CITY OF SPOKANE
COMMUNITY, HOUSING, & HUMAN SERVICES (CHHS) DEPARTMENT

MULTIFAMILY HOUSING PROGRAM (MHP)

PROGRAM DESCRIPTION

JULY 2017

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Table of Contents

MULTIFAMILY HOUSING PROGRAM – OVERVIEW

The City of Spokane ("City") receives funds through the U. S. Department of Housing and Urban Development's ("HUD") HOME Investment Partnerships Program ("HOME" – CFDA No. 14.239). The City allocates a portion of these funds for the acquisition, rehabilitation, and construction of rental housing units within the City limits. The City's program targets housing that is affordable to people who are at or below 50% of the Spokane area's median family income ("AMI"). In exchange for low-cost loans with the potential for deferral and at least partial debt forgiveness, property owners agree to rent restrictions and to rent to low-income tenants for at least 5-15 years for projects involving rehabilitation or acquisition, or at least 20 years for new construction projects. Projects selected for funding must provide rental housing that is affordable to families with incomes at or below 50% of Spokane's AMI, which is $32,850 for 4-person family. A greater subsidy is available when units are affordable to families with incomes at or below 30% of AMI, which is $19,700 for a four-person family. Program priorities are listed in Section 1.4 and evaluation factors are listed in Section 2.1. The City may limit the number of HOME-assisted units with the additional subsidy. This funding round includes an opportunity for developers to propose affordable housing on lots owned by the City at 2413 E 7th Ave (APN 35214.0410) and 2418 E 1st Ave (APN 35211.1305). Projects are monitored for compliance during the affordability period. Project sponsors must coordinate funder requirements when there are multiple funding sources.

In addition to HOME program requirements, other Federal requirements may apply. These include, but are not limited to, the payment of wage standards under the federal Davis Bacon Act, relocation benefits payable to the tenants under the Uniform Relocation Act, the testing and/or mitigation of lead-based paint hazards, and accessibility requirements of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973. In addition, State prevailing wage requirements could apply.

The City accepts applications for HOME funds in competitive funding rounds. About **$1,200,000** in HOME funds will be available in this round. The amount available may change, depending upon loan repayments, reallocations, and/or funds recovered from projects that do not move forward. The City must reserve funds for **projects owned, sponsored, or developed by Community Housing Development Organizations ("CHDOs"),** a designation for non-profits specializing in housing development that meet specific HOME requirements. The minimum CHDO reservation has been met for this year, but CHDOs are eligible for, and encouraged to apply for, non-reserved funds.

This Fall 2017 round's application uses forms from the Combined Funders Application ("CFA"), which is used by some Washington public agencies. Funders using the CFA request additional information using an addendum. The City might not require some CFA information now, but may request it later. For example, a full market study and appraisal are not required at the time of application to the City, but including them increases an application's competitiveness. You should provide additional information when it is available, and final approval may be conditioned upon its receipt and content. Applications are at https://my.spokanecity.org/chhs/ when the City is accepting applications, or you can request one from the Community, Housing, & Human Services ("CHHS") Department.

Applications are submitted to the City's CHHS Department. Staff reviews and ensures the applications are complete, summarizes the information, and distributes materials to the Affordable Housing Committee. The Committee and CHHS Board make funding recommendations to the Spokane City Council. Applicants are usually notified of the Committee's recommendations about 8-10 weeks after applications are submitted. The City Council approves funding contracts, which are signed by the Mayor or his/her designee.

1. PROGRAM INFORMATION AND GUIDELINES

1.1 Source of Funds

The primary source of funds is the federal **HOME Investment Partnerships Program, 24 CFR Part 92 ("HOME" – Catalog of Federal Domestic Assistance No. 14.239).** The HOME program was created under Title II of the National Affordable Housing Act of 1990, as amended. Its purpose is to expand the supply of permanent affordable housing for low-income and very low-income families and individuals. Over the last 22 years, about $21 million in HOME funds and $782,000 in other locally-administered funds have supported the development of projects with almost 2,500 units of permanent and transitional housing, including almost 1,300 that are affordable to low-income households. A number of changes to the HOME Rule were published in the Federal Register, Vol. 78, No. 142 on 7/24/13. Most were effective as of 8/23/13, 7/24/14, and 1/24/15. HUD has not yet issued guidance on the implementation of some of the changes. Appendix 1 has information on HOME regulatory requirements and Appendix 2 has information on some other applicable federal requirements.

1.2 Loan Details

The City's Multifamily Housing Program provides loans for the acquisition, construction, and rehabilitation of rental properties within the City limits. In exchange for the low-cost loan, the owner agrees to rent to low-income households and for the housing to be subject to maximum rent limits. (See: Sections 1.4 "Eligible Tenants and Program Priorities" and 1.5 "Rent Affordability Requirements and Period of Affordability".) Payments on a portion of the loan may be deferred. If the housing serves very low-income households (with incomes below 50% of Area Median Income ("AMI")), and conditions on the loan are met for an extended period, up to half of the loan may qualify for debt forgiveness. Loans for housing for extremely low-income households (with incomes at or below 30% of AMI) may be eligible for full debt forgiveness. Note that forgivable loans may require the payment of State prevailing wages and forgiveness of loan principal is taxable. The City's financing will not fully pay for a project, but serves as "gap financing" to enable project sponsors to attract other sources of financing. The deferral of the interest and principal on the City's loan improves the cash flow of the project to service other conventional debt. Projects typically have multiple funding sources, such as an amortizing loan from a private lender, a very long-term loan from a state agency, equity from the sale of tax credits, and owner funds. The City prefers any debt with a lien position superior to the City's be a fixed rate loan.

Project owners are expected to contribute to the project. The minimum owner cash contribution is 10% of the lesser of project cost or appraised value. Equity raised from the sale of low-income housing tax credits or historic tax credits is treated as owner contribution. In the case of 501(c)(3) nonprofits and the Spokane Housing Authority, grants and long-term deferred or forgivable loans from other public funders may be considered part of the equity requirement.

The affordability requirements relate to targeted income levels. The City's program targets households at two levels of the AMI, specifically, households with income at or below 30% of AMI and 50% of AMI. The loan amounts and terms also relate to these income levels as the benefit to the residents is greater for units that serve the lowest income households.

Affordability Period: HOME regulations require a minimum period of affordability, which is based upon the per-unit investment of HOME funds and whether the purpose is acquisition, rehabilitation, or new construction. The affordability requirements include rent restrictions and tenant income restrictions, which must be recorded in the County records. The minimum HUD affordability periods (§92.252(e)) are:

Use	Affordability period	HOME investment
Acquisition and rehabilitation	5 years	< $15,000 per HOME unit
	10 years	$15,000 to $40,000 per HOME unit
	15 years	> $40,000 per HOME units
New construction	20 years	regardless of dollar amount

The City's affordability period is an **additional 10 years**, if loan forgiveness is requested. Early loan repayment will not extinguish the affordability period during the minimum HUD affordability period.

