King County

Housing Finance Program

2020 Capital Funding for Affordable Housing Projects

PROJECT REVIEW MEMO

I. OVERVIEW

1A. PROJECT INFO

Sponsor/owner	HomeSight
Development consultant	N/A
Project name	HomeSight Home Purchase Down Payment Assistance
Project location	King County

Project type..... ☐ **Rental** ☐**TOD** ☐ **PSH** ☐**HO** ☒ **DPA**

Project activity..... ☐ **New Construction** ☐ **Rehabilitation** ☒ **Acquisition**

Brief description

HomeSight is requesting funding for its Puget Sound Homeownership Revolving Fund (RLF) Funds will be used to provide deferred purchase assistance loans to 17 low-income, first-time homebuyers that are below 80% AMI. They will serve Veterans, Active Military, Immigrants and disabled households. $35,000 will be used towards a program delivery fee. Remaining $765,000 will be used toward down payment assistance which is about $45,000 for each buyer (will vary based on eligibility/home etc.)

1B. PROJECT COST

Total development cost (TDC)	$5,519,400
Total residential development cost	$5,519,400
Cost per residential unit/ per square foot	$324,670
Total non-residential development cost	N/A

1C. KING COUNTY REQUEST

King County Funds requested	$800,000
% of TDC/ Cost per unit	14% / $45,000
KC Loan term/ interest rate	30yrs @ 1%

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Project applied for funding in prior rounds..... ☒ **YES** ☐ **NO**

Project previously awarded KC funds..... HomeSight was awarded $800,000 for Home Purchase Down Payment Assistance in 2019

Does request deviate from HFP guidelines.....☐ **YES** ☒ **NO**

II. PROJECT DESCRIPTION

2A. HOUSING MODEL

of residential units/ managers/ total units..... **17**

Project total square feet / # of floors..... **800-1400 per home**

Project residential sf/commercial sf ..... **800-1400 per home**

Unit distribution - Income & AMI

Unit/Income	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	**Total**	Mgr/ CAU
Studio							
1 Bedroom							
2 Bedroom							
3 Bedroom							
4 Bedroom							
Total			**3**	**6**	**8**	17	

Average unit sizes ..... 1,100 sq. ft

Other type of unit. ..... **Homeownership Units (Homeownership Down Payment Assistance)**

Target population

Project intends to serve Veterans, active military, immigrants and/or households with a family member with a disability.

2B. CONSTRUCTION TYPE, SITE, & LOCALITY CHARACTERISTICS

Construction type..... ☒ **Wood Frame** ☐ **Steel Construction** ☐ **Combo**

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Construction begins/ Construction period..... **N/A**

Evergreen Sustainable Design Std. (ESDS) Score..... N/A

Project intends to meet higher energy standards (Net-Zero, Passive House, etc.) or include energy efficient systems (solar panels, water systems, etc.)?..... ☐ **YES** ☒ **NO**

Development Processes

Is zoning compatible?.....☒ **YES** ☐ **NO**

TBD

Challenges in development of the site?..... ☐ **YES** ☒ **NO**

N/A

Neighborhood

Describe the neighborhood.....☒ **Single Family** ☐**Multifamily** ☐**Commercial** ☐**Mixed-use**

The homes will be located throughout King County, wherever eligible homebuyers need down payment assistance to purchase a home.

Transit Oriented Development Eligible project?..... ☐ **YES** ☒ **NO**

- ○ ½ mile to high capacity transit?..... ☐ **YES** ☒ **NO**
- ○ Multi-modal?..... ☐ **YES** ☒ **NO**
- ○ Walk/transit score..... **N/A**
- ○ Close proximity to community resources and/or services? ☐ **YES** ☒ **NO**

N/A

Nonresidential

Proposed commercial spaces?..... ☐ **YES** ☒ **NO**

N/A

Parking requirements?..... ☐ **YES** ☒ **NO**

N/A

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Environmental

Environmental/site concerns

N/A

Proposed feasible mitigation measures (in budget) to address issues? ..... ☐ **YES** ☐ **NO** ☒ **N/A**

N/A

Development Incentives & Restrictions

Development incentive programs in project location?..... ☐ **YES** ☒ **NO**

N/A

Restrictions in development?..... ☐ **YES** ☒ **NO**

N/A

2C. ROLES & RESPONSIBILITIES

Project development consultant? .....☐ **YES** ☐ **NO**

N/A

General contractor selection process

N/A

Who will manage construction?

