed with participating city staff and recommended to the JRC for approval.

Specific guidelines for the use of King County funds, such as Mental Health Chemical Abuse and Dependency Services (MHCADS) Division funds, Funds for Housing Innovations for Persons with Developmental Disabilities (HIPDD)**,** and other county funds are reviewed and approved by the Director of the Department of Community and Human Services (DCHS). General guidelines related to the use of Veterans and Human Service Levy funds are reviewed and adopted by the respective levy citizen boards. County funds are used in coordination with other funds administered by HFP and are subject to the discretionary guidelines in this document.

Funding Process and Awards

Application process

All applicants for housing capital fund are required to participate in HFP's pre-application process. Notification regarding the pre-application process will be posted on the HFP website and announced each year via e-mail around the beginning of the second quarter. Scheduling for required meetings will begin in April or May, and will conclude by June 15th. Dates for the issuance of the housing capital RFP, submission of applications, announcement of awards, and other information relevant to the funding process will be posted to the HFP website in July.

The staff of the Housing Finance Program will arrange and conduct pre-application meetings and will provide additional opportunities for technical assistance to prospective applicants up to the date the housing capital RFP is issued. After that date and until final funding decisions are published, all questions must be submitted through the County's Procurement and Contract Services (PCS) Division. Information, relevant links, and contact information related to the RFP process will be posted on the HFP website. Applicants must submit one complete original hardcopy application, an additional copy of the original application in hardcopy, and two CDs or flash drives containing all electronic files required for a complete application. All applications will be received and given preliminary review for timeliness and completeness by PCS staff. In cases where the hardcopy and the electronic files differ, the hardcopy version will be considered authoritative.

Agencies are expected to submit only one project application for capital funding in a funding round. If an agency submits more than one application HFP will ask the agency to prioritize one of the applications.

Announcements of housing capital funding awards will occur as soon as possible following the November meeting of the JRC, and will be issued by Procurement.

Eligible applicants

The following types of organizations are eligible to apply for housing development funds:

- Public housing authorities
- Nonprofit organizations
- Local governments
- Community Housing Development Organizations (CHDOs)
- For-profit developers (limitations apply).

Partnerships are encouraged among local governments, public housing authorities, other nonprofit housing developers, for-profit developers, and service providers in order to produce the greatest number of units for the most reasonable public investment, and to ensure appropriate supportive services for residents with special needs.

Eligibility of primarily religious organizations

Federal funds - HOME or CDBG - may be awarded to primarily religious organizations that consider religious affiliation as a factor in hiring. There are rules and requirements that such organizations must observe in developing and operating the housing, however. For example, staff who manage the housing development process, manage the housing after it is built and in operation, and provide services that are necessary for the tenants of the housing must be hired through a strictly non-discriminatory process that does not consider religious affiliation. A religious organization need not necessarily create a wholly secular entity independent of the religious organization, but must hire all staff who work on the housing project throughout the contract period through a non-discriminatory process. In addition, the completed housing project must be available to all persons regardless of religion, and there must be no religious or membership criteria for tenants of the property.

Local funds administered by HFP - all funds other than HOME and CDBG - are subject to the non-discrimination requirements of the King County Code and may not be awarded to an organization that hires through a process that considers religious affiliation as a factor for hiring any position in any part of the organization.

Eligible project categories

The types of activities that may be supported by funds administered by HFP are established by law or regulation for most fund sources. HFP staff may not expand the range of eligible activities for most fund sources, but may restrict the range in accordance with local priorities. Eligible activities include the following:

- Projects that increase the supply of rental housing affordable to low-income or special needs households.
- Projects that preserve existing affordable housing likely to be lost due to conversion to other uses or because of health and safety concerns.
- Projects that create home-ownership opportunities for income qualified homebuyers.

Eligible housing types and uses of funds

Funding is available for the following housing project types and development activities, which are not listed in order of priority:

- Acquisition of a site for permanent affordable housing
- Construction or preservation of permanent low-income rental housing units
- Acquisition and rehabilitation of existing housing units that will be made permanently affordable
- Construction or preservation of permanent non-time limited rental housing units with supportive services
- Construction or acquisition and rehabilitation for sale of homeownership housing units
- Relocation costs
- Site improvements
- Capitalized replacement reserves
- Capitalized operating reserves
- Community Housing Development Organization (CHDO) capacity-building activities
- Down payment assistance, homeownership education, and counseling

Eligible beneficiaries and affordability requirements

Criteria for eligible beneficiaries are established in federal, state, or local law and regulations for most fund sources administered by HFP. Within the broad range established by these laws and regulations, local administrators may prioritize particular populations and income groups, as long as the income level served does not exceed the income limit imposed by law or regulations. For example, HOME funds for rental housing may serve individuals or families with incomes up to 80 percent of area median income (AMI), but HFP staff may recommend and the JRC may approve projects that target populations with lower incomes. All projects supported by federal funds administered by HFP must provide housing that is affordable to income-eligible households according to income limits set every year by US Department of Housing and Urban Development (HUD). (See Table 1, above, for affordability guidelines.)

Rents in funded projects, including utilities, may not exceed 30 percent of the maximum monthly income level established for each assisted housing unit. The maximum allowable rents each year will be based on King County household income guidelines as published annually by HUD. Projects that receive HOME funds may be subject to more restrictive federal rent limits. In projects where housing will be rehabilitated, rents charged after rehabilitation should not exceed prior rent levels.

Consistency with local plans

Projects assisted with HFP funds must be consistent with the affordable housing strategies of the King County Consortium's current Consolidated Housing and Community Development Plan ("Consolidated Plan"). The Consolidated Plan may be accessed at:

http://www.kingcounty.gov/socialservices/Housing/PlansAndReports/HCD_Plans/ConsolidatedPlan.aspx

Projects in unincorporated areas must also comply with the King County Comprehensive Plan, and projects in suburban cities must comply with applicable local comprehensive plan requirements. All projects must meet all applicable local zoning and building code requirements. Sponsors are encouraged to locate housing projects at sites in walkable locations with access to jobs, transportation, exercise, services and other amenities that promote a healthy lifestyle.

The King County Strategic Plan 2010-2014: Working Together for One King County has transformed the County's commitment to equity and social justice from an initiative into an integrated effort to create, through all county activities, equitable opportunities for all people and communities. The DCHS is committed to addressing the root causes of inequities by building the capacity of culturally sensitive community-based organizations to respond to issues, and to develop and implement culturally appropriate solutions. In accordance with this commitment, areas and populations that lack equitable access to housing and services are prioritized; http://www.kingcounty.gov/exec/equity/vision.aspx

The most competitive applications for funding will be responsive to the King County Health and Human Services Transformation Plan, particularly around partnerships and shared measurement. As the plan states, "When complementary strategies are agreed upon and a robust system of measurement and continual learning is in place, the ability to make progress toward a given outcome can be far greater than any single organization, funder, or sector could achieve on its own"; http://www.kingcounty.gov/exec/HHStransformation/plan.aspx

Where HFP affordable housing capital funds may be used

Veteran and Human Services Levy (V-HS Levy) funds may support projects located anywhere in King County, including Seattle.

Document Recording Fee Surcharge for Homeless Housing (2331) may support projects located anywhere in King County, including Seattle.

Regional Affordable Housing Program (RAHP) funds may support projects located throughout King County in jurisdictions that have signed the RAHP interlocal agreement, including Seattle. The RAHP guidelines, adopted by the interjurisdictional Joint Recommendations Committee and periodically renewed, contain specific goals for equitable sub-regional geographic distribution of funds over the three-year period covered by each Interlocal Agreement.

HIPDD funds may support projects located anywhere in King County, including in Seattle. The specific geographic distribution of projects and funds will vary depending on need, opportunities, project feasibility, and the availability of funds.

HOME funds may be used only in projects located in unincorporated King County or in jurisdictions outside Seattle that are members of the King County HOME Consortium. HOME funds will be allocated to projects so as to achieve equitable geographic distribution of projects and funds across the Consortium, as required by King County Ordinance 10427. The actual geographic distribution of projects and funds in a given year will vary depending upon needs, opportunities, project feasibility, and the availability of other funding in each year's funding round. HOME funds may not be spent in jurisdictions that are not members of the King County HOME Consortium.