Loan Terms: The interest rate for the City's loans is 3% and is compounded during any deferral period.

Under the City's program, owners of projects with units for households with incomes **at or below 30% of AMI**, where the loan is fully forgiven, must commit to 30 years of affordability. The loan will accrue interest with payments deferred for 20 years. During the next 10 years, the loan will be forgiven by treating the accrued interest and principal as a 10-year amortizing loan, with forgiveness annually over those 10 years, if affordability is maintained and other requirements are met for the entire period. Generally, the loan will be due upon sale or transfer of the project during the affordability period. Loans for projects with low-income housing tax credits may request preapproval for transfer to a specific related entity.

For projects with units for households with incomes **at or below 50% of AMI**, projects must commit to the City's affordability period, which is **10 years longer** than the minimum HUD affordability period of 5 to 20 years. At least half of the loan amount units for households at or below 50% AMI will be repaid and amortized over a period of not more than 20 years. Loan payments may be deferred for up to 2 years to allow for lease up and stabilization. In this case, the accrued interest and principal will be paid over the remainder of the 20-year maximum term. The other part of the loan, which cannot be more than 50% of the original loan, is eligible for forgiveness. This forgivable portion forms a second loan which has a term that is 10 years longer than the term of the amortizing loan. Forgiveness begins when the term on the amortizing loan expires, if all affordability requirements and other requirements are met, including repayment of the amortizing loan. The affordability period for the loan for the units affordable to households with incomes at or below 50% AMI is the greater of: 1) the term of the amortizing loan plus 10 years and 2) HUD's applicable minimum affordability period, plus 10 years. The affordability requirements may be terminated during the 10-year forgiveness period, if the remaining balance of the loan is fully repaid. The loan will be due upon sale or transfer of the project during the affordability period.

Repayment **will not** extinguish the affordability requirement during the minimum HUD period. The affordability period begins at project completion, which is described in the Glossary. Owners must note that non-compliance with HUD requirements require repayment to the City, as non-compliance requires the City to repay the loan funds to HUD.

Security Interest: The City's loan documents include a promissory note secured by a recorded deed of trust, a recorded covenant agreement restricting use of the property, and a loan agreement.

The City's loan is typically in a secondary lien position to another lender, including private lenders. The total loan-to-value ratio of all debt, including the City's, should not exceed the lesser of 90% appraised value or 90% of the project's cost. The City's loan will be in a lien position superior to loans from the owner, investor, developer, and other related parties, including deferred developer fee loans.

Affordability covenants are recorded against the property and those **covenants are recorded in a lien position superior to all monetary liens**. **Owners should discuss the covenant requirement with their lender early in their discussions.** The lender can call Melora Sharts at 509.625.6840, if they have questions.

Length of Commitment: The HOME program requires an executed legally binding agreement under which HOME assistance will be provided to the owner for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within twelve months of the agreement date. The City's program requires that all loan agreements regulate the use of the property for at least 15 years and up to 30 years from Project Completion, as described in Appendix 3. To receive the forgiveness of the loan, the owner must meet the affordability requirements. Note that forgiveness only applies to funds for units serving households at or below 30% AMI and for a portion of the funds for units serving households at or below 50% AMI. For projects that serve a particular special needs group, any change during the contract term to the population served or to supportive services provided may need to be approved in advance by the City.

Alternative loan structures: The City prefers to keep loans consistent, but will consider alternative loan structures, such fully amortizing loans, when it is to the benefit to the City.

Subsequent City Loans: Projects are not expected to need additional funding from the City during the period of affordability. However, the Program allows owners of projects with existing HOME loans to submit applications for additional funds. The intent is to enable the Program to preserve the City's investment in existing projects. The project must have satisfied the HUD minimum affordability requirement to be eligible for additional HOME funds. As noted above, these range from 5-15 years for rehabilitation or acquisition projects, depending upon the per-unit HOME investment, and 20 years for new construction projects. City staff can determine if your project is eligible for additional funds. Additional HOME funds bring a new period of affordability that must be met. Requests for additional funds compete with other applications according to the funding notice. Contact Melora Sharts at 509.625.6840, if you have questions.

Loan in Conjunction with City-owned Parcel: The City will make loans of HOME funds under the requirements of this program description for the development of rental housing on the lots at 2413 E. 7th Avenue (Assessor Parcel Number 35214.0410) and 2418 E 1st Ave (APN 35211.1305). Proposers can apply to be granted the land with HOME funds to construct new rental housing on one or both properties. On request, the City can make properties available for viewing and can provide available environmental reports. Properties are offered "as is" and without representation or warranty of any kind. Proposer must rely on its own inspections, investigations, and other due diligence with respect to any participation in this request for proposals ("RFP"), or any other activity concerning the property, and must determine on its own whether the property is suitable for its intended purpose. Contact Paul Trautman at ptrautman@spokanecity.org or 509-625-6329 regarding these properties.

This RFP for the Fall 2017 Multifamily Housing Program is not a commitment to convey property or funding and the City may accept or reject any and all proposals. Proposers must comply with important requirements of the RFP, the HOME Multifamily Housing Program Description, and HOME Investment Partnership Program (CFDA 14.239).

1.3 Eligible Applicants

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

- Nonprofit organizations, including Community Housing Development Organizations ("CHDOs") and faith-based organizations;
- For-profit entities, including individuals, partnerships, corporations, limited liability companies, and limited liability partnerships; and
- Spokane Housing Authority.

Applicants must:

- Demonstrate skills and experience in developing, owning, and managing similar rental housing projects;
- Demonstrate an active governing body or board of directors with skills and experience to provide leadership and direction to the agency, if not an individual;
- Demonstrate the legal, financial, and programmatic ability to develop, construct (if construction is part of the project), and manage the proposed housing project;
- Meet the City and federal requirements such as insurance requirements, audit and financial requirements, monitoring and compliance requirements, construction and/or rehabilitation standards, and property maintenance standards;
- Demonstrate the economic and financial feasibility of the project, including financial viability, leverage, cost reasonableness, market need, and readiness.
- Provide all documentation requested during the application review period to ensure that the project will comply with the federal requirements, including the Federal Labor Standards Provisions and the Davis Bacon Act. **Failure to provide any requested information may result in termination of the project award**; and
- Pay a fee of 0.5% of the requested amount of HOME funds for each submitted application. If the loan amount increases, an additional fee for the increased funding will apply. Fees are not refunded, if the project is not funded, or if the funding offered is less than the funding that was requested,

Owners and developers are expected to prioritize their applications, if they submit more than one application.

Applicants <u>must</u> be experienced in developing and managing the size and type of project they plan to undertake. Applicants must also demonstrate that they have the skills and experience needed to develop and operate the property for the affordability period. This means that the applicant has developed and managed projects similar to the proposed project. Experienced developers and property managers are encouraged to apply. For less experienced applicants, collaborative efforts with experienced parties and/or experienced development consultants will be considered, however the entire development and operational expertise may not come from consultants.

