



Seattle
Office of Housing

RENTAL REHABILITATION LOANS

2018 Notice of Funding Availability

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Responses due: Responses accepted on a rolling basis until December 14, 2018

For more information, contact:

Prithy Korathu

206-684-0362

Prithy.Korathu@seattle.gov

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I. Introduction

The City of Seattle Office of Housing (OH) announces the availability of \$2 million in funding for Rental Rehabilitation Loans. Rental Rehabilitation Loans (Loans) provides owners with capital to make needed improvements without raising rents. Owners, who may include new owners acquiring housing, must agree to provide units at affordable rents to low-income tenants for 10-15 years, depending on loan terms. Loans can provide the following benefits:

- Under certain conditions, principal and interest may be deferred for the loan term, with the interest rate reduced to 0% at the end of the loan maturity, if the building has been fully compliant during the loan term.
- Technical assistance throughout the project, including identifying the most critical rehabilitation needs, assessing greatest opportunities for saving energy, reviewing bids, identifying contractors, providing in-progress construction inspections and final inspections on work completed.
- Assistance in identifying and coordinating other assistance, including energy efficiency grants, free toilet replacements, and enrollment of tenants in the Utility Discount Program.
- Assistance with income qualification of tenants.

II. General Program Policies

Eligible Properties & Priorities

- Properties must be located within the City of Seattle.
- Properties must be existing multifamily rental housing, and cannot be subject to existing income or rent restrictions.
- The property owner must agree to designate a minimum of three units, or half of all units, whichever is more, as Affordable Units for 10-15 years, depending on loan size. See Exhibit A for a list of rent limits for the Affordable Units.
- Priority will be given to properties with units that have rents below the affordable rent levels listed in Exhibit A and/or for properties with households who have incomes at or below the incomes listed in Exhibit A.
- Owners must certify that rents have not been raised within the 6 months immediately prior to application, with reasonable exceptions granted at the discretion of OH. One such exception can be rent increases prior to the date this NOFA was issued.

- Scopes of work that would permanently displace tenants generally will not be funded. Provisions for the relocation of tenants must accompany any scope of work that will temporarily displace tenants.

Income and rent restrictions

- Units designated as Affordable Units must be rented at Affordable Rents to tenants with incomes at or below 60% of Area Median Income at time of application to OH. See Exhibit A for a list of Affordable Rents and income limits. Please contact OH for a copy of the paperwork tenants must complete to certify income eligibility at time of loan application.
- Tenant income eligibility for Affordable Units must be collected from new tenants at unit turnover.
- If a unit designated as an Affordable Unit has rents below that listed in Exhibit A, rent increases are limited to the annual Consumer Price Index -Urban (CPI-U). OH may, at its discretion, allow a greater increase, if an increase in operating expenses in excess of CPI-U, such as utility expenses or property taxes, can be demonstrated.
- Units not designated as affordable are not subject to income restrictions. However, to prevent displacement of current low-income tenants, owners must agree to hold rents in all units occupied by low-income tenants at no more than their current rates (as of the time of loan application). Rent increases are limited to the annual Consumer Price Index -Urban (CPI-U), for so long as those tenants, or successor low-income tenants, occupy those units during the term of the loan. OH may, at its discretion, allow a greater increase, if an increase in operating expenses in excess of CPI-U, such as utility expenses or property taxes, can be demonstrated. When low-income tenants who are not in Affordable Units move out, the owner's criteria for new tenants may not exclude low-income tenants based on income if they can afford the prior rent.
- As Affordable Units turn over, owners must advertise broadly to provide access to a wide range of applicants, including underserved groups.
- If a property does not initially have all of its Affordable Units occupied by income-qualified tenants, OH may approve a loan on the condition that rent and income restrictions are extended by the amount of time it takes for all Affordable Units to be occupied by such tenants. The property owner must commit to filling the Affordable Units with low-income tenants in a reasonable period of time.
- To the maximum extent feasible, Affordable Units should be distributed throughout the property and include a mix of unit sizes (such as number of bedrooms) comparable to the overall property.
- Property owners will be required to submit an Annual Report verifying occupancy, turnover and rent levels for Affordable Units and any additional units occupied by low-income households at time of loan application.

Loan Amount

Loan size will be determined by several factors, including affordability term, scope of work and other underwriting criteria. The maximum total loan amount shall generally be \$1 million. OH may require owner financial participation in some cases, such as for projects that require more work than can be covered by the City loan amount, work not fairly allocable to Affordable Units as described below or for properties with outstanding code violations.