CDBG funds may be used only in projects located in unincorporated King County and in jurisdictions outside Seattle that are members of the King County CDBG Consortium. CDBG funds may not be spent in jurisdictions that are not members of the King County CDBG Consortium and there are limitations on spending CDBG funds in jurisdictions that receive their own direct CDBG entitlement. Information about jurisdictions that are members of the HOME Consortium and the CDBG Consortium can be found on the HFP website.

Affordability

Rents in housing subsidized by the County must, as a general rule, be below the market rate for the area in which the project is located, so as to provide an affordable housing opportunity not otherwise available in the community. Projects must follow the income and rent limits established for each fund source. Exceptions may be granted if there is a compelling reason, which will be reviewed as part of the project selection process. Information regarding market rents is available from HFP staff.

Housing projects that include units affordable to a wide range of household incomes may be eligible for all fund sources. Funds awarded by the County will be used only for assisted units that meet fund source requirements. Projects serving households with incomes up to 60 percent of median income are specifically encouraged under the HOME guidelines to allow leveraging of federal low-income housing tax credits.

Rent plus monthly utilities may not exceed 30 percent of the maximum monthly income level established for each assisted housing unit. The maximum allowable rents will be based on King County household income guidelines published annually by HUD. In projects where housing will be rehabilitated, rents charged after rehabilitation should not exceed the prior rent levels and must be consistent with current rent guidelines.

In ownership programs maximum sales prices will be established based on household incomes, current interest rates, low or no down payment, and typical lending qualification guidelines. Ownership pricing will typically be based on the assumption that mortgage payments plus taxes and insurance payments should not exceed 35 percent of the maximum monthly income level established for each assisted housing unit. Projects must ensure that housing remains affordable to eligible households throughout the term of the agreement. If it does not, subsidy funds will be recaptured upon resale, to be re-allocated to other affordable housing projects.

Developer fees

It is the policy of HFP to harmonize guidelines and policies for affordable housing programs with other public funders to the extent possible. With regard to developer fees in housing projects, HFP is working to develop a policy that is equivalent to that of the Seattle Office of Housing and consistent with the policies of other public funders. The developer fee is compensation to the developer for the time and risk involved to develop the project. The HFP policy, when it is established, will included guidelines for maximum developer fees and may include incentives for developers to constrain the use of contingency budgets.

As a general guideline, developer fees should not exceed ten percent of the total development cost of the project. Developer fees will be paid out at approximately the same rate as all HFP administered funds committed to the project, and will not be paid out more rapidly. If County funds are committed to acquisition and developer fee only, developer fee will be paid out according to a specified schedule, to be determined in the process of drafting overall guidelines for developer fees. As an example, 30 percent of the developer fee could be paid at acquisition, 30 percent at the start of construction, 30 percent during construction administration in proportion to the percent of construction completed, and 10 percent at project close-out.

Funding award limits and matching requirements

The total HFP funding awarded to a project, including any amendments, may not exceed 50 percent of the total development budget unless there are unusual circumstances that justify a higher percentage. HFP funds are intended to leverage other housing funds to maximize the available resources for housing. Leverage requirements that establish maximum percentages of a project's total costs to be funded from a single source are set by law for some fund sources administered by HFP, and by these guidelines for other sources administered by HFP. Sources of leverage may include public and private grants, loans, equity investments, fund-raised dollars, and in-kind contributions.

Table 3 below summarizes current award limits and leverage requirements. Exceptions to these guidelines may be considered on a case-by-case basis at the discretion of HFP staff.

Table 3 – Funding award limits by fund source	
CDBG, V-HS Levy, RAHP, and 2331 funds	Limit is generally 50% of total development cost per unit *(exceptions will be considered on a case by case basis).*
HOME Program funds	Limit is generally 50% of total development cost, up to a maximum amount per unit determined by HUD based on the number of bedrooms. The maximum subsidy per unit is set every year by HUD, with the following chart as an example: 0 bedroom = $132,814 1 bedroom = $152,251 2 bedrooms = $185.136 3 bedrooms = $239,506 4 bedrooms = $262,903 Note: If State HOME funds are used in a project together with County HOME funds, the limits will be applied to the combined HOME awards.
HIPDD	Limit is $50,000 per unit, with exceptions subject to KC DD discretion.

Project selection process

All sponsors intending to apply for capital funding for housing projects are required to participate in the HFP pre-application process. This process begins with a scheduled meeting with HFP staff during a period several months in advance of the funding application deadline. At the pre-application stage HFP staff will review project proposals for site-specific risks that may be identifiable prior to a phase one environmental review. Prospective applicants may be required at this stage to provide evidence that the project can secure insurance related to particular risks at a level required by King County Risk Management. If insurance is obtained, the cost will be considered as an element in the cost of development. If evidence of ability to secure insurance cannot be provided when it is required, the project will not be invited to submit a full application.

All applications will receive a thorough review for feasibility and for consistency with Housing and Community Development Program plans, guidelines, and policies. This review is conducted under the direction of the director of the Department of Community and Human Services (DCHS). The first level of review includes the following participants:

- Housing Finance Program staff
- Members of the Inter-Jurisdictional Advisory Group (city staff from local jurisdictions), and oversight boards associated with particular fund sources
- Experts in housing finance and construction
- Experts in housing-related supportive services.

Following this review, HFP staff will prepare recommendations for the Joint Recommendations Committee (JRC). The JRC includes representatives from King County and cities within King County. The full JRC recommends allocations of RAHP, Homeless Housing Funds (2331), HOME and Veterans/Human Services Levy funds, and King County JRC members recommend allocations of HIPDD funds. Projects funded with CDBG are selected by CDBG Consortium JRC representatives.

JRC recommendations are reviewed by the DCHS director for final approval. Applicants selected for funding awards will be notified by letter or email. HOME and CDBG funding awards are then published for a 30-day public comment period in the amended Action Plan for the King County HOME and CDBG Consortia.

Applicants who want to request reconsideration of an award decision must submit a written request to the DCHS director within ten working days of receiving an award letter from King County. The letter must present a well-founded argument that the HFP inappropriately applied the evaluation factors published in the request for proposals in a way that negatively affected the applicant’s project. The DCHS director will review valid requests reconsideration and will issue a final written decision.

Evaluation criteria

New project applications will be evaluated based on a threshold review and a full review based on a number of factors related both to the sponsor agency and the project itself. To be funded by the County, projects must be consistent with the program priorities, funding guidelines, and regulations of the various fund sources. The threshold review will determine if the application has been submitted on time and whether the applicant has participated in the required pre-application process. Applications that are received after the time specified in the RFP or that are later found to be incomplete will not be accepted.

In the full review, an assessment of the sponsor's capacity, financial soundness, and compliance on existing contracts will be made. The capacity assessment will be based on the number and qualifications of staff including development staff in relation to the size of the sponsor agency; the sponsor's project portfolio and its condition; and the sponsor's development pipeline. The examination of the financial soundness of the sponsor agency will involve the most recent consolidated audit, and current and prior year operating budgets. HFP staff will assess the sponsor's compliance on existing contracts, including such factors as whether the sponsor is up to date with HFP reporting requirements and has no outstanding concerns resulting from on-site monitoring. Applicants are also expected to be in full compliance with requirements of all other funders. An assessment will also be made as to the sustainability of the sponsor's project portfolio with respect to all projects under contract with King County based on such factors as cash flow, project reserves in relation to current capital needs assessments, vacancy rates, and others.

The full review will also assess the competitiveness of the project itself, based on such factors as project compatibility with current funder priorities; the need and demand for the proposed housing; the financial feasibility of the project; the proposed structure for long-term affordability; access to transportation; and geographic distribution of projects and funds. Proposals recommended for funding will be those that are most competitive based on the project factors, and that are sponsored by agencies considered to be the strongest based on project sponsor factors.