N/A

III. FINANCING & MARKET ANALYSIS

3A. SOURCES & USES

Permanent Residential Sources of funding

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Source	Proposed Amount	Committed Amount	TOTAL
King County	800,000		800,000
Permanent Loans/ 1st Mortgages	100,000	4,080,000	4,180,000
State Housing Trust Fund		425,000	425,000
FHLB	60,000		60,000
Buyer Cash	54,400		54,400
TOTAL	1,014,400	4,505,000	5,519,400

Permanent Residential Uses of funding

Type	Amount	Comments
Acquisition Costs	$4,719,400	
Construction/ Rehab Costs	N/A	
Soft Costs	N/A	
Financing Costs	N/A	
Capitalized Reserves	N/A	
Down Payment Assistance	$800,000	$35k will go towards Program Delivery Cost
TOTAL	$5,519,400	

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3B. COST EFFECTIVENESS

Appraisal, Acquisition, & Construction

Appraised value/date/tax assessor value..... Each property will have its own Appraisal & Inspection completed once an offer has been made.

Appraisal value greater than (or equal to) acquisition costs?..... ☐ **YES** ☐ **NO**

Developer fee.....

N/A

Third-Party Construction Consultant Report

Notable departures in construction costs with comparable projects?..... ☐ **YES** ☒ **NO**

N/A

Suggestions to revisions in project design or project team?..... ☐ **YES** ☒ **NO**

N/A

Competitiveness of projects as compared to other-like projects

N/A

Appropriateness of contingency

N/A

Will federal wages be triggered?..... ☐ **YES** ☒ **NO**

N/A

3C. MARKET DEMAND

Market study required .....☐ **YES** ☒ **NO**

Date conducted..... **N/A**

Capture rate/ Lease-up rate ..... **N/A**

Notable findings

N/A

3D. FINANCING

How will construction be financed?..... ☐ **Construction Loan** ☐ **LIHTC** ☐**Bonds** ☒ **Other**

Preliminary letters of interest provided? .....☐ **YES** ☒ **NO**

LIHTC Project

Proposed use of LIHTC?..... ☐ **YES** ☒ **NO**

Anticipated 4%/9% round application... **N/A**

Projected LIHTC pricing ..... N/A

4%/ 9%LIHTC self-score..... **N/A**

Were Letters of Interest provided? How does pricing and self-score compare to comparable projects?

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N/A

Is project subject WSHFC TDC limits?..... ☐ **YES** ☒ **NO**

N/A

Debt & Contributions

Amount of private permanent debt proposed $4,180,000

HomeSight is a Full-service Mortgage Lender which provides first mortgages & purchase assistance. Their RLF (Revolving Loan Fund) Loan terms are as follows:

Amortizing RLF Loan Product (No KC funds): Eligible households are those earning up to 120% of area median income. Loan amount = $10,000-$75,000. 30-year term, fixed interest rates: For families below 80% AMI - the 1st mortgage rate plus 1.5%. For families above 80% AMI – the 1st mortgage rate plus 2.0%; immediately amortizing. Debt coverage comments.

Deferred RLF Loan Product (Includes King County and HTF funding): Eligible households are those earning at or below 80% of area median income. Loan amount = $20,000-$45,000, 3% interest, payments deferred for 30 years, balloon payment due year 30. There are no prepayment penalties. Principal plus interest is due in full upon sale, change of use of home, or refinance without re-subordination.

Could project leverage other financial resources not yet identified? ..... ☒ **YES** ☐ **NO**

HomeSight provides 1st time Homebuyer education which is a requirement for their applicants to take advantage of the affordable home loan products. This provides them with financial education and counseling. During this time, it may allow the client to fix their credit score and disputes any errors that may be found. This would in turn increase their credit score that would better help them qualify for a larger first mortgage.

Sponsor contributions? ..... ☒ **YES** ☐ **NO**

HomeSight will also be providing $425,000 from their HTF Revolving Loan Fund.

Homeowner Down payment? ..... ☒ **YES** ☐ **NO**

HomeSight's partner investors have approved a product allowing HomeSight borrowers to provide only 1% to the purchase transaction, less than what most customers would have to pay elsewhere. HomeSight's RLF program conforms with Freddie Mac, Fannie Mae, FHA and USDA.

IV. PROJECT SERVICES & OPERATIONS

4A. OPERATING PRO FORMA

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Annual operating expense total/ per unit... **N/A**

Rent & utility allowance schedule within AMI limits? ..... ☐ **YES** ☒ **NO**

N/A

Proposed project-based or tenant-based rent subsidies? ..... ☐ **YES** ☒ **NO**

N/A

Expected vacancy rate

N/A

Expense comparison

N/A

Replacement & operating reserve payments

N/A

If TOD project, are TOD loan repayment terms included in proforma? ..... ☐ **YES** ☐ **NO** ☒ **N/A**

4B. PROPERTY MANAGEMENT

Property Management Plan

N/A

4C. SERVICE MODEL & FUNDING ANALYSIS

Project seeking operating or service subsidies? ..... ☐ **YES** ☒ **NO**

Subsidized Units/ Funding per subsidized unit... **N/A**

Service Funding			
Funder	**Fund Type**	**Amount**	**Awarded?**
Total		Total here	

