

5. ACQUISITION AND PRESERVATION PROGRAM

The Acquisition and Preservation (**A&P**) Program provides short-term funding for strategic property acquisition for low-income housing development and preservation. **A&P Program ((L))**loans can be made for acquisition of land or buildings, with a priority for acquisition of occupied buildings, and can support development of rental or ownership housing. This program provides resources that could be used to purchase buildings identified through Seattle's Notice of Intent to Sell ordinance. **((The L))**Loans **((will))are intended to** be repaid with permanent project financing, which may or may not include City fund sources. Bridge loans of up to two years are authorized under separate policies in the Rental Housing and Homeownership programs. **The A&P Program may also provide funding for strategic Site Acquisition by OH to secure long-term opportunities for implementation of program objectives. Unless otherwise approved by the City Council, the policies for Housing Development on Publicly Owned Sites apply to City property acquired or funded through the A&P Program. The OH Director may propose use of funds directly for Site Acquisition when in the OH Director's judgment the property involved is suitable for long-term low-income housing use and, if it is not already in use as housing, development for that use will be feasible within a reasonable time.**

PROGRAM OBJECTIVES

- Acquire and preserve existing affordable housing, including occupied buildings that are subsidized rental housing or affordable private market housing, particularly such occupied buildings where low-income residents may be at risk of displacement.
- Provide affordable housing opportunity in communities where low((-))-income residents and communities of color may be at risk of displacement.
- Produce or preserve low-income housing in high-capacity transit station areas and locations with high-frequency transit service, to provide access to employment and services.
- Support cost-effective housing investment, particularly where short-term acquisition financing is critical to achieve cost savings.
- Leverage significant funding for housing development, operations, and/or services, or project-related infrastructure investments, which may be lost without the availability of short-term acquisition financing.

PROGRAM POLICIES

The following program policies apply to A&P ((L))loans. **A loan** must be used for **((s))**Site **((a))**Acquisition, including acquisition of improved or unimproved property, or both, to assist in the development or preservation of low-income rental or homeownership housing.

A. Notice of Funds Available

OH will issue a Notice of Funds Available (NOFA) and may accept applications on a rolling basis. The NOFA will specify application requirements similar to the Rental Housing and Homebuyer Assistance program applications. Pre-application meetings with OH staff will be mandatory. A&P (~~(L)~~) loans may be made only when, in the judgment of the OH Director, there is a high likelihood that permanent financing for low-income housing will be available on acceptable terms before the loan maturity date.

B. Eligible borrowers

To be eligible for an A&P loan, the applicant must: have successfully developed and operated at least three affordable housing projects and demonstrate capacity to secure permanent financing within 5 years for the proposed project; or be working in partnership with one or more community-based organizations that can demonstrate capacity to secure permanent financing within 5 years for the proposed project, and one of these community-based organizations must have successfully developed and operated at least three affordable housing projects. The applicant and its Affiliated Entities must be in good standing on any OH loans. Applicants who have, or whose Affiliated Entities have, an outstanding A&P loan will generally not be eligible unless permanent financing for the outstanding loan has been secured.

C. Loan rate and terms

- For vacant land, the loan to value shall generally be up to 95% and may be up to 100% subject to criteria identified in the NOFA. Loan to value shall be up to 80% on improved income producing property but may be up to 100% for properties that are not producing income sufficient to cover debt. OH will generally expect City funds to be leveraged with other acquisition sources.
- The interest rate shall be 1% to 3% simple interest. Accrued interest shall be paid in full when the loan is repaid.
- Loans generally will be made on a non-recourse basis. OH may require recourse to the borrower or a guarantor, or both, if for any reason the Director deems it necessary or prudent in order to minimize risk.
- Borrowers must agree to terminate a use other than low-income housing, upon OH request.
- The loan term shall be up to 5 years. The Director shall have the option to allow extensions, or to convert the loan to permanent financing if permanent financing is awarded through a NOFA. Any extensions may be conditioned on the borrower submitting an updated proposal for approval by OH.
- A 20-year covenant will be recorded against the property that will require use of the property wholly or in part for low income housing. Low income rental housing shall provide an Affordable Rent for households with incomes up to 60% of Median Income. When a loan is used to acquire an occupied building, low-income rental housing may provide an Affordable Rent to existing

tenant households up to 80% of Median Income and will be required to provide an Affordable Rent to households with incomes at 60% of Median Income upon unit turnover. Low-income for-sale housing shall be sold to eligible First-Time Homebuyers up to 80% of Median Income for Resale Restricted Homes.

The covenant shall continue and shall remain in first position when the loan is repaid or discharged. If OH provides permanent financing for the project, the covenant will be amended and restated to comply with Rental Housing or Homeownership program policies as then in effect. However, the Director may release the covenant, wholly or in part, in connection with a sale of the property approved by the Director, if the property is not in housing use and the Director determines that development of low income housing is infeasible and that the loan must be repaid.