Funding awards

Applicants are encouraged not to direct their proposals to a specific fund source, as HFP staff and the Joint Recommendations Committee (JRC) will determine the sources of funds awarded to projects. In addition, HFP reserves the right not to recommend the award of all available funds in a given funding round. Funds not allocated during one funding round may be awarded during a subsequent funding round for new proposals. Federal deadlines for commitment of HOME Program funds may require reallocation of funds if implementation of a HOME-funded project is significantly delayed.

Contingent awards

In any funding round, it may happen that there are more capital projects that present strong applications than can be awarded funding. A project evaluated by HFP staff as being worthy of funding that cannot immediately be funded due to limits on available funds may be recommended to the JRC for a contingent award. A project to which a contingent award has been made will only receive a funding award if funds become available during the time up to the next year's funding round, through recapture of funds due to project under-expenditures, or availability of a source of funds not known to be available at the time of the last funding round.

If more than one project is recommended for such an award, the projects may be ranked in order of priority or designated as eligible only for a particular funding source.

If sufficient funds do become available to meet the request of a project placed on the contingent award list by the JRC, the project will be subject to a full updated review by HFP staff based on such current information as may be requested by HFP staff. The JRC will be briefed on the project as soon as feasible following HFP project review. A project given a contingent award that does not receive full funding by the time of the next funding round will be prioritized for funding in that round, provided that an updated application is submitted and the application remains highly rated.

Contract amendments

Contracts may on occasion be amended to increase an award or contracted amount, to change the population served or the affordability of a project, to change the effective dates for a project, or to reflect updated or newly developed guidelines with respect to tenant eligibility. All such requests will be considered on a case-by-case basis. In general, amendments to increase an award will only be granted if total development costs have increased during the period between the award of funds and completion of construction due to unforeseen factors beyond the control of the sponsor. In considering a funding amendment, the basic nature of the project and the qualifications of the residents to be served may not have materially changed, and the total funding award, including any amendment, must still meet HFP requirements. For example, the total HFP award with an amendment generally may not exceed 50 percent of the total project budget or the maximum amount per housing unit permitted for a particular fund source. Exceptions may be considered on a case-by-case basis.

Project funding amendment requests will be subject to the following conditions:

- The applicant must explain the reasons for and magnitude of the budget increase, and must demonstrate that project changes and increased costs will not diminish the ability of the development team to complete the project successfully.
- The applicant must provide an evaluation of all available fund sources, applicant contributions, and budget adjustments that potentially could make up the budget shortfall. The applicant must make every reasonable effort to leverage other public and private funding, reduce costs, or otherwise materially contribute to reducing the newly identified funding gap.
- Applicants requesting additional funds must submit revised development and operating budgets showing the difference between original estimates and current projections. The applicant must explain the impact on the project if additional funds are not made available, and must demonstrate that additional funds are necessary.

Evaluation of amendment requests will take into consideration, among other factors, the urgency of the need for HFP funding, impact of the amendment on the geographic distribution of funds, and effects on competing requests for project amendments. If additional funds are found to be justified, HFP staff may recommend an award, which will depend on the availability of an appropriate fund source and the sources of funds already awarded to the project.

If an amendment request exceeds 50 percent of the original County award, HFP staff will prepare a recommendation for action by the JRC at a regularly scheduled meeting. If the amendment is for less than 50 percent of the original award, the recommendation for additional funding will be prepared for a decision by the DCHS department director, with a status report to the JRC presented at the next scheduled JRC meeting.

Requests for contract amendments to change the population served in a project or to modify the affordability will be based on review and evaluation of a range of relevant information, which will be specified by HFP staff and will depend on the circumstances of the project and the nature of the changes requested.

Up to five percent of the total amount of HFP funds available through the regular funding round may be reserved for project amendments. At the time of the annual funding round, staff will recommend a specific amount of each fund source to be reserved. The amount of funds recommended for reserve may change over time based on such factors as the use of reserve funds from the previous year, status of previously funded projects, and competition for current year funds. At the time of the funding round, reserved funds not needed for previously funded projects may be allocated to projects in the current year's funding round.

General Project Requirements

Contracting

King County's terms for HFP-funded housing projects will be explicitly stated in the most current version of the Housing and Community Development contract as approved by the Office of the King County Prosecuting Attorney. Contracts will comprise a boilerplate document and an exhibit or scope of work. The contract boilerplate describes in detail a standard set of performance guidelines, stipulations, and requirements that are reviewed and updated on an annual basis.

The language in the boilerplate section is generally not subject to negotiation or modification. Exceptions to boilerplate provisions, including those incorporated in the contract exhibit, must be reviewed and approved by the King County Prosecuting Attorney. The exhibit portion of the contract is designed to be flexible enough to capture each project's unique and specific scope of work. It will reflect the terms of any capital funding award made to the project and other conditions negotiated by the county and the project sponsor. These terms and conditions will include but not be limited to how county funds are to be used, specific populations to be served, levels of affordability, maximum rents, number of regulated units, sources and uses for county funds included in the development budget, and timeframes for compliance during the project's construction phase and throughout the remainder of the contract period, which in most cases will be 50 years.

Funds awarded to projects will be available not earlier than January 1st of the year immediately following a capital funding round. In the case of federal funds, the county may not go under contract before receiving the HUD grant agreement, official notice of the availability of federal funds. This agreement depends on Congressional action and may not occur until several months into the calendar year. If additional funds are needed as a result of unforeseen circumstances, a contract amendment may be requested, subject to the conditions explained in the Contract Amendments section, above.

All projects must submit a management plan with specific requirements outlined in the project contract exhibit. Housing sponsors are required to report annually on demographic characteristics and income for all residents served in the project, and on the financial performance of the project in the prior year.

King County will generally secure its interest in projects through execution of a promissory note and the recording of a deed of trust and a covenant restricting the use and resale of the property. In the event of a default, the County contribution to the project will be subject to repayment along with a proportional share of the net appreciated value of the property. The County will retain five percent of the total value of funds provided to a project or $25,000, whichever is less, which will be released only after all construction activities are completed and standards related to labor and the environment are met.

Loan terms

Loan terms for multifamily rental housing capital awards will be for a minimum of 50 years. Interest rates between zero percent and three percent will apply depending upon the population to be served and the project design, with one percent interest as the norm. Interest on loans will be calculated annually as simple interest and payments, if any, will be applied first to accrued interest and then to principal. Loans will generally be deferred payment loans payable in full on sale, change of use, or at the end of the term. Loan terms may permit borrowers to further defer payment of principal, deferred interest, and contingent interest by extension of the loan term beyond the original contract period. Loan amortization may be required if project operating budgets show sufficient cash flow to support repayment while meeting required rent levels and debt coverage ratios.

Homeownership program loan terms will vary depending upon the design of the program. Down payment assistance loans will be deferred payment loans, due upon sale or refinance, and will have terms up to 30 years. Homeownership programs may require payment of interest or shared appreciation depending upon program design.

Environmental review in rental housing projects

Because of the possibility that a project may be awarded federal funds, environmental restrictions begin at the time an agency applies for capital funds. From that date until environmental review is completed, applicants may not spend any funds on physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair, or construction. Property acquisition may not be considered choice-limiting, however, if it is accomplished using a purchase and sales agreement that includes certain HUD-required stipulations with regard to environmental review. Work completed prior to making application is not affected by this restriction. In addition, contracts entered into prior to making application, including purchase and sale agreements, may not be affected by this restriction. Agencies should contact the environmental review specialist in HFP for clearance on honoring existing contracts and information on HUD requirements for purchase and sale agreements entered into after applying to King County HFP, and must follow the directions of their assigned HFP project manager while environmental review is in process.

Any purchase and sale agreement entered into after application is made to HFP must contain the language and conform to the deposit restrictions found at the following website: https://www.hudexchange.info/resources/documents/NSPPolicyAlert_EnvironmentalReview_091611.pdf

Some projects are excluded from the requirement for public notice and HUD approval to release funds. These include one- to four-unit residential projects when the density on a site is not increased beyond four units, the land use is not being changed, and the footprint of a building located in a floodplain or wetland is not being increased.