Federal regulations require that at least 15% of the annual HOME allocation to the City be set aside for nonprofits that are CHHS-certified as having the capacity to own, sponsor, and/or develop housing projects. A **Community Housing Development Organization ("CHDO")** is a nonprofit organization that meets a variety of criteria outlined in the HOME regulations. These relate to its purpose, board structure, input from beneficiaries, and capacity to carry out projects with HOME funds, among other things. HUD has specific requirements for CHDOs to qualify as the owner, sponsor, or developer of a housing project. A CHDO must have in-house experience and expertise appropriate for the function it will serve. For example, if a CHDO is developing housing, it must have in-house development capacity and meet other underwriting requirements. If the CHDO will acquire existing housing that meets all HOME requirements without further development or renovation, it needs the expertise and experience to effectively operate and maintain the housing for the period of affordability. Nonprofits that plan to apply for CHDO funds need to contact Melora Sharts at 625-6840 to discuss CHDO requirements and get an application for CHDO certification. A CHDO must be recertified for **each project that** is allocated CHDO funds and each jurisdiction providing HOME funds must do its own certification. Melora Sharts determines CHDO eligibility for the City. See the "Regulatory Guidelines for HOME Funds" for information on CHDOs.

Organizations that are religious or faith-based are eligible on the same basis as any other organization. HOME funds cannot be used to assist explicitly religious activities, including activities that involve overt religious content such as worship, religious instruction, or proselytization. If an organization performs such activities, the activities must be offered separately, in time or location, from the programs that are supported with federal financial assistance, and participation must be voluntary for the beneficiaries of the assistance provided. In addition, the organization shall not discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief. See the "Regulatory Guidelines for HOME Funds" for more information on the eligible uses for HOME funds in projects that are wholly or partially used for religious activities.

1.4 Program Priorities and Eligible Tenants

The MHP priorities must be consistent with the requirements of the federal funds and local plans and priorities. The CHHS Board adopted priorities for CHHS Department funding and the housing priority is shown below.

Preserve and expand quality, safe, affordable housing choices

- Expand housing choice and access to opportunities and services
- Preserve and increase housing stock and increase the quality of housing stock
- Prioritize affordable housing development to reduce barriers to employment
- Ensure housing stability.

The evaluation of projects includes factors such as experience and capacity of the project team, the proposed project, alignment with the goals, objectives, strategies, and priorities of the program, and financial factors. More detailed information on the evaluation factors are in Section 2.1.

Projects must meet at least one of the following priorities of the MHP:

- **housing units affordable to households with incomes at or below 30% of Area Median Income ("AMI");**
- **housing units that are affordable to households with incomes at or below 50% AMI and are located within Target Investment Areas and/or in areas designated as Centers and Corridors in the City's Comprehensive Land Use Plan;**
- **housing units with three or more bedrooms that are affordable to large families with incomes at or below 50% AMI; and/or**
- **housing units that provide Permanent Supportive Housing for chronically homeless.**

Preference may be given to projects located in the Target Investment Areas that support the above priorities. This preference will apply only for applications that meet minimum eligibility, risk assessment, and underwriting requirements.

Information on **Centers and Corridors** is available by calling 509.625.6300 or on the City Planning Department's website, https://my.spokanecity.org/business/planning/ under "Centers & Corridors". A handout summarizing Centers & Corridors is at: https://static.spokanecity.org/documents/business/resources/compplan/centerscorridors/centers-corridors-handout.pdf Information on **Target Investment Areas** is available at https://my.spokanecity.org/business/incentives/target-area/ . **Permanent Supportive Housing** is a priority and is a combination of housing and services designed for people with serious mental illnesses or other disabilities, who need support to live stably in their communities. These services can include case management, substance abuse or mental health counseling, advocacy, and assistance in locating and maintaining employment. See Appendix 3 for the definition of "**chronically homeless**" from 24 CFR 578.3. Owners of such projects should note that the HOME regulations (§92.253) do not allow the lease to include agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

For an applicant that states in its application that it will provide Permanent Supportive Housing for the chronically homeless, the project must operate under the Housing First model. This includes low barriers to entry and other factors. The project must participate in the Coordinated Assessment System for all housing placements and must enter data into the Homeless Management Information System (HMIS). If you are providing Permanent Supportive Housing that is not under the Housing First model, you should use the priority for housing units for households at or below 30% of area median income.

Projects that are accessible to public transportation, services, jobs, and amenities are encouraged.

Selected projects must provide rental housing that is affordable to households with incomes **at or below 50%** of Spokane's **Area Median Income** ("AMI"). A greater **subsidy** is available when units are affordable to households with incomes **at or below 30% of AMI**. The City limits the number of units in a project that it will fund at the 30% AMI level. **Projects with units for households with incomes at or below 30% AMI that rely upon project-based rental subsidies should demonstrate that the project would still be financial viable, if the subsidies end.**

Residents of HOME-assisted units must meet the income eligibility requirements of the program and incomes must be periodically verified to ensure ongoing compliance. Owners, sponsors, and developers of projects assisted with HOME funds may <u>not</u> occupy a HOME-assisted unit in a project. This extends to their immediate family members and the officers, employees, agents, elected or appointed officials, or consultants of the owner, sponsor, or developer and the immediate family members of officers, employees, agents, elected or appointed officials, or consultants. It does not apply to an employee or agent of the owner or developer who occupies a housing unit as the project manager or maintenance worker. A housing owner or developer can apply to the City for an exception on a case-by-case basis; the requirements and conditions for an exception are in 24 CFR 92.356(f).

Student housing is not an eligible activity under HOME. In general, a student enrolled in an institution of higher learning is not eligible to be a resident of a HOME-assisted unit unless the student is eligible to receive Section 8 assistance under 24 CFR 5.612. Some exceptions under this include, but are not limited to, being over 24, being a veteran, being married, and having a dependent child. Owners considering student tenants should be aware of limitations on renting HOME-assisted units to students.

1.5 Rent Affordability Requirements and Period of Affordability

HUD publishes the maximum allowable HOME rents annually. Rent payments, including certain utilities, may not exceed the lesser of 30% of the maximum monthly income level established for each assisted housing unit or Section 8 Fair Market Rents ("FMR"). In projects where housing is occupied prior to the application, the rents charged to existing tenants after the rehabilitation cannot exceed the greater of the prior rent or 30% of the tenant's income. These are updated at least annually by HUD. The City monitors projects for compliance with the maximum rent limits and other Federal requirements.

If the tenant pays utilities, the maximum allowable rent is reduced for tenant-paid utilities. Previously, this was based on the HUD Section 8 Existing Housing Allowances for Tenant-Furnished Utilities and Other Services. Section 92.252(d) of the HOME regulations now requires the utility allowance for HOME rental projects to be calculated either (1) by using the HUD Utility Schedule Model, or (2) by otherwise determining the allowance based upon the specific utilities used at the project. The model can be found at http://huduser.org/portal/resources/utilmodel.html.

