Draft Housing Levy Administrative & Financial Plan and Housing Funding Policies

March 3, 2017

Summary of Proposed New and Revised Policies

Draft A&F Plan and Housing Funding Policies available at: Seattle.gov\housing\levy

Funding policies that guide the use of funding from the 2016 Housing Levy are contained in the Administrative and Financial (A&F) Plan, and the Office of Housing's <u>*Housing Funding Policies*</u>*, which is attached to the Plan. The Housing Funding Policies also apply to other housing fund sources administered by OH. Both documents will be transmitted to City Council at the end of March 2017 for adoption this spring.*

This paper highlights policies in the Housing Funding Policies that implement new programs funded by the 2016 Housing Levy or make changes to existing policies for ongoing programs. The full text of these changes can be seen in the Housing Funding Policies at the pages indicated. Additional changes, not shown here, were made throughout the A&F Plan and Housing Funding Policies to update information and improve readability.

Rental Housing Program

Program Objectives and Priorities, page 3: These policies provide an overall framework that guides allocation of funds for new development and preservation projects and for reinvestment in existing low-income housing.

- <u>Residents served</u>: The policies continue levy priorities to serve homeless families and individuals, seniors and people with disabilities, and low-wage workers and their families. Homeless housing projects will align with the City's *Pathways Home* report and the All Home strategic plan; all housing will be encouraged to reduce barriers and voluntarily serve homeless residents. Senior and family housing will give priority to appropriate locations, amenities and services, and culturally appropriate services for underserved groups.
- <u>Project locations</u>: Policies continue to emphasize providing housing choice throughout the city, particularly in locations with high capacity transit service, and acknowledge that some locations will result in higher acquisition costs. Location priorities align with City goals and initiatives to increase access to opportunity, advance equitable development/address displacement and further fair housing.
- <u>Cost-effectiveness and sustainability</u>: Leverage of other capital, operating and services fund sources continues to be a critical factor in project funding decisions. Investing for long-term

sustainability, including energy-efficiency, is prioritized for both new development and reinvestment in existing low-income housing.

HOME and CDBG Affordability, page 7: Along with Housing Levy and other capital sources, OH administers federal HOME and CDBG funds, which have declined significantly in recent years and currently total about $2.5 million annually. This policy increases the City-adopted affordability levels to provide greater flexibility in the use of these dollars, particularly in preservation projects. Allowing federal funds to support projects serving households with incomes up to 60% of median will also enable these funds to replace any Levy funds used for Rental Rehabilitation loans. New affordability limits are:

- HOME: housing serving households with incomes at or below 60% of median income. A portion of units, generally 20%, serve households at or below 50% of median income as required by HOME regulations
- CDBG: housing serving households at or below 60% of median income, except that funds supporting acquisition of occupied buildings may follow CDBG regulations which require a minimum of 51% of units to serve households below 80% of median income.

Supplemental Funding, page 21: OH awards supplemental funding for improvements to low-income rental housing previously funded by OH that is still subject to an OH regulatory agreement. Policy changes relate to requirements for owner contributions and leverage of other fund sources:

- Maximum City funding: Increased from 40% of Total Development Cost (TDC) to up to 75% of TDC, and mandatory sponsor contribution waived, for buildings with at least 75% of units restricted at or below 30% of median income.
- Sustainability: Projects should incorporate energy conservation features as feasible and appropriate, and utilize OH Weatherization funding if available. Weatherization funding is not subject to the 40% of TDC cap on OH funding.
- Emergency repairs: Director may award funding for an emergency repair loan outside of competitive NOFA cycle to address life/safety emergencies.

Tenant Access and Admissions: OH proposes changes and clarifications to funding policies and monitoring procedures that will increase access to housing for homeless households and others with barriers. These changes would affect portfolio projects (as appropriate given existing loan agreements) as well as new developments. In addition, OH will continue to support best practices in housing operation through training sessions, OH guidelines, and implementation of the Housing Resource Center. The proposed policy changes include:

- Project selection, page 13: When reviewing homeless housing proposals, OH will consider performance of the applicant's existing homeless housing projects, if any, provided by homeless services funders and the applicant.
- Management Plan, page 24: Admissions policies must address any tenant referral requirements, such as coordinated entry referrals to homeless housing, and procedures for individualized assessment for applicants who do not meet criminal records screening criteria.

- Project Monitoring, page 28: Housing must be affirmatively marketed, including through OH-identified listing sites, to reach the general public and underserved groups.

Tenant Income and Rent, page 26: These policy change addresses income and rent requirements at the time a tenant initially moves into housing, and allowable rents as tenant income changes over time.