Also excluded are multifamily residential buildings when the density is not changed more than 20 percent; there are no changes in land use from residential to non-residential; and the estimated cost of rehabilitation is less than 75 percent of the total estimated cost of replacement after rehabilitation. This lower level of review also applies to acquisition, rehabilitation, or new construction of one to four homes on a single site, or of five or more housing units developed on scattered sites, when the sites are more than 2,000 feet apart.

Environmental reviews will typically take four to six weeks to complete. If certain forms of mitigation are required, the need for public notice and HUD clearance will extend the time by an additional four weeks. Examples of projects in which mitigation may be needed include acquisition and rehab of structures more than 45 years old, structures built prior to 1978 or that have been tested for and found to contain lead based paint, and structures assumed or found to contain asbestos.

For all other projects, most of which will involve new construction of housing, HFP will complete an environmental assessment, publish a notice, and request release of funds from HUD. This level of review will take at least two months or more depending on the level of consultation needed and the availability of third parties staff must consult with, including the Department of Ecology, the county archeologist, the State Office of Archeology and Historic Preservation and in come cases the federal Fish and Wildlife Service.

Green building and the evergreen sustainable design standard

Sustainable development can be defined as "...development that meets the need of the present without compromising the ability of future generations to meet their own needs", according to the World Commission on Environment and Development. Out of concern for both present and future generations, all rental housing projects funded by the County must follow the current Washington State requirements for Evergreen Sustainable Development Standards (ESDS). These standards were made applicable by the state legislature to all projects funded by the Washington State Housing Trust Fund by RCW 39.35D.080. Full details on the current Evergreen Standard are available through the Washington State Department of Commerce at this web address - http://www.commerce.wa.gov/Programs/housing/TrustFund/Pages/EvergreenSustainableDevelopment.aspx.

The criteria included in the Evergreen Standard have been extensively reviewed by stakeholders and set a minimum standard for affordable housing development funded by King County. The Evergreen Standard is subject to periodic revision by the Department of Commerce, so it is the responsibility of prospective applicants to remain up to date on its requirements. The Evergreen Standard includes several dozen criteria, of which some are mandatory and some optional. Not all criteria will apply to every project, since some are relevant for new construction and others apply only to rehab projects. In version 2.2, which was the standard through the 2014 capital funding round, new construction projects had to earn at least 50 points from the optional criteria, rehabilitation projects had to earn at least 40 points, and all projects had to meet all applicable mandatory criteria. An appropriate number of points is assigned to each criterion to provide numerous ways to accumulate the necessary point total to pass the threshold. The County reserves the right to provide preference in funding to projects that show the greatest creativity and commitment to sustainable design in their application of the Evergreen Standard. Prospective applicants are encouraged to consult with County staff if they have questions about which optional Evergreen Standard criteria are considered to be the most significant for project sustainability from the point of view of a public funder.

The Evergreen Standard should be viewed as setting a minimum level of green and sustainable design for projects eligible for funding. Non-profit sponsors may exceed the Evergreen Sustainable Development Standard by using another standard, if they wish to. Projects aspiring to incorporate higher standards of sustainability - defined primarily in terms of durability, low maintenance, and extreme energy efficiency - are encouraged, and may receive preferential recommendations in the County's annual funding round within priority categories. Projects that can convincingly demonstrate a potential for significantly higher standards of performance at a cost comparable to the existing average per-unit development cost will receive preference within priority categories.

Beginning in 2015, HFP will place increased emphasis on the ESDS criteria related to the process of developing high performance housing. The criteria that refer to the green development plan (criterion 1.1 in ESDS 2.2) will be strengthened in ESDS version 3.0. The updated criteria may require applicants to develop and document an integrative design approach, set performance targets related to such factors as energy efficiency and water use, and submit a written green development plan explaining this approach and illustrating how each member of the development team will be involved in meeting performance targets. This criterion will also recommend that applicants use a number of analytical tools such as life-cycle cost analysis and total cost of ownership when considering alternative materials and products, while continuing to emphasize the use of more durable and less polluting alternatives.

Housing for persons with special needs

Most fund sources administered by HFP may be used to create housing for persons with special needs, including individuals with chronic mental illness or are in recovery from substance abuse issues; households who are chronically homeless; victims of domestic violence; individuals with HIV/AIDS; victims of traumatic brain injuries; individuals with developmental disabilities or who are physically challenged; frail elderly; youth; and veterans.

As a general policy, the County prefers that the agency that owns the property be distinct from the agency providing services to tenants, in projects where services are an essential element of the housing. In practice, this means that in cases where an agency seeks funds for group homes to serve small numbers of tenants who require ongoing services to maintain housing, the owner agency should not be the same entity as the service provider. Exceptions to this policy may be made when the project consists of premises licensed for a particular use.

Agencies using Housing Finance Program funds to provide housing units for persons with developmental disabilities must sign referral agreements with the State Division of Developmental Disabilities (DDD), subject to approval by the County. In addition, HFP requires all providers of housing for tenants with DD to sign an agreement with the on-site service providers in a form approved by HFP and DDD that outlines the responsibilities of the service provider with regard to helping tenants maintain the property in good condition and alerting the property owner about any potential maintenance or repair issues.

- Eligible persons - Households with one or more member who receive services through the Washington State Department of Social and Health Services (DSHS) Region 4 Division of Developmental Disabilities (DDD).
- Median income levels - Households with incomes at or below 30 percent of area median income.
- Maximum subsidy amount - The maximum subsidy amount is $50,000 per unit.

- Number of set-aside units - The set-aside units should total no less than two units per project, and no more than five units for projects with 50 units or less, or no more than ten units for projects with more than 50 units.
- Size of units - The set-aside units can be studios or 1-, 2-, 3- or 4-bedroom units, with a priority for 2-bedroom and larger units.
- Universal Design - The DD set-aside units shall include universal design features. Applicants must complete and include with their funding application a universal design checklist, identifying the universal design elements that will be included in the project.

Fair housing, access, and affirmative marketing

Fair housing is the right to choose housing free from unlawful discrimination. Fair housing laws at the federal, state and local levels prohibit discriminatory practices in housing based on membership in a protected class. The laws protect identified classes, defined as race, color, national origin, disability, gender, religion, familial status (having children under 18), sexual orientation, age, and veteran or military status. All projects funded by the County are subject to federal and state law and may also be subject to additional class protections prescribed by local laws.

Fair housing laws cover a number of issues related to the design and operation of housing projects, including accessibility requirements, discriminatory conduct toward current and prospective tenants, affirmative marketing of available housing, and providing reasonable accommodations for persons with a disability. Housing providers should be aware that occupancy limits for housing units that are more restrictive than those allowed by local building codes may be in violation of fair housing law if they are applied to families with children. Targeting units for specific sub-populations of a protected class, in the absence of a requirement associated with a particular fund source, may also conflict with fair housing laws.

King County uses federal grant funds to support affordable housing, so the County is required to affirmatively further fair housing. This obligation is passed on to the agencies that contract with the County to provide affordable housing. In the context of fair housing, this means engaging in affirmative marketing based on a strategy designed to attract renters of all majority and minority groups, regardless of race, color, national origin, disability, or any of the other protected class qualifiers. Affirmatively furthering fair housing, therefore, means more than merely avoiding discrimination.

Owners also have a positive responsibility to remove barriers that reduce the accessibility of housing for protected classes, and to take actions that serve to overcome the impacts of segregation history in King County. A housing provider may not, for example, refuse to let a tenant make reasonable modifications to a dwelling or common use areas at the tenant's expense, if necessary, for the tenant to use the housing. A housing provider also may not refuse to make reasonable accommodations in rules, policies, practices or services if necessary for a tenant to use the housing.

More information about fair housing, resources for tenants, complaint resolution, and related subjects may be found on the website of the King County Office of Civil Rights (KCOCR) website: http://www.kingcounty.gov/exec/CivilRights.aspx. KCOCR is also available to consult with providers regarding fair housing related questions and can be reached at 206-263-2446.

Contractor selection, construction contracting, and construction management

HFP strives to ensure fair contracting methods and competitive pricing in the construction of affordable housing. Agencies awarded affordable housing capital funding must select contractors through an open and competitive process or a competitive bid process open to pre-qualified contractors. Agencies must submit a summary of their proposed competitive selection process, and HFP reserves the right to review and approve the process prior to its implementation, including all bid documents. HFP may publish additional procurement requirements in its annual notice of funding availability (NOFA).