Requests for service funding feasible? ..... ☐ **YES** ☐ **NO**

Project competitive for ORS funding? ..... ☐ **YES** ☐ **NO** ☒ **N/A**

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N/A

4D. REFERRALS

Permanent supportive housing for homeless? .....☐ **YES** ☒ **NO**

Coordinated Entry for All (CEA) participation for ALL homeless units?.....☐ **YES** ☒ **NO** ☐ **N/A**

N/A Low Income/Affordable Housing assistance

Referrals/marketing

HomeSight partners with a diverse group of agencies to help promote their Homeownership & down payment assistance programs for low-income families. They are a place-based organization that has over 30 years working with active military, immigrants and disabled populations. They reach their population using traditional advertising, social media and direct marketing by partnering with organizations that serve these target populations. By sending out newsletters and printed materials to their affiliates along with social media post they believe they can continue to reach the populations they are focused on serving. HomeSight Partners with a variety of organizations such as: Multi-cultural Community Coalition Communities of Opportunity, Asian Counseling and Referral Service, Parkview Services, Ethiopian Community in Seattle, Habitat for Humanity of Seattle-King County, Vietnamese Friendship Association, Eritrean Association of Seattle and King County Housing Authority. They currently do not have direct relationships with Veteran agencies but have a strategy in place to start networking and building partnerships with these agencies including Habitat for Humanity, Catholic Community Services, and Low-income Housing Institute.

Community Spaces.....☐ **YES** ☒ **NO**

Single Family homes only

Resident Services..... ☐ **Referral Services** ☐ **Counseling** ☐**Medical Services** ☐**Financial Assistance**

N/A

V. FUNDING PRIORITIES

5A. FUNDING PRIORITIES

Which source(s) of King County funds is the project compatible with?

☐ **2331 Document Recording Fee** ☐ **RAHP** ☒ **HOME** ☒ **VSHSL** ☐ **MIDD 2** ☐ **TOD**

This project meets the following 2020 King County RFP priorities:

Homeless/Extremely Low-Income/Affordable Housing

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☐ A majority of the units (50% or more) are set-aside for homeless individuals and families, and participate in CEA

☐ The proposed project serves special needs population such as (but not limited to) households with a member with mental illness, is disabled and/or developmentally disabled, also experiencing homelessness

☐ The proposed project provides access to case management and behavioral health services

☐ The proposed project leverages other resources for both the construction and operations of the project, including social services expenses

System-connected housing

☐ The proposed project will be V**eteran housing**, serving Veterans, Military Service members, and their family members.

☐ The proposed project serves a MIDD-eligible population (individuals/households exiting treatment facilities or other institutionalized settings); the sponsor is or is partnering with a State-licensed certified mental health provider

Transit-Oriented Development

☐ Project leverages present and future public investment in transit infrastructure.

☐ Repurpose under-utilized publicly owned property or other community assets

☐ Utilize alternative housing models and cost saving construction methods

☐ Serve lower income households between 30% to 50% AMI.

☐ Project is within ½ mile of a high capacity transit station, and is eligible for the:

- ☐ All-County South pool (2016 TOD)
- ☐ All-County North/East pool (2016 TOD)
- ☐ Geographic Set-aside (N/E/S/Seattle) (2019 TOD)

☐ Projects funded with 2016 TOD Allocation Plan funding will be required to set aside 10% of the TOD Bond-funded units for tenant referrals from King County or a King County-approved agency operating criminal justice system diversion programs.

Homeownership Development

☒ Projects that expand homeownership opportunities for 1) Veterans and their families or

☒ 2) Vulnerable Populations who can become homeowners, be stably housed, and avoid intergenerational poverty.

5B. Federal HOME funds

HOME funding requested?..... ☐ **YES** ☒ **NO**

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Rents and UA within HOME rent/utility allowance limits?..... ..... ☐ **YES** ☒ **NO**

Within HOME maximum per unit subsidy limits?..... ☐ **YES** ☒ **NO**

Is sponsor a Community Housing Development Organization (CHDO)?..... ☐ **YES** ☐ **NO**

N/A

VI. SPONSOR CAPACITY

6A. PORTFOLIO & PERFORMANCE

of sponsor projects in King County portfolio... **2**

KC - Sponsor Projects	
Project Name	**Brief Description**
HomeSight Home Purchase Assistance	2019 approval of $800,000
Foreclosure Prevention	2018 approval of $500,000

How have these KC projects performed?

HomeSight has Performed as expected providing a Satisfactory performance.

6B. PIPELINE & DEVELOPMENT CAPACITY

Does the sponsor have other projects under construction and/or under development? ... ☐ **YES** ☒ **NO**

# of projects under construction..... **0**

Projects under construction		
Project Name	**Location**	**Brief description**

# of projects under development..... **0**

How is the sponsor staffed to handle multiple projects?