Different rent limits apply to group homes and single room occupancy (SRO) units. **For group homes**, the sum of the rents paid by all tenants cannot exceed the Spokane area's FMR for a comparably-sized unit. Each tenant's rent is a proportionate share of the total unit rent. Rent limits include utilities but do not include food or the cost of any supportive services. Bedrooms occupied by resident supportive services providers are counted as eligible bedrooms for subsidy purposes. For **SRO units** that have **both** sanitary and food preparation facilities, the maximum HOME rent is based on the zero-bedroom fair market rent. If you plan to operate the housing as a **group home**, you must make it clear in your application. For **SRO units** that have **no sanitary or food preparation facilities, or only one of the two**, the maximum HOME rent is based on 75 percent of the zero-bedroom fair market rent.

In exchange for the low-interest financing from the City, the project sponsor agrees to restrictions on rents and tenant incomes to ensure affordability for an extended time period. The minimum affordability period for the City's program relates to the federal minimum requirement of 5 to 15 years for rehabilitation projects and 20 years for new construction projects. The City's affordability period is ten years longer than the federal minimum. The affordability provision is recorded as a covenant running with the land that remains in force even if the property is sold and/or the loan is repaid prior to the expiration of the affordability period. In some cases, loan payments can be deferred during the initial period of affordability. In addition, the loan might qualify for forgiveness of the principal and accrued interest. See Section 1.2 "Loan Details".

1.6 Eligible Projects and Activities

Eligible projects must (1) increase the supply of rental housing affordable to low-income households, (2) preserve existing affordable housing that is likely to be lost, when economically feasible, or (3) rehabilitate properties to extend useful life, security, accessibility, etc., and meet minimum property standards Preservation projects are defined as projects that will preserve affordable units that will be lost due to conversion to other uses or market rate rents, and projects where health or safety hazards put households at risk of losing their housing. Rehabilitation projects may require a capital needs assessment and must meet minimum rehabilitation standards. See Section 1.11 for more information on these requirements. Projects combining commercial and residential uses are eligible; however, the HOME funds **may not** be used for non-residential portions of the project. Housing projects that include units affordable to a range of household incomes are eligible and encouraged. However, the proportion of HOME funds to total funds must not exceed the proportion of HOME-designated units to total (HOME and non-HOME) units. While a project may offer services to the residents, participation in services must be voluntary and may not be a condition of the tenant's lease.

The following are **eligible** housing project types:

- Construction, purchase, or rehabilitation of permanent rental housing or transitional housing.

- Purchase and/or rehabilitation of manufactured homes under certain conditions, such as situation on a permanent foundation and connection to permanent utilities.

Eligible project-related costs that may be reimbursed include:

- Accessibility improvements
- Accounting/audit expenses relating to the project during the development period
- Acquisition costs
- Appraisal
- Architectural and engineering costs
- Construction and rehabilitation costs to make essential improvements, improve accessibility, make energy-related repairs
- Demolition costs
- Developer fees (limited)
- Fair housing promotion and information
- Fees relating to financing (e.g., loan fees, Low Income Housing Tax Credit fees, closing, title and recording fees, etc.)
- Hazardous abatement and monitoring, including environmental site assessments and lead-based paint testing, abatement, and monitoring
- Infrastructure improvements within the project's property boundaries
- Some major appliances (e.g., stoves and refrigerators, not washers and dryers)
- Marketing/leasing, including marketing of units to households that might not apply for housing without special outreach
- Permits, fees, hookups
- Project management
- Relocation expenses of any displaced persons, families, businesses, or organizations
- Site improvements in keeping with improvements of surrounding, standard projects, e.g., landscaping
- Soft costs including architectural/engineering and other professional fees, legal fees, insurance and utility costs during development, boundary and topographic surveys

While some project-related costs incurred prior to a funding commitment are potentially reimbursable, there is no guarantee of program reimbursement for expenses incurred before or during the application process. HOME funds can pay for architectural and engineering and other professional services required to prepare plans, drawings, specifications or work write-ups, if they were incurred not more than 24 months before the date that the HOME funds are committed to the project **and** the City expressly permits HOME funds to be used to pay the costs in the written agreement committing the funds. HOME funds cannot pay for costs relating to the acquisition of City-owned property. Ineligible activities under this Program may be financed by other funding sources, if the other sources allow their funds to be used for that activity.

Note that site-limiting activities that are done **prior to the completion of the environmental review** required by HUD can make a project **ineligible** for HOME funds. Contact Paul Trautman at 509.625.6329, if you have questions about this requirement. To restate this, **do not do any demolition, clearing, site work, or other activities on the site before talking with City staff, as this could disqualify your project for funding.**

Project sites must be located within the City limits, at the time of application. Applications and allocations are site specific and the application and allocation are no longer valid, if site control is lost. You may <u>not</u> substitute a new site, if you lose control of the original site.

Fees paid to the owner or developer of a project, or entities related to the owner or developer, must reflect the work undertaken. Due to the vast differences in projects, the City does not have a strict limit on the percentage that can be paid. The City prefers to pay for hard costs and project-related soft costs and may limit its portion of the development fees and/or the total development fees charged to the project. When preparing your construction budget, identify and describe any costs paid to the owner or developer. When preparing your operating budget, clearly identify property management fees (onsite and offsite) and distinguish them from other operating costs, such as staff that provides or arranges services, such as transportation or counseling. Generally, property management fees over 8-10% will be questioned.

Projects may be charged for City staff and overhead costs directly related to carrying out a project, such as cost relating to construction inspections and the administration of compliance with federal requirements. For example, a project will be charged for City staff to monitor requirements of the Davis Bacon Act and the Uniform Relocation Act, including activities such as site visits, interviews, and documentation reviews.

HUD expects HOME projects to address a market need and to lease up in a timely manner; it has requirements for market analysis and deadlines for occupancy of rental units assisted with HOME funds. Within six months from the date of project completion, if a rental unit remains unoccupied, the City must provide HUD with information on project marketing and, if appropriate, an enhanced plan for marketing the unit so that it is leased as quickly as possible. **If any unit is not rented to eligible tenants 18 months after the date of project completion, the HOME funds invested in that unit must be repaid to HUD.** Due to these requirements, the City will impose performance and repayment requirements on project owners.

1.7 Ineligible Projects and Activities

Ineligible projects and activities include:

- Correctional facilities
- Delinquent taxes, fees, or charges on properties
- Dormitories, including farmworker dormitories
- Emergency shelters (including shelters for disaster victims)
- Facilities that provide continual or frequent nursing, medical or psychiatric services including nursing homes, convalescent homes, hospitals, and residential treatment facilities
- Furnishings, office equipment, computers
- General overhead
- Halfway houses
- Improvements to or construction of commercial space
- Improvements to owner-occupied units
- Offsite improvements, other than utility connections
- Operating and replacement reserves
- Projects previously assisted with HOME funds during the minimum federal Period of Affordability (except those funded in the prior 12 months)
- Properties with outstanding Rental Rehabilitation Program loans (as program requirements conflict)
- Public housing
- Refinancing permanent debt
- Student housing

- Upgrades such as cable television hookups, garbage disposals
- Work on the structure prior to loan commitment.