In contracting with firms that will execute a construction project, agencies may use one of a number of contract types, subject to review and approval by HFP. Allowable contract types, depending on the nature of the project, include cost-plus-fee with a guaranteed maximum, fixed-price/stipulated sum, and others as appropriate. The contract with the general (prime) contractor and any amendments to the contract shall be submitted to HFP prior to execution.

Applicants proposing to manage their own projects must demonstrate capacity to the satisfaction of HFP. Such applicants must have prior experience managing projects of a comparable scope and complexity, and must be able to demonstrate that they have staff available for the necessary work at the time required. If applicants do not have sufficient in-house construction management capacity, they will be required to contract for this service.

All applicants awarded funds must provide the County with copies of written cost estimates, construction contracts, and construction documents. These documents must present the scope of work and associated budgets at a level of detail that enables the County to conduct progress and final inspections, to determine that construction is being done in accordance with applicable codes, the construction contract, and construction documents.

Management plan

Consistent, comprehensive and considerate property management is crucial to the success of each affordable housing project funded by the County. Project owners will be required to submit a property management plan specific to each real property location. For acquisition and rehabilitation of an existing building, a management plan will be due by the end date specified in the contract project exhibit. For new construction projects, the due date will be not later than three months after the date of the certificate of occupancy. The management plan must include the following elements:

- A general description of the physical environment, including the type of housing, number and size of units, type of unit, amenities such as common space or playground, accessibility, and other relevant characteristics.
- The proposed tenant population including household composition, demographics, number of households.

- A description of any services offered as part of the project, including supportive services, if needed, and information about how services will be delivered and who will deliver the services.
- A detailed discussion of the Agency's response to the requirement for housing and services to be offered in a culturally competent manner.
- A narrative giving further details on the proposed management and operation of the premises including a description of the management entity, staffing, and key roles; tenant selection and eligibility determination; marketing plan; rules for operation of the premises and enforcement procedures; procedures for dealing with tenant complaints including community involvement; description of security and emergency plans; and maintenance and repair program, with examples of schedules, forms or documentation that will be used.

Capital needs assessment

Within six months after the completion of a project involving new construction, project sponsors must complete and submit to HFP a capital needs assessment (CNA) on all the properties for which funds have been awarded. The capital needs assessment must include a list of all major replacement components of the building; the typical or expected remaining life of each component; the estimated replacement cost of each component factored for inflation; a 20-year schedule for the replacement of each component; and a schedule of replacement reserve deposits, replacement expenditures, and reserve balances. The planned schedule of replacement reserve deposits must be adequate to meet the capital needs of the property over at least a 20-year period and the CNA must include information at a level of detail sufficient to demonstrate the adequacy of annual deposits to reserve accounts as shown on the County-approved operating budget. The methodology for the capital needs assessment is subject to approval by the County, and the assessment shall be conducted by a professional firm having prior experience in this field, except as approved in writing by the County. Project sponsors must update and submit to the County a CNA at least every ten years for each County-funded project, throughout the compliance period.

Project developers are encouraged to use life-cycle cost analysis as often as possible with regard to selection of materials and major project components during the design phase of the project. They will also be encouraged, beginning in 2015, to prepare a CNA for each project during the design phase and to use it to calculate and justify assumptions about annual per-unit reserve contributions. Policies related to the sustainability of County-funded housing projects are in the process of evolution with the strengthening of the Evergreen Standard, and County policies will be aligned with those of other funders as the public funders and development community work together to deliver higher levels of value for the public investment in housing.

Community and neighbor relations

Project sponsors are encouraged to undertake activities to establish and maintain positive relationships with neighbors of assisted housing. HFP staff will offer guidance as needed in designing a positive and pro-active community relations process and will provide referrals as needed. This process will typically include introducing the agency; describing the proposed project; providing information about the client population; inviting input from neighbors; and facilitating community meetings as needed. If requested, HFP staff may also provide names of other agencies that have developed successful community relationships, and may attend community meetings at the request of the project sponsor. The community relations process is voluntary and funding decisions will not be conditioned upon community response to a proposed project or the agency's decision to pursue or not to pursue a community relations process. The County understands that some agencies may choose to initiate fewer community contacts to protect the privacy and confidentiality of the residents.

Employment and training opportunities

For housing projects where the total project construction costs are $200,000 or more, apprentice training program requirements will be included in the construction contractor bid package. King County will require awardees to select prime contractors that will hire apprentices enrolled in an approved apprenticeship program and who will procure sub-contractors working under contracts of $100,000 or more who will also hire apprentices enrolled in an approved apprenticeship program as described in RCW 39.04.300 through 39.04.320.

King County requires that these projects work with the King County Work Training Program to recruit and hire workers whenever there is the need for a contractor to hire additional workers. These workers include adults engaged in pre-apprenticeship and certificated environmental clean-up and green jobs training.

Close-outs and monitoring

All project owners must submit an annual report to the HFP within 30 days of the close of each calendar year, beginning no later than the year of the end date of the contract. Owners must report the total number of units in the project; the number of bedrooms per unit; rents and utility allowances; the income, size, ethnicity, and composition of tenant households; and, if applicable, information regarding the homeless or special needs households served.

If a contract includes HOME funds, additional information is required for each HOME-assisted unit. The report must identify the HOME-assisted units; the number of bedrooms, total rent and utility allowance per unit; and the income, size, race, ethnicity, and type of households.

Annual report forms and access to the Web-Based Annual Reporting System (WBARS) will be provided to owners by HFP. WBARS is shared by all capital funders of rental housing projects in the state. The funders set up new projects in WBARS ever year, once construction is complete and lease-up has commenced. Desk monitoring reviews are performed based on the WBARS data, which is downloaded into an HFP database that produces individual project reports. These reports allow County staff to review the project rents, unit affordability, and provide information on actual tenant incomes and rental subsidies within a project. Note that if there are HOME funds in a project, the specific tenant data for HOME-assisted units must be reported using HUD's Integrated Disbursement and Information System (IDIS) in the year in which construction is completed and lease-up has commenced.

During the project close-out process following completion of construction the County will require a copy of the certificate of occupancy, the final development budget, a current operating budget, documentation regarding wages paid for construction signed by the owner and the construction contractor, documentation of Section 3 compliance if applicable, documentation of ADA accessibility, and other reports the County may need.

Initial site visits will be conducted by County staff to review initial tenant eligibility for occupancy and to verify that the rents conform to the requirements of the County contract. Physical inspections will be conducted to ensure that the property is being well maintained and that the owner is or has conducted a capital needs assessment, and review records related to maintenance repairs and documentation of inspection of major building systems.

If there are HOME funds in a project, source documentation for tenant incomes will be examined and the rent and utility information verified against the data reported in WBARS. Copies of tenant leases will be collected to verify compliance with HOME tenant protections, and copies of the sponsor's affirmative marketing plan, waiting list policy, and on-site management plan will be collected and reviewed.

Project owners must provide HFP with the following information pertaining to their projects and to the owner organization on an annual basis: 1) annual operating statements for each project detailing income, expenses, and cash flow; 2) separate annual account statements for replacement and operating reserves, including year-end balances and withdrawal and deposit activity; 3) an audited financial statement for each year throughout the period of contract compliance; 4) the federal form 990 at the time it is required by the federal government; 5) a report of board meetings and board activities, with names and addresses of current board members and officers; and 6) other reports that the County may request , such as those related to inspections, tenant income monitoring, and property and liability insurance.

County staff will make periodic on-site monitoring visits to housing projects to examine files. Files to be examined will include individual tenant files, source documentation used to verify household income, and demographic information to select. Owners will be required to provide back-up documentation for a sample of units that are reported in WBARS. Records of individual tenant income verifications and project rents must be retained for the most recent five-year period, and for six years after the contract's termination date.

If compliance issues arise during a desk review or on-site record review, questions will be presented to the project owner in writing and the owner asked to respond in writing. Minor reporting issues may generally be resolved by the owner modifying internal procedures or processes so that similar reporting problems are avoided in the future. HFP will verify compliance with the next report submitted by the owner.