N/A

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6C. SPONSOR FINANCIAL SOUNDNESS

Audit findings, material weaknesses and/or corrective action plan required? ..... ☐ **YES** ☒ **NO**

Sponsor's financial audits consistently clear, steady? ..... ☒ **YES** ☐ **NO**

Operating cash provides appropriate levels of liquidity for operations? ..... ☒ **YES** ☐ **NO**

Portfolio maintains strong debt ratios? ..... ☒ **YES** ☐ **NO**

Summary of audited info for the past two years (Assets, Liabilities, Net Worth, Liquidity, Debt Ratios)

Homesight didn't provide a 2019 Audit or financial statement No measure of assets and liabilities in 2019. Net income was $57K in 2019 (unaudited) Homesight had total assets of $45.7M in 2019 and $41.1M in 2018. Total liabilities were $3.9M in 2019 and $4.3M in 2018. Their Net Position was $41.7M in 2019 and $36.9M in 2018 Net income was $4.7M in 2019 and $4.4M in 2018. Homesight 2018 Audit included $3M in federal awards and there was no findings No findings or concerns in previous audits.

In addition to audit reports, were unaudited financial statements also reviewed? ☒ **YES** ☐ **NO**

If unaudited financial statements were reviewed, did they show the same trends as audits? ☒ **YES** ☐ **NO**

If Audits were not available, were unaudited financial statements reviewed? ☐ **N/A** ☒ **YES** ☐ **NO**

If more than one applicant submitted financial statements for review summarize the second applicant's financial statements below. ☒ **N/A**

VII. EQUITY & SOCIAL JUSTICE

How will this project impact the target population of residents and the surrounding community?

As a place-based community development corporation, HomeSight has a mission of serving low-income, diverse, immigrant and special needs customers in their target areas. HomeSight has a well-established record of successfully reaching these marginalized and underserved populations. HomeSight outreach success is demonstrated in the population of their home buyer counseling program. There is no direct impact on a "surrounding community" as the requested funds are for buyers of existing homes at scattered sites throughout King County. Demographics of a specific neighborhood are not applicable. This down payment assistance program fully supports King County's goals of equity and social justice by providing the opportunity to low-income first-time homebuyers to purchase affordable housing in a healthy environment with access to transportation and quality education at a location of their choice.

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Does the applicant have a plan for reviewing structures, policies, and programs with an equity and social justice lens? ☒ **YES** ☐ **NO**

Creating homeownership opportunities for groups who faced red-lining, inequity and affordability challenges has been a priority since HomeSight founding in 1990. During the 1990's HomeSight developed over 200 homes in the I-90 area of Central Seattle. The buyers of these homes were over 60% persons of color, primarily African Americans facing early gentrification due to home prices doubling in three years between 1987 to 1990. In 2002 HomeSight completed Noji Gardens a 75-home subdivision in Southeast Seattle. This project reflects the community with most of the homebuyers being households of color with seven languages represented among the homeowners.

HomeSight's lending policies strike a balance between prudent lending consistent with CFPB regulations regarding the buyers "ability to repay" and providing flexibility for non-traditional borrowers such as immigrant families with multiple full and part-time incomes. While the loan policies are highly regulated by the state and federal laws for fair lending, including the new Consumer Financial Protection Bureau, our policies are also reviewed annually by our loan committee to ensure they comply with these laws and also provide underwriting standards that are flexible to meet the needs of the diverse population we serve. The updated policies are reviewed and approved by HomeSight's Board of Directors. HomeSight provides customers who participate in our education and counseling programs with satisfaction surveys that we use to improve our service delivery. Through our community development activities, we work directly with our partners and community residents to gain input on program and project design.

What is the diversity of the board and senior leadership?

HomeSight has 13 members on its board including five persons of color and six women, with a range of backgrounds and experiences. HomeSight's board qualifies as a community-based board for US Treasury Community Development Financial Institution Certification. This certification requires that most of our board members are members of the underserved communities we serve or are representatives of organizations in those communities. HomeSight's eight-person senior leadership comprises six members who are persons of color, two of whom are immigrants and two are women.

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VIII. SUMMARY AND RECOMMENDATION

Staff recommends fully funding this project at the requested amount.

The HomeSight Purchase Assistance is a much-needed program that aims to serve veterans and vulnerable populations throughout King County. HomeSight has a long history of serving those who are underserved by conventional financial institutions (assisting more than 2,650 families in purchasing their first homes) and the HFP team is confident that the proposed program can replicate these results throughout the County.

HomeSight is requesting $800,000, and $35,000 of the request will be used for program delivery costs, with the remaining $765,000 will be used to provide 17 households with roughly $45,000 of down payment assistance each.