1.8 Funding Award Limits

The City's HOME funds should leverage other housing funds to maximize the available resources for housing. Applicants are encouraged to seek funding from other sources, such as public and private grants, loans, equity investments, and in-kind contributions. There are situations where leverage is difficult to achieve. Therefore, there is no minimum leverage requirement on each project. However, each project will be reviewed to ensure that the applicant has made rigorous attempts to secure funding from other sources.

The minimum threshold for the amount of HOME funds requested in this application period is $75,000. The maximum amount of financing available depends upon the number of bedrooms and income levels of the proposed tenants, as shown in the table below. This is a competitive application process for limited funding; therefore, applications that meet all criteria are not guaranteed an award of funds. Successful applications may be funded for more or less than the amount requested. City funds cannot be used to refinance permanent debt and the total project financing cannot exceed its cost. In a project where only a portion of the total units are HOME-assisted, the proportion of HOME financing to total financing cannot exceed the proportion of HOME-assisted units to total units.

Loan Limit for Units Affordable to Households at or below 50% and 30% of Area Median Income (AMI)

Unit size	Units affordable to households ≤ 50% of AMI	Units affordable to households ≤ 30% of AMI
0-1 bedroom	$10,000 per unit	$30,000 per unit
2 bedrooms	$10,000 per unit	$60,000 per unit
3 bedrooms	$75,000 per unit	$100,000 per unit
4 or more bedrooms	$100,000	$120,000

A commitment to rents which are affordable to very low-income households (those making less than 30% of AMI) reduces the income available to pay expenses and service debt. The greater subsidy is available on a limited basis to projects that commit units to extremely low rents targeting households with incomes at or below 30% of AMI. This enables the project sponsor to shift some of the project debt to the deferred City loan, so that amortizing debt can be paid with the reduced cash flow. Since the lower rent reduces the project's income, the City may limit the number of units affordable to households at or below 30% AMI.

Applicants must clearly identify any project-based rental assistance that has been obtained for the project, including the type of assistance, any limitation on targeted tenant population (i.e., chronically homeless, seniors, disabled, veterans, etc.), source, amount, and duration of the assistance. This is especially important for projects that are committing to a significant number of units with rents at or below 30% AMI. Generally, the project's operating budget is expected to show sufficient income to operate without project-based rent subsidy. **If the project relies on project-based assistance, the application must include the status and source of the assistance and provide scenarios with and without assistance.**

1.9 Equity Requirement

For-profit applicants **must** provide a cash contribution to the project totaling at least 10% of the lesser of project cost or appraised value. Nonprofit sponsors and the Spokane Housing Authority may use grants or appraised equity to meet the 10% equity requirement. In some cases, substantial long-term investment through state or federal programs may be considered as the equity contribution for nonprofit sponsors. Equity raised through the sale of tax credits is treated as owner equity.

1.10 Matching and Layering Funds

The HOME program requires that HOME funds be matched with other contributions, such as grants, below market rate loans, and volunteer labor. The requirement applies to the program as a whole and is monitored by the City staff. Depending upon the City's match position, the match contribution of individual projects may be a consideration or requirement of funding. The HOME program does not consider owner contributions, sweat equity, tax credit equity, and funding from any federal source to be match. HUD may change how match is determined, but we do not expect it to affect this funding cycle.

Each project must also be evaluated to determine if it is receiving an excessive federal subsidy through an analysis of all of the financing available to the project. **All funding sources, including direct or indirect government assistance, must be identified in the application**, including contributions of federal, state, and local governments and/or agencies. In addition, applicants must notify the City, if any additional federal funds are obtained after the application is submitted. Any federal funds invested in a project through a non-federal funding source are considered to be federal funds. For example, the federal funds for weatherization that are managed by SNAP, a local nonprofit, or HOME funds allocated by the WA State Commerce Dept., should be identified as federal funds. Project sponsors must submit documentation relating to funding sources to ensure compliance.

1.11 Project Consistency with Local Plans and Codes

Projects assisted with City HOME funds must be consistent with the City's Consolidated Community Development and Housing Plan, must meet all zoning and building code requirements, and must be consistent with the City's Comprehensive Plan. The Program serves only households with incomes at or below 50% of the Spokane area median family income.

As a reminder, applicants should describe how their project satisfies priorities listed in section 1.4 of this Program Description.

We encourage you to meet with the City's Development Services Center when planning your project. It is a central contact point for information on zoning, permits, the City's Comprehensive Plan, incentives, and other topics. You can arrange for a predevelopment conference to get feedback on your project plans; this service is free. Call 509.625.6300 or check the website at https://my.spokanecity.org/business/ . If you have had a predevelopment conference, include the notes from the conference in your application.

Completed projects must include **smoke detectors** as required by local code and Landlord Tenant Law. As of July 1, 2004, newly constructed buildings with three or more units require **fire sprinklers**. There is an exception for townhouses, under certain conditions. Note that fire sprinklers may require an additional water line to the building, in addition to the cost of the sprinkler system. Be sure to check with the Building Department and include the expense in your budget. Also, the Washington State Carbon Monoxide Alarm Law (RCW 19.27.530) requires all newly constructed buildings classified for residential occupancy to have **carbon monoxide alarms**.

Rental housing acquired or developed with HOME funds must meet written standards. See Appendix I, Regulatory Guidelines for HOME Funds, for more detail on Property Standards. Note that rehabilitation projects must meet the CHHS Department's "Minimum Multifamily Housing Rehabilitation Standard for HOME Funded Properties" and other requirements. Contact Paul Trautman at 509.625.6329 or ptrautman@spokanecity.org for a copy of the Rehabilitation Standard. The 2013 changes to the HOME regulations included some requirements that are being phased in. HUD will issue guidance on how to incorporate the Uniform Physical Condition Standards ("UPCS") into the property standards for rehabilitation and acquisition. UPCS was supposed to be effective as of 1/24/15 for projects to which HOME funds are committed after that date, but we still await guidance. Some requirements relating to inspections were effective 7/24/14. The 2013 Rule requires that newly constructed manufactured housing and housing that replaces an existing substandard unit must meet the Manufactured Home Construction and Safety Standards codified at 24 CFR part 3280 and be on a permanent foundation. Foundations must meet local and state codes. In the absence of local or state codes, they must meet the Model Manufactured Home Installation Standards at 24 CFR part 3285. See §92.251(3) of the HOME Rule for more details.