If there is a pattern of repeated non-compliance with respect to reporting, HFP may meet with the owner and provide one-on-one technical assistance to address the problem. The owner may be asked to develop a plan to correct the problems within a specific timeframe and the implementation of this plan will be monitored.

If severe compliance issues persist, specific remedies allowed under the contract boilerplate may be applied. Instances of gross negligence, fraud, or discrimination, or persistent conditions that pose an imminent threat to the tenants' health and safety are taken seriously. HFP staff will meet with owners and property managers to identify the specific violations, develop an agreement laying out steps to address the violations, and may impose additional sanctions such as financial penalties, replacement of staff involved in the violation, or legal action. The County will follow-up closely to determine that the violations are corrected and the owner will be required to report more frequently on progress. More frequent on-site visits will be conducted until all issues have been successfully resolved.

On-site physical inspections for all projects funded by HFP will be conducted at least every five years beginning in the year the project is closed out and continuing throughout the compliance period. HFP will develop a risk assessment process for all projects which will be used to determine which projects should be inspected more often. Projects at highest risk may be inspected as often as every year until it is determined that less frequent inspections are warranted. For information on physical inspections specific to HOME funded projects, see the subsection on HOME project physical inspections in the HOME Program section of these guidelines.

Transfers, assumptions, and refinancing of HFP contract obligations

The DCHS director may permit the transfer and assumption of a HFP contract and loan from one entity to another, with a related transfer of the property that was acquired, constructed, or rehabilitated using County funds. Repayment of principal, interest, or other amounts owing under the loan at the time of the transfer will not be required under 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, a limited liability corporation or partnership established by a nonprofit corporation, or a public agency approved by the director of DCHS, including with limitations 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 of DCHS, 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.

DCHS may review a request from an agency to refinance private debt with non-federal County funds in cases that will result in a lower interest rate and reduced debt service; or that produce some other long-term project benefit. DCHS will consider each such request on a case-by-case basis and will conduct an in-depth analysis with the agency, including review of the proposed new financing terms, transaction costs, an updated capital needs assessment, status of reserve accounts, and additional information as needed.

Net appreciated value will be calculated according to a formula established by DCHS, which will be included in each project’s promissory note. The formula will reflect the amount of departmental funds contributed as permanent financing to a project modified by any additional funds contributed during the loan term, such as capital contributions approved by DCHS or sponsor subsidies contributed to cover operating losses.

Affordable Ownership Housing

General program guidelines

The County provides financial assistance to sponsors who help income-qualified families purchase homes they will occupy as their principal residence. Homeownership programs will target households with incomes between 50 and 80 percent of the area median income (AMI). Programs targeting households with incomes below 50 percent AMI may be considered on a case-by-case basis. Ownership programs may be based on any of a number of models: limited equity cooperatives, community land trusts, self-help “sweat equity” programs, partnerships with for-profit organizations to develop houses for first-time homebuyers, or nonprofit acquisition of a mobile home park in danger of conversion to another use.

The public benefit basis for HFP’s commitment to funding low income ownership programs is based on their providing low income families with opportunities for entry into a challenging housing market, the potential to create wealth-building opportunities for low income families, and their contribution to the stability of families and neighborhoods.

Funds may be used to provide down payment assistance, interest buy-downs to a first mortgage lender, or development subsidies to reduce the price of newly constructed homes. Public funds may also be used to reduce the cost of property for development, with the benefit passed on to buyers. Ownership programs must be based on either a resale or recapture model, and may not combine characteristics of both. In resale programs initial and resale prices must be affordable to a defined range of income-qualified home buyers, the public subsidy remains in the homes, and the program will include a resale formula that provides a fair return to the owner. In recapture programs, the public subsidy helps with the initial purchase and returns to the public funder upon resale. King County fund sources may not be used for program administration.

When County funds are used to help pay development costs for new construction and acquisition-rehabilitation ownership projects, those funds may be used for acquisition, infrastructure, rehabilitation, building construction, and “soft costs” such as design and engineering. Evidence of site control is required at the time of application for funds except in the case of projects that will acquire existing scattered-site single-family homes. Developers must specify the proposed income restrictions and affordability periods in their application and the maximum subsidy per unit may be no more than 50 percent of the total per-unit cost of the project. There are limitations on using HOME funds for some of categories of expenditure and other requirements may apply when federal funds are used in ownership projects.

County funds used as down payment assistance are limited to $35,000 per unit. Development subsidies will be subject to the per-unit maximums established by federal regulations for the use of HOME funds in rental housing. Ownership programs will be subject to maximum ratios of housing costs to total monthly income, based on the sum of principal, interest, taxes and insurance (PITI), plus homeowner dues, which should not exceed 38 percent of an owner’s gross monthly income. Maximum home prices will be based on current HUD-published guidelines. Requests for County funds for new or existing revolving loan funds will be considered on a case-by-case basis. In general, preference will be given to ownership projects that create long –term affordability through resale provisions and community land trust structures.

The following entities are eligible to manage home ownership programs using funds awarded by the County: public housing authorities; nonprofit organizations; local governments; community housing development organizations (CHDOs); and for-profit housing developers, subject to limitations.

Ownership program sponsors are required to determine income qualification for prospective homebuyers; partner with or provide affordable mortgage programs; provide homeownership education and counseling, and monitor long-term affordability requirements including recapture or resale restrictions. Program sponsors will also be required to track the recapture of County funds, and provide demographic data on homeowners as required by HUD, in programs using federal funds.

In down payment assistance programs based on recapture of the public investment, the affordability period will typically be as long as the term of the first mortgage, with the County loan being forgiven if the owner occupies the home throughout this entire period. In programs using federal funds, the period during which federal rules and reporting apply will be the minimum required by HUD. The down payment assistance provided by the County will as a matter of policy be less than $40,000 so this period will be ten years or less. Down payment assistance loans will be deferred payment loans, due upon sale or refinance. King County will secure its interest in recapture-type projects by recording a deed of trust, a promissory note, and sometimes a covenant restricting the use and resale of the property. A home ownership program may be structured so that funds subject to recapture are reduced according to a calculation that gives credit to the homeowner for the time that person has owned and occupied the unit. Each subrecipient will determine the way in which the recapture of funds will be reduced, if such a provision is included in the program design. The following is an example of how a subrecipient might do this: divide the number of years the homebuyer occupied the home by the period of affordability and multiply the resulting figure by the total amount of direct subsidy originally provided to the homebuyer.

The affordability period for a project or program using resale provisions, typically a land trust model, is based upon the term of the ground lease. The period during which federal rules and reporting apply will be the minimum required by HUD. A subsidy of less than $15,000 per unit will require five years of federal requirements; $15,000 to $40,000 – ten years; over $40,000 – 15 years. If the home is sold or transferred during the affordability period, it must be to another income qualified household. If a home is sold or transferred during the period when HUD rules apply, a new such period will begin. King County will secure its interest in resale-type projects by recording a deed of trust, a promissory note, and a covenant restricting the use and resale of the property.

Reporting responsibilities for ownership projects

Each January throughout the affordability period all project owners must send the County an annual report in a format similar to that required by the Department of Commerce Housing Trust Fund staff at the same time it is due to the State. The report will include data for the reporting period of the previous calendar year. Owners will report on the number of home buyers assisted, the number of loans in default and how defaults are being resolved; the number of foreclosures; and a summary of all homes resold through either resale or recapture.

Agencies administering a revolving loan fund must provide annual reports on the balance of all funds available for homeownership activities, how much of the balance consists of HFP dollars, how much has been spent in the past year, and the number of home buyers assisted.

The annual report due by June 30th must also include the most recent annual audit, the annual budget for the owner organization for the current year, and a copy of the current certificate of insurance. A full list of submissions and report instructions can be found at this web address:

http://www.commerce.wa.gov/Programs/housing/TrustFund/Pages/AnnualReporting.aspx

All agencies managing County funded homeownership programs are responsible for informing HFP immediately when homes are resold. Such agencies must provide evidence to HFP that the buyer is income qualified and that applicable resale or recapture provisions have been followed. HFP must also be provided copies of the new homebuyer's promissory note, executed HOME Use Agreement if applicable, and demographic data for the home buyer.