The maximum amount per unit depends in part on the affordability term, as shown below:

Loan Amount per Affordable Unit	Affordability Term / Maturity
Up to \$20,000	10 years
\$20,001 to \$30,000	15 years

In-unit repairs: Loan funds may only be used for improvements to Affordable Units. Loan size will be limited to the cost of rehabilitation work related to Affordable Units.

Building envelope, central mechanical systems, common areas, etc: The share of project costs eligible for a loan will be proportional to the percentage of Affordable Units.

If the owner wishes to increase loan size, he/she may opt for the longer 15-year affordability period or may designate a greater number of units as Affordable Units.

Loan Terms

- The interest rate will begin at 3%, but may be reduced to 0% at the end of the loan term, provided that a) the loan was deferred and b) the building has stayed in compliance with all loans and regulatory terms.
- OH may provide borrowers with the option to defer payments until the maturity date, if OH is satisfied that the property will have sufficient value in excess of senior liens to protect the City and/or owner has the financial capacity to make the balloon payment at maturity.
- Loans may be made on a non-recourse basis if there is sufficient owner equity, but OH may require the owner and/or a guarantor to assume liability. The owner shall grant a deed of trust and covenant that runs with the land. The City may subordinate its interests to another loan or loans, subject to OH review and approval of senior loan documents.
- OH may approve an extension of the loan and affordability term if the project remains in compliance, if requested by the owner.
- The total of all liens against the property should generally not exceed 95% of the property value, as determined by an appraisal.

III. Eligible Uses

The scope of rehabilitation must, at a minimum, address any health and safety issues and any code violations. OH will conduct a visual inspection of the building and must approve the scope of work prior to loan close.

Eligible uses of loan funds include, but are not limited to, the following:

- Rehabilitation work, including energy efficiency improvements
- Architectural/engineering fees
- Environmental/hazardous materials assessment and abatement
- Permit fees
- Lender required builders risk insurance
- Financing costs, including title insurance, escrow fees, recording fees and loan fees

Additional grant funds, which do not have to be repaid, may be available for energy efficiency improvements. If those funds are used, additional requirements may apply.

IV. Application & Tenant Income Qualification Process

Property owners must conduct a pre-application meeting with OH before submitting an application. OH understands that collecting income documentation from tenants requires a significant amount of effort. Therefore, OH recommends that the property owner first submit financial information and have an OH staff person conduct a walk-through of the building to discuss potential scope, in order to determine if the loan product is a good fit.

Loan underwriting and collection of income documentation from tenants can happen concurrently. However, income qualification for the building must be completed to OH's satisfaction before the loan can be closed.

The property owner will be responsible for distributing applications to tenants to collect income information. Tenants should submit applications directly to OH for review. OH staff will certify if the tenant household income meets loan requirements and can work directly with the tenant on any questions they may have about completing the forms.

V. Loan Application

To apply, property owners must submit the following information:

- Loan Application, including all requested documentation
- Unit, Rent and Income Form (attached to loan application)
- Tenant Household Forms and associated documentation for all units in the property. Please contact OH for a copy of these forms.

VI. Disclaimers and Disclosure

This NOFA is not a commitment or contract of any kind. Costs for developing submissions are entirely the responsibility of the applicant and will not be reimbursed. OH reserves the right to alter timelines, amend or retract the NOFA, waive as informality any irregularities in submittals, and/or reject any and all submissions. OH reserves the right to waive any requirements of this NOFA when it determines that waiving a requirement is in the best interest of the program.

All proposals and related materials become the property of the City upon delivery to OH. State law, RCW Ch. 42.17, provides that public records are subject to public inspection and copying unless specifically exempted. RCW Ch. 42.17 enumerates limited exemptions a public agency's obligation to disclose public records. If the applicant believes that portions of its proposal are exempt from disclosure to third parties, the applicant must clearly label the specific portions sought to be kept confidential and specify an exemption that the applicant is relying on. However, acceptance of a proposal containing such designations by OH is not an agreement that such material is legally confidential, and OH cannot guarantee that such information will not be disclosed.

The applicant recognizes and agrees that the City will not be responsible or liable in any way for any losses that the respondent may suffer from the disclosure of information or materials to third parties, nor for any use of information or materials by third parties.