HOME requires that the owners of multifamily housing projects of 26 or more units that require rehabilitation provide a capital needs assessment (CNA) that includes an assessment of the major building systems and estimates (based on age and condition) their useful life upon completion of the project. If the remaining useful life of one or more major system is less than the period of affordability, the owner must establish a replacement reserve and the operating budget must show payments to the reserve, so that an adequate replacement reserve is established to repair or replace the systems as needed. Recommendations of the CNA must be addressed in the scope of work. At the City's discretion, it may be required for projects with fewer than 26 units. See §92.251(b)(1)(ii) of the HOME Rule for more details.

The City encourages improvements to increase energy efficiency and supports the federal ENERGY STAR® program. ENERGY STAR® is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy. It assists businesses and individuals in protecting the environment through superior energy efficiency. You can obtain more information at www.energystar.gov or the ENERGY STAR® hotline at (888) STAR-YES or (888) 782-7937.

The State of Washington promotes sustainable building practices and developed the Evergreen Sustainable Development Standard (ESDS) in 2008 and has updated it periodically since then. Currently, applicants to the State's Housing Trust Fund and to the WA State Housing Finance Commission's low-income housing tax credit program must comply with the ESDS. More information is available at http://www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/housing-trust-fund-evergreen-sustainable-development/. For additional information, contact Sean Harrington, Evergreen Standard and Projects Manager, at 360.725.2995 or sean.harrington@commerce.wa.gov.

1.12 Leases, Tenant Displacement, and Affirmative Marketing

HOME requires that there be a written 12-month lease between the tenant and the owner of rental housing that is assisted with HOME funds, unless a shorter period is specified by mutual agreement between the tenant and the owner. In addition, there are a number of prohibited lease terms and requirements for written tenant selection procedures, which are listed in §92.253. These are summarized in Appendix 1 under Tenant and Participant Protections.

Applicants are encouraged to propose projects that prevent or minimize displacement of residential or commercial occupants, such as acquisition of vacant properties or properties being voluntarily sold by an owner-occupant; rehabilitation projects that require only temporary relocation; and new construction projects. If a project includes relocation, federal Uniform

Relocation Act (URA) and Section 104(d) requirements must be met. Some requirements are outlined in the Other Regulatory Guidelines section. It is critical that you understand your responsibilities and the costs of the URA. **If your project is occupied, contact Paul Trautman at 509.625.6329 for assistance with planning relocation and budgeting for potential relocation costs.**

Project owners are responsible for compliance with federal Fair Housing requirements. Owners must verify that their staffs have received Fair Housing training by providing evidence of training to the City's Multifamily Housing Program. Training on Fair Housing requirements and practices is available at various times throughout the year. For more information, contact the Northwest Fair Housing Alliance at 509.325.2665 or www.nwfairhouse.org or Paul Trautman at 509.625.6329.

Sponsors must advertise vacancies to persons who are not likely to apply for housing without special outreach. Examples of special outreach include advertising vacancies with the Spokane Housing Authority, including the Equal Housing Opportunity logo in advertising, displaying the Fair Housing poster, and contacting ethnic churches or social services agencies who may seek housing for their members or clients. Spokane owners and tenants have access to a statewide rental property listing service that is free to users. Go to www.HousingSearchNW.org for additional information.

Projects with 5 or more units must have an Affirmative Fair Housing Marketing Plan. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status, or disability. Guidance on the marketing plan requirements is included in the City Addendum to the Combined Funder Application. HUD has a form used for some of its programs, form HUD-935.2a "Affirmative Fair Housing Marketing Plan". It is also available as a fillable pdf file at http://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf . To complete the fillable pdf form, you will need to download Nuance, which is the official HUD software for the creation of HUD forms. A link is available at the form site. If you use this form for another funder in the project, you can submit it to the City as well. The costs of affirmative marketing activities should be included in your development and operating budgets. Contact Paul Trautman at 509.625.6329, if you need guidance or have questions regarding your affirmative marketing efforts.

Project owners may <u>not</u> charge fees that are not customarily charged in rental housing (e.g., laundry room access fees), except that rental project owners may charge:

- (i) Reasonable application fees to prospective tenants;
- (ii) Parking fees to tenants, only if such fees are customary for rental housing projects in the neighborhood; and
- (iii) Fees for services, such as bus transportation or meals, as long as the services are voluntary and fees are charged for services provided.

(From §92.214(b)(3))

2017 RENT & INCOME LIMITS

SOURCE: HUD
STATE: WASHINGTON MSA: SPOKANE, WA
EFFECTIVE: June 15, 2017

City of Spokane
Community, Housing, &
Human Services Department
808 W. Spokane Falls Blvd.
Spokane, WA 99201-3339
509.625.6325

FY 2017 ESTIMATED AREA MEDIAN INCOME (AMI): $65,700

2017 INCOME LIMITS

	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON	9 PERSON▲
AREA MEDIAN INCOME (*100% AMI*)	46,000	52,600	59,200	65,700	71,000	76,200	81,500	86,800	92,000
LOW-INCOME (*80% AMI*)	36,800	42,050	47,300	52,550	56,800	61,100	65,200	69,400	73,550
VERY LOW-INCOME (*50% AMI*)	23,000	26,300	29,600	32,850	35,500	38,100	40,750	43,400	46,000
EXTREMELY LOW-INCOME* (*30% AMI*)	13,800	15,800	17,750	19,700	21,300	22,850	24,450	26,050	27,600

2017 HOME PROGRAM RENTS

	SRO[x]	EFFICIENCY	1 BEDROOM	2 BEDROOM	3 BEDROOM	4 BEDROOM	5 BEDROOM	6 BEDROOM
FAIR MARKET RENT (FMR)	413	551	654	869	1,250	1,411	1,623	1,834
30 OF 50 RENT		♦551	616	740	854	953	1,051	1,149
30 OF 30 RENT		345	370	443	512	571	631	690

AMI – Area Median Income
▲Calculate AMI for a more than 9-person household by adding 8% for each member over 4-person AMI and round to nearest $50 (e.g., 10-person is 148% of 4-person AMI).
*Spokane CHHS does not adopt less restrictive 2014 Appropriations Act poverty guidelines that restrict 30% AMI household access to limited resources.
[x]HOME rent for an SRO is 75% of the Efficiency Fair Market Rent (FMR).
♦ HOME regulation requires that HOME rent cannot exceed FMR. Therefore, this rent is capped at FMR.

2. PROJECT SELECTION PROCESS

2.1 Application Processing

The following outlines the typical process for applications. Other steps may be added, depending upon the project.