Agencies managing HFP-funded homeownership programs are responsible for ensuring that homeowners understand the obligation to occupy an HFP-assisted home as their principal residence for the required period of time, and the obligation to pay back HFP funds pursuant to a formula, if they do not. Agencies must inform the County as to the method they will employ to monitor their portfolio of current loans.

For construction or acquisition projects, HFP will conduct one or more physical inspections of the property and the agency must provide evidence that the housing meets the required housing quality standards.

Environmental review in ownership projects

Recipients of down payment assistance must document compliance with federal Environmental Review requirements by completing a determination of exemption and a determination of categorical exclusion. This includes documentation that the housing is not within a 100-year floodplain, and is not located within 2,500 feet of a civil airport or 15,000 feet of a military airfield. Additional detail and documentation requirements may be found in HFP's Environmental Review Documentation Guide, which will be updated as necessary to reflect current federal regulations and rules.

In programs providing down payment assistance where project activities will include acquisition, rehabilitation, or new construction, recipients must stop all choice-limiting activities upon applying for funds, including acquisition, demolition, rehabilitation, and any ground disturbance until the County completes an environmental review.

Portfolio Preservation Loans

General policies and types of loans

The Housing Finance Program will consider requests for loans to pay for repairs or replacements in projects already in the county's housing portfolio on a case-by-case basis. Small emergency loan requests may be made at any time, but will be subject to availability of funds. Review of such requests will include acquiring and analyzing information on available reserves, if any, as well as other resources that may be available to the requesting agency. "Emergency" is defined in this context as meaning that without immediate repairs, (1) the owner will not be able to maintain all units and common areas in a safe, decent, and sanitary condition; and (2) the financial sustainability of the project is likely to be compromised. A typical example of this kind of request might be a single-family home used as an adult group home for a population with special needs that requires a roof replacement or a new heating system, where the owner lacks the necessary reserves. These loans are expected to be under $20,000 and agencies requesting them will be required to submit a new or updated capital needs assessment (CNA) showing how the project will be financially sustainable for the balance of the original compliance period. Depending on the size of the loan, the compliance period may be extended, with the new period reflected in an amended covenant and deed. HFP will undertake to reserve funds in each year's capital funding round for this type of loan, with the goal of maintaining an emergency loan reserve of at least $100,000.

Requests for larger loans to assist projects in the County's portfolio will be considered in the context of each year's annual funding round. Agencies requesting such loans, which may occur as part of a recapitalization or resyndication plan, will be expected to provide detailed information about how the proposed loan fits into a comprehensive portfolio preservation plan. At a minimum, HFP staff will want to review current CNAs for all projects in the agency portfolio and a plan covering at least the next 10 years for meeting the portfolio's anticipated capital needs. The compliance period for new contracts that encompass major portfolio preservation loans will be fifty years, starting at the date of loan issuance. A new covenant and deed will be recorded and the most current contract requirements will apply. A minimum 50 percent match will be required from other public or private sources.

Exceptions to these guidelines will be considered on a case-by-case basis. It is anticipated that HCD will review the portfolio preservation program guidelines annually and propose updates or improvements for JRC approval as needed. Funding priorities for each year's capital round will be determined by the Combined NOFA, usually published in July, and these may affect priorities applied to portfolio preservation loan requests. All requests for portfolio preservation loans will be closely analyzed for the potential to postpone funding for rehab or repair work until a later funding round.

Application process

The application requirements for portfolio preservation loans will be essentially the same as those for capital funding for new housing projects. Portfolio preservation loans will be subject to all terms and conditions of the existing King County contract including affordability and set-asides for particular populations, unless these provisions have been modified as a necessary condition for granting a new loan. If it is necessary to modify the affordability requirements as a condition of providing additional assistance to a project, any such modifications will be subject to review and approval by other public funders who also have invested in the project. Modifications will be based on detailed analysis of the sustainability of the project over the balance of the existing compliance period and any new compliance period that extends the termination date.

All work except work done to address emergencies shall result in the property meeting at a minimum the current HUD Uniform Physical Condition Standard (UPCS). Section 8 Housing Quality Standards, as amended.

Priorities for portfolio preservation program

The following priorities will apply to use of funds for portfolio preservation:

1. Housing which has an existing King County investment that is facing a true emergency repair need which could prevent the housing from continued use if not addressed, and for which there are not adequate reserves to cover the entire cost of the rehabilitation work.

2. Housing which has an existing King County investment and may need additional assistance from public funders to fulfill its contractual compliance period.

Relocation

Displacement policy

Where possible, applicants are encouraged to propose projects that avoid or minimize displacement by acquiring only vacant properties, properties being voluntarily sold by an owner-occupant, rehabilitation projects that require only temporary relocation, or new construction projects. If federal HOME or CDBG funds will be used in a project that involves acquisition of a property with residential or commercial tenants, federal Uniform Relocation Act or Section 104(d) requirements must be met. If only local funds will be used, relocation assistance will be provided to tenants according to policies in the King County Consortium's Consolidated H&CD Plan. Applicants whose projects involve acquisition of properties with residential or commercial tenants in place or demolition of any housing should contact Wendy DeRobbio at (206) 263-9070 for assistance with planning and budgeting for potential relocation benefits. Applicants for King County Consortium funding through the Housing Finance Program will be required to submit a realistic relocation plan supported by information about current tenants, comparable housing units, and current market rents.

The King County Consortium publishes its displacement practices and federal relocation requirements in the current Consolidated Housing and Community Development Plan pursuant to federal regulation. Please refer to the Consortium's displacement practices in Appendix G of the current Consolidated Housing and Community Development Plan. The relocation guidelines in this document are supplementary to the federal relocation requirements and primarily address relocation guidelines for projects that do not include federal funds, and the Consortium's use of CDBG funds for relocation only, which does not invoke the federal requirements.

In order to receive an approval of relocation plan from the King County Consortium, a project must submit a plan that is substantially in compliance with current requirements and includes all notices required under the County's relocation policies. The amount of relocation benefits that must be paid to displaced tenants, if any, will depend on the sources of public funding included in a project's development budget. The specific guidelines are presented below.

Relocation guidelines

Projects that include or that will include federal funding (HOME and CDBG), and will acquire, demolish, or rehabilitate property that has residential or commercial tenants in place, must follow the federal relocation requirements of the Uniform Relocation Assistance (URA) and the Real Property Acquisition Regulations for Federal and Federally Assisted Programs, as well as the Barney Frank Amendment, Section 104(d), if applicable. Please see the relevant appendix of the current Consolidated Housing and Community Development Plan for more information.

Projects applying for funds through the Housing Finance Program that also include or will include Washington State Housing Trust Fund (HTF) money, but do not include federal funding, must follow the relocation requirements of the HTF, which are substantially equivalent to the URA. The relocation requirements of the HTF are in RCW 8.26, which be accessed via the web at http://apps.leg.wa.gov/rcw/default.aspx?cite=8.26. Applicants should review these requirements carefully, as they are very similar to the URA for displacement of residential tenants, but are more restrictive for displacement of commercial tenants. King County will require that applicants develop a relocation plan that conforms to the state requirements.

If a project will displace residential or commercial tenants and has both HTF and federal funding, the project must comply with the most restrictive regulations concerning displacement.

Projects that include or will include only local county funds (HOF-CX, RAHP, Mental Health, or HIPDD Developmental Disabilities Funds) for the acquisition, demolition, and or rehabilitation of property that has existing residential tenants that may be displaced, must follow the following local relocation guidelines. Project owners who contract with the King County Housing Finance Program for housing project funding will be required to provide relocation benefits to all displaced households.

Effective October 1, 2014, the benefit amount for each displaced household will be $2,933 per household. The Joint Recommendations Committee (JRC) of the King County Consortium may review and recommend annual increases to the benefit amount each year based on the consumer price index.

Projects involving displacement of tenants are required to provide notice to all existing tenants that mirror the requirements below. A list of all displaced households, including name, unit number, household size, ethnicity, and monthly gross income must be provided to the King County relocation specialist, along with documentation of all the payments made to displaced tenants. All relocation costs must be included in the project development budget.