- Admission in 30% AMI units without operating subsidy: OH will allow admission of tenants with income up to 40% of median income on a case by case basis if (1) the household is homeless or (2) upon a finding that the owner made sufficient efforts to market the unit and the unit has been vacant for 90 days, or the building is at risk of missing lease up deadlines. This policy implements a provision of the 2016 Levy which allows flexibility for units regulated at 30% AMI without operating subsidy, based on a preliminary finding that Seattle's higher minimum wage may put low-wage workers just over the income limit.
- Rent Increases**:** This policy revises requirements for rent paid by tenants when their income increases above the regulated income for the unit. For units with federal operating subsidy or with tenants using a voucher, owners may continue to charge 30% of the tenant's income, consistent with requirements of the rent subsidy source. For other housing, owners are encouraged to increase rent to 30% of the tenant's income when the tenant's income exceeds 140% of the regulated income for the unit, or 65% of median income, if allowed by other fund sources. The new policy also addresses a current practice for over-income tenants in mixed-income buildings: owners are encouraged to offer the next available unit to a lower-income household.

Operating & Maintenance Program

Funding Limits, page 31: The O&M Program provides a shallow operating subsidy to housing serving extremely low income residents, with a priority for projects serving homeless or other special needs populations. The maximum initial subsidy remains unchanged at $2,500/unit/year, but a cap on overall project funding is established -- generally 25% of effective gross income with the option for the Director to adjust -- based on realistic leverage requirements and recent trends. In addition, policies now allow O&M subsidy in units with project-based Section 8 under limited circumstances to support enhanced property management costs in permanent supportive housing.

Homeownership Program

Homebuyer Assistance: The policy changes address the challenge of achieving ownership for households below 80% of median income in a high-cost market and the need for development of affordable for-sale housing for this income group. They include:

- Individual homebuyer counseling, page 37: One-on-one counseling will now be required for buyers using down payment assistance or purchasing a resale restricted home.

- Down payment assistance, page 38: the maximum OH loan amount is increased by $10,000 to $55,000 and is available to all low-income buyers. The higher subsidy (currently $55,000) for buyers under 60% of median income is eliminated.
- Development loans for resale restricted homes, page 39: new policies are added modeled after policies in the Rental Housing Program. OH will generally fund up to $70,000 per unit for development of resale restricted homes, and may increase funding to $90,000 for family sized units.

Foreclosure Prevention Loans, page 44: For this new pilot program, OH will provide loans up to $30,000 to assist low-income homeowners at or below 80% of median income who are facing foreclosure to become current on delinquent mortgage payments, real-estate tax payments and/or homeowner association dues. Loans will be provided only to those who can demonstrate that they can continue to afford housing payments after assistance has been received. Homeowners must be referred by, and working with, an OH-approved homeowner counselor. The administrator of the loan program will be selected through a competitive RFP process. This is proposed to be a 24-month pilot program.

Acquisition and Preservation Program, page 46

The Acquisition and Preservation Program, established in the 2016 Housing Levy, will provide loans for strategic acquisition of sites for low income housing development and preservation, either rental or for-sale housing, with a priority for occupied buildings with low rents. Projects must demonstrate that short-term financing is necessary for the project to proceed, and a high likelihood of obtaining permanent financing within 5 years. Loans will have a term up to 5 years with an affordability covenant to remain in place for 20 years. Rental housing must be affordable to households up to 60% of median income and for-sale housing up to 80% of median income. When a loan is used to acquire occupied rental housing, units may be affordable to households up to 80% of median income and may be required to convert to 60% of median income upon unit turnover. Permanent financing sources, including OH permanent financing, may require lower affordability levels.

Home Repair, Rental Rehabilitation, and Weatherization

Home Repair Grants, page 49: This new program activity was authorized in the 2016 Levy using Homeownership Program funding. OH will offer grants of up to $10,000 for low-income homeowners at or below 50% of median income to help maintaining stable housing. Grants will be available 1) to owners who are ineligible for OH’s existing home repair loan program, 2) to cover necessary repairs that exceed the owner’s borrowing capacity, or 3) to pay for low-cost repairs necessary to access weatherization grants. OH will administer the funds so that homeowners can access OH’s home repair loans, home repair grants and weatherization grants efficiently based on their needs and eligibility.

Rental Rehabilitation Loans, page 50: The A&F Plan authorizes up to $2 million annually in Levy Rental Production and Preservation Program funding for Rental Rehabilitation loans, based on anticipated federal HOME grant funding. Rehabilitation loans will assist private owners to improve the condition of low cost rental housing while preserving affordable rents for low-income residents. At least half the units will be rent and income restricted at or below 60% of median income, and the loan term will be based on the amount of City funding per affordable unit. The scope of rehabilitation work must address any outstanding housing code violations. In addition OH will encourage, and fund to the extent feasible, energy saving building improvements.

Housing Development on Publicly Owned Sites, page 54

These new policies provide an alternative way for OH to award funding for development on public property that has been designated for affordable housing. OH may award funding from the Rental Housing and Homeownership programs through a competitive Request for Proposals (RFP) process for a site specific development opportunity in concert with disposition of a publicly owned site. The site may be City-owned or owned by a public agency partner or partners. OH may expend funds prior to issuing the RFP for predevelopment costs such as survey, environmental reports, and appraisal. The RFP process allows OH to award development financing at the same time as selecting a developer, eliminating the need for an already selected project developer to compete for funding in the NOFA process.