- Applications must be received by the CHHS Department by the due date. **Applications must be complete.**
- An application fee of 0.5% of the requested amount of HOME funds is due at the time of application.
- City staff reviews applications, obtains additional information and clarification as needed, and summarizes information for the Affordable Housing (“AH”) Committee.
- Staff initiates environmental review and can provide links for prevailing wage rates, if applicable.
- Applicant is informed of applicable Federal regulations that can affect the project.
- If necessary, staff works with the applicant to schedule inspections. The applicant will pay for any inspections. If the project is approved, these costs are eligible for reimbursement.
- AH Committee reviews applications and makes recommendations to the CHHS Board.
- CHHS Board reviews the recommendations and makes its recommendation for funding allocations.
- Applicants are notified whether or not their project is recommended for funding.
- Projects that are not recommended for funding may reapply in future application cycles.
- Current tenants of projects that are recommended for funding are sent a notice regarding their rights under the Uniform Relocation Act.
- Allocation letters are sent to owners of projects to be funded. These contain conditions to the allocation, including funding by other sources, which must be met before funding. The commitment is also conditioned upon the approval of the City Council. Selection by the AH Committee and the CHHS Board does not guarantee approval by the City Council.
- We expect projects to begin within 6 months, but recognize that coordination with other lenders and/or investors may affect the timeline. If a project does not meet the time frames outlined in the allocation letter, the City can rescind the funds and make them available to other projects. The City must meet federal timeliness requirements, or it will lose the funds.
- When all project funding is secured and the project is proceeding, City documentation is prepared. The completed City documents are submitted to the City Council for approval. If the Council approves the transaction, the Mayor or his/her designee signs the documents for the City.
- The covenant agreement and deed of trust are recorded at the Office of the Spokane County Auditor and remain in place according to their terms.

NOTE: The City, AH Committee, and the CHHS Board reserve the right at their sole discretion to reject any and all applications, not award funds, recommend funds differently than proposed in an application, waive minor administrative irregularities, and/or cancel or reissue the request for proposals in whole or in part. If a project does not progress as planned, the funding allocation may be rescinded and the funds reallocated to other projects.

Applications must comply with the program priorities and funding regulations. Projects will be evaluated based on the following factors:

- Magnitude of need and compatibility with priorities.
- Economic and financial feasibility of the project
- Project’s access to transportation options appropriate to the target population.

- Readiness.
- Cost reasonableness.
- Market factors.
- Feasibility of project design and scope of work.
- Capability and experience of the sponsor.
- Capability and experience of the development team.
- Capability and experience of the property manager.
- Capacity of sponsor and/or team members to take on additional project and/or units.
- Performance of team members in managing current and past projects, including (but not limited to) compliance, monitoring, and payment history.
- Leverage of other funding sources, including overall leverage of public resources.
- Social services appropriate for the housing. Projects with more services have a higher priority than otherwise comparable projects. The application **must** identify how the sponsor will pay for the services, if they are offered.
- Compatibility of the project with the neighborhood.
- Collaboration and innovation.

To assess the reasonableness of costs, the City may require a third party cost analysis at the borrower's expense. In addition, borrowers may be charged for progress inspections to show work is done in accordance with applicable codes, the construction contract, and other construction documents.

2.2 Pre-Application Meetings

CHHS staff is available to provide additional information about program requirements. We encourage you to meet with us to discuss your project, particularly if you have not previously applied for or received public funding. Sponsors of projects that are occupied or were built before 1978 should speak with CHHS staff as federal requirements will affect your budget. The CHHS staff will offer guidance and refer applicants to information sources and other funders, however, staff will not prepare the application. The applicant is responsible for securing all funding necessary to finance the project.

2.3 Application Schedule

July 28, 2017	Application available. You may download it from https://my.spokanecity.org/chhs/funding-opportunities/multifamily-housing/ , request it by email from CHHSRFP@spokanecity.org, or call 509.625.6325 to have it emailed. The application includes the Combined Funder Application (Word), Combined Funder Application forms (Excel), and a City Addendum (Word). Please carefully read the additional instructions in the City Addendum before completing and assembling your application.
September 19, 2017	Application due by **5:00 P.M.** Deliver a hard copy and electronic copy of the complete application to: City of Spokane CHHS Department 808 West Spokane Falls Blvd., Rm. 650 Spokane, WA 99203-3339

	Do not bind your application, but punch the top edge with two holes. We place your application in a working folder. The application fee of 0.5% of the amount requested is due when the application is submitted. It is not refundable. Payment should be made payable to the City of Spokane.
September/November 2017	Staff review of applications.
November 2017	AH Committee meets to make funding recommendations
December 2017	CHHS Board meeting to review projects with advisory vote for Council.
December 2017	Applicants are notified of allocations.
2018	As projects are fully funded and documented, staff briefs City Council on projects. City Council votes on approval of projects.

3. ADDITIONAL INFORMATION

****Please READ THIS SECTION!** It includes information which has not been covered elsewhere.**

- Acquisition and rehabilitation of housing constructed before 1978 can trigger inspection, testing, repair, and ongoing maintenance activities under HUD's Lead Safe Housing regulation. These activities must be performed by specially trained and/or certified persons and can result in additional project costs.
- Projects with rehabilitation must submit a Capital Needs Assessment that identifies work to be done and remaining life on systems. The recommendations must be addressed in the scope of work. Smaller projects may have this requirement modified or waived.
- HOME funds can be used with many other federal programs, but restrictions may apply. For example, you must be careful when you mix HOME funds with low-income housing tax credits or housing bonds.
- Davis Bacon prevailing wage requirements are triggered when more than 11 units in a project are HOME-assisted. The payment of prevailing wages will affect your bidding, contracts, and subcontracts. Contact the CHHS staff before starting any work on the project to ensure compliance. Noncompliance can disqualify a project and result in revocation of the funding allocation. **Reminder: Projects will be charged for City staff and overhead costs directly related to administering federal requirements as they relate to the project.**
- State prevailing wages apply if the HOME funds are granted or a loan is made with conditions that result in a cost to the City. Contact the WA State Department of Labor & Industries regarding state prevailing wages and related requirements. Its website is www.lni.wa.gov. When both state and federal prevailing wage rates apply, the project pays the higher rate.
- Completed projects **must** include smoke detectors as required by local code and Landlord Tenant Law and carbon monoxide alarms as required by State law (RCW 19.27.530) and local code.
- Funds for approved projects will only be disbursed upon presentation of an acceptable request for funds. The funding of payment requests requires evidence of expenses incurred,

compliance with Davis Bacon wage requirements (if applicable), permit-related inspections by the City's Building Division, and owner architect inspection of the work completed, as well as other approvals determined necessary and appropriate for the project. Lien releases may be required.