The Washington State Housing Finance Commission (WSHFC) tax-exempt bond financing program and low-income housing tax credit (LIHTC) program require project sponsors to have a relocation plan approved by the local jurisdiction as part of the application process. The King County Consortium cannot require that projects in this category provide relocation benefits to displaced tenants; however, the project owner may elect to provide financial assistance to displaced tenants as a courtesy. Such assistance can minimize the severe impacts of displacement and potential negative fallout from those impacts.

The King County Consortium encourages that, whenever possible, conversion of an apartment community to a low-income housing project be attempted without relocation of any tenants. Tenants who are not income qualified should be replaced through unit “turnover”. When a non-qualified tenant moves out of the project, the vacant unit should be held open until a qualified low income tenant is found.

Relocation should occur only to the extent necessary to allow the project owner to meet the requirements of the project’s “Terms of Compliance”.

Notice of project conversion

Immediately after closing on project loan and not later than 10 days after closing, an open letter from the owner to all residents of the project must be delivered to each household. The letter must explain that the project is being converted to affordable housing units, and also what information is needed for income verification to determine whether current tenants are eligible to live in the new affordable housing. The letter must give the deadline to receive income verification information and state the possibility that some residents may be asked to relocate. Tenants must be informed that they may be asked to relocate if they do not comply with the income verification request. The letter should also specify the time and location of a meeting to further explain the process of project conversion and to address individual questions.

Relocation tenant selection and notification

A relocation tenant is a tenant who has been requested to cease tenancy of the subject property by the owner of the property for the specific purpose of compliance with an affordable housing program or to rehabilitate the unit.

Tenants who voluntarily decide to move from the project because it is being converted to an affordable housing project, or for any other personal reason, are deemed to do so as their own free will and choice, and therefore are not subject to any further notification requirements.

Relocation tenants will be selected from a list of non-qualified tenants, whose incomes exceed the income limits of the program. A qualified tenant is a tenant whose income meets the income level of the program. Qualified tenants should not be relocated unless it is necessary to accomplish rehabilitation of their unit.

Non-qualified tenants should be selected according to the following criteria:

- Non-responding tenants: tenants who do not respond to repeated request for income verifications, or are unwilling to participate in income verification procedures, should be the first Relocation Tenants.
- Volunteers: tenants who offer to relocate should be selected next.
- Income: tenants with the highest incomes should be the next group asked to relocate.

Households with children, and elderly or handicapped tenants should be last when selecting Relocation Tenants.

All tenants selected for relocation will be given formal notification regarding the need to relocate with a minimum of ninety (90) days notice of the date they must relocate, along with information about why they were selected. Consideration of a longer notice period may be granted if the tenant demonstrates a special circumstance (for instance, health reasons) which would be alleviated by extending the notice period. The owner must provide copies of all notices sent to tenants and a list of all tenants that were displaced by the project to the Housing Finance Commission.

Guidelines for using CDBG funds for relocation only

Federal regulations permit King County Consortium CDBG funds to be used, in specific circumstances, to pay relocation benefits to tenants displaced by otherwise non-federally-assisted projects. Federal URA and Barney Frank Amendment requirements do not apply when CDBG funds are used in this manner.

The following guideline will apply if the King County Consortium elects to provide CDBG funds to a project for relocation assistance only.

The award of relocation must meet a national CDBG objective in that either: (1) relocation payments are made directly to very-low to moderate-income people or (2) the subsequent use of the property benefits very low- to moderate-income people.

- If federal funds are used to pay relocation costs, the project must be located within King County's CDBG or HOME Consortium areas.
- The project sponsor is responsible for screening tenants and must provide documentation to King County to show income eligibility, if income screening is necessary to meet the national objective.
- The project sponsor must provide the grantee with a list of names and addresses of the eligible households along with documentation of payments.
- The household receives relocation payments from any government-sponsored entitlement program, CDBG benefits will be reduced by that amount.
- Nothing in this guideline precludes a project sponsor or a jurisdiction from providing additional relocation assistance using other sources of funds.

A) CDBG Waterfall **Attachment D**

CDBG - 2016 Program Year Estimates

Resources

	Entitlement	2015 Projected Program Income	Total Available	*Recaptured Funds	Total Available with Recapture	*Verification Column*
Reg. Consortium	3,472,085	300,000	3,772,085	0	3,772,085	
Kirkland	186,400	0	186,400	0	186,400	
Redmond	242,519	0	242,519	0	242,519	
Renton	586,722	0	586,722	0	586,722	
Shoreline	259,298	0	259,298	0	259,298	
2014 Funds Available	4,747,024	300,000	5,047,024	0	5,047,024	5,047,024
Total PI and Entitlement		5,047,024		** Added to Waterfall at 5b and 5c below*		
Admin 20% Ceiling =	1,009,405				5,047,024	
Human Service 15% Ceiling = PI+ENT	757,054					

Distribution

1. Planning and Admin	20% of (CDBG Entitlement + 2014 PI):		$1,009,405	Total		
Reg. Consortium Cities	754,417			754,417		
	Consortium Share JAC = 10%		Joint Agmt Only = 10%			
Kirkland = 20%	18,640		18,640	37,280		
Redmond = 20%	24,252		24,252	48,504		
Renton = 20%	58,672		58,672	117,344		
Shoreline = 20%	25,930		25,930	51,860		
	127,494	+	127,494	254,988		
Total Administration:				1,009,405	1,009,405	
2. Human Services	15% of (CDBG Entitlement + 2014 PI):		$757,054			4,037,619
a) Joint Agreement City contribution to HSP						
Kirkland = 5%		9,320				
Redmond = 5%		12,126				
Renton = 5%		29,336				
Shoreline = 5%		12,965				
		63,747		63,747		
b) Joint Agreement Cities Human Services						
Kirkland = 10%			18,640			
Redmond = 10%			24,252			
Renton = 10%			58,672			
Shoreline = 10%			25,930			
			127,494	127,494		
SubTotal				191,241		
			Total Remaining	565,813		
c) Reg. Consortium Cities Shelter Allocation (Frozen)		180,000		385,813		
d) Remaining Consortium Human Services Funds:						
50% Reg Consortium's contribution to HSP		192,906				
50% remaining for Diversion		192,906				
2015 Food Banks			115,566	115,566		
2015 KC Bar & Diversion			71,000	71,000		
			Total Human Services	757,054	757,054	3,280,566
3. Housing Repair	20% of (CDBG Entitlement + 2014 PI):		$1,009,405			
Reg. Consortium Cities of KC PI=Ent.		754,417		754,417		
Kirkland = 20%			37,280	37,280		
Redmond = 20%			48,504	48,504		
Renton = 20%			117,344	117,344		
Shoreline = 20%			51,860	51,860		
			Total HRP	1,009,405	1,009,405	2,271,161
4. Section 108 Greenbridge Repayment						
Reg. Consortium Cities	174,369		Total	174,369	174,369	2,096,792
5. Capital Distribution (Balance of Funds):						
a.) Capital Implementation	(C14241)					
Capital Activity Delivery				250,947		
Kirkland = 2%			3,728			
Redmond = 2%			4,850			
Renton = 2%			11,734			
Shoreline = 2%			5,186			
			25,499	25,499		
Balance to Reg. Consortium Cities =				225,448		
				250,947	250,947	1,845,845

b.) Joint Agreement City Capital Func	Recapture	Entitlement + PI	Total			
Kirkland	0	80,152	80,152			0
Redmond	0	104,283	104,283			0
Renton	0	252,292	252,292			0
Shoreline	0	111,184	111,184			0
		547,911	547,911	547,911	547,911	1,297,934

c.) Consortium Capital Funds	Recapture	Entitlement + PI	Total			
	0	1,297,934	1,297,934	1,297,934		0
Total N/E Sub Region .317%	411,445					
N/E Housing Capital - 40%	164,578					
N/E Other Capital - 60%	246,867					
South Sub Region .683%	886,489		Total	1,297,934	1,297,934	0

Total - Distribution	**5,047,024**	5,047,024