- Funds are not advanced for materials prior to installation. For example, roof trusses, windows, cabinets, and plumbing fixtures must be installed to be eligible for reimbursement.
- Requests for payment are not paid upon receipt. Once approved by the CHHS staff, there is further processing by the Accounting Department before the funds are available. The process typically takes up to 7 to 10 working days.
- Ten percent or more of the City's funds will be held until the project is complete, any Davis-Bacon requirements are satisfied, other federal requirements are met, related permits are finalized, the final certificate of occupancy is issued (if applicable), and the owner accepts the work. Projects requiring Davis Bacon compliance will typically have a higher retainage (e.g., 20%).
- While developer fees are an eligible expense, they must be reasonable and justified in the application. If City funds are requested for developer fees, the amount should be small compared with other costs paid by the City. Payment of developer fees may be withheld until the project is complete and all other project costs are paid.
- Operating budgets can include reasonable property management costs. Costs for client services, maintenance, tenant activities, etc. need to be broken out. Excessive management fees will reflect poorly on your application.
- Project costs must be reasonable. Owners must be prepared to justify expenses. Supporting documentation may be required, such as bidding information and/or a third party cost analysis.
- Contractors must be licensed and bonded.
- A bid, payment, or performance bond is required for all contracts exceeding $100,000.
- **The applicant, contractor, and all subcontractors cannot be listed as a debarred or excluded party on the federal System for Award Management http://www.sam.gov .** These are parties excluded throughout the U.S. Government (unless otherwise noted) from receiving Federal contracts or certain subcontracts and from certain types of Federal financial and non-financial assistance and benefits. The applicant is responsible for ensuring its contractor and subcontractors are not "excluded parties". Keep copies of your searches.
- HUD publishes HOME maximum income and rent levels at varying times once each year. These maximum amounts may increase or decrease. For projects that are selected for funding, rents limits will not fall below the maximum amount of rent allowed at the time of application. Additional information is available at www.hud.gov/offices/cpd/affordablehousing/programs/home/
- If a project receives HOME funds from multiple public sources, the funders must coordinate the number of HOME-designated units. If another jurisdiction has comparable or stricter restrictions, the City may adjust the number of HOME units and per unit subsidy limits.
- Applicants should contact the City before ordering an appraisal. City staff may need to speak with the appraiser regarding the rent restrictions and the appraisal assumptions.
- Units for on-site resident managers should not be included as a HOME assisted unit, unless the manager's household will qualify under the income requirements for tenants during the affordability period.
- Projects must meet federal environmental review requirements. Activities completed prior to the completion of the environmental review might make the project ineligible for federal HOME funds. Projects may be charged for City staff and overhead costs directly related to administering these requirements as they relate to the project.
- If a nonprofit recipient of federal financial assistance expends more than $750,000 in federal funds in its fiscal year, it must meet the audit requirements of 2 CFR 200 Subpart F – Audit

Requirements. If this applies to an applicant, they should submit copies of the most recent audit to the City's CHHS Department.

- Applicants who receive federal funds, with the exception of individuals other than sole proprietors, must have a DUNS (Data Universal Numbering System) number. This is a unique nine-digit identification number provided by Dun & Bradstreet (D&B). You do not need to have one to apply to the City, but you must have one, if you are allocated funds. This is free for all entities doing business with the Federal government, so be certain that you identify yourself as a Federal grant applicant or prospective applicant. You can reach D&B at http://fedgov.dnb.com/webform/ or 1-866-705-5711. In addition, the borrowing entity must be registered in the federal government's System for Award Management at www.sam.gov. You will need your DUNS number to register.

4. STAFF CONTACTS

Melora Sharts	Project Finance	email: msharts@spokanecity.org	509.625.6840
Paul Trautman	Compliance	email: ptrautman@spokanecity.org	509.625.6329

AMERICANS WITH DISABILITIES ACT (ADA) INFORMATION: The City of Spokane is committed to providing equal access to its facilities, programs, and services for persons with disabilities. Individuals requesting reasonable accommodations or further information may call, write, or email Christine Cavanaugh at (509) 625-6383, 808 West Spokane Falls Boulevard, Spokane, Washington, 99201; or ccavanaugh@spokanecity.org. Persons who are deaf or hard of hearing may contact Ms. Cavanaugh at (509) 625-6383 through the Washington Relay Service at 7-1-1. Please contact the City forty-eight (48) hours before the meeting date.

The federal Equal Credit Opportunity Act (ECOA), 15 U.S.C. 1691 et seq., prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age (provided that applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, D.C. 20580. For information regarding ECOA, see http://www.justice.gov/crt/about/hce/housing_ecoa.php.

We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status, or national origin.

We do business in accordance with the Washington Law Against Discrimination, RCW 49.60, which prohibits discrimination on the bases of race, color, creed, national origin, disability, HIV/AIDS and Hepatitis C status, use of guide dog or service animal, sex, marital status, age (employment only), families with children (housing only), sexual orientation/gender identity, and honorably discharged veteran or military status.

EQUAL HOUSING
OPPORTUNITY

APPENDIX 1
Regulatory Guidelines for HOME Funds

Overall Design Policies and Requirements of the HOME Program (24 CFR Part 92)

The statutory focus of the HOME Investment Partnerships Program is to create affordable permanent housing for low and very-low income residents. At least 15% of the annual allocation must be set aside for particular types of nonprofit housing providers called "Community Housing Development Organizations" (CHDOs). HOME funds may be used to develop affordable rental housing through site improvements, acquisition, new construction, and rehabilitation. These funds may also be used to pay for development soft costs including finance costs, predevelopment costs, and relocation costs.

Mixed Income and Mixed Use Projects

Mixed income projects are eligible for HOME assistance as long as the assisted units are targeted and affordable to very low-income households with incomes at or below 50% of median. The City encourages projects that combine income levels and/or projects with HOME-units and non-HOME units.

For purposes of meeting the HOME affordable housing requirements for a project with HOME and non-HOME units, the units counted for purposes of HOME may change ("float") over the period of affordability, so long as the total number of affordable units remains the same, and the substituted units are comparable in size, features, and number of bedrooms to the originally-designated HOME units. Specific units may also be identified as "fixed" HOME units, meaning the unit will serve only HOME-eligible tenants. Cost allocation methods differ when units are designated as fixed or floating.

HOME funds will be available for assistance only in proportion to the percent of low-income units in the project.

Eligible Costs (§92.205-215)

HOME funds may be used to pay development hard costs for the construction and rehabilitation of housing. HOME funds may be used in rehabilitation projects to correct substandard conditions, to make essential improvements including energy-related repairs or improvements, improvements necessary to permit the use by handicapped persons, and the abatement of lead-based paint hazards, and to repair or replace major housing systems in danger of failure.

New Construction or Rehabilitation Costs: Within both new construction and rehabilitation, HOME funds can pay costs to demolish existing structures for improvements to the project site and costs to make utility connections.

Acquisition and Development Soft Costs: HOME funds may cover the cost of acquiring improved or unimproved real property and the following related soft costs: architectural, engineering or related professional services, impact fees, costs to process and settle the financing for a project, costs for a project audit, costs to provide information services such as affirmative marketing and fair housing information and relocation costs. As of the 8/23/13 HUD revisions, HOME funds can pay for architectural and engineering and other professional services required to prepare plans, drawings, specifications or work write-ups, if they were incurred not more than 24 months before the date that the HOME funds are committed to the project and the City expressly permits HOME funds to be used to pay the costs in the written agreement committing the funds.

Community Housing Development Organization (CHDO) Setaside (§92.2, §92.300-303)

The federal regulations require that 15% of the HOME allocation be set aside for capital projects owned, sponsored, and developed by Community Housing Development Organizations (CHDOs). The City must certify the organization meets the definition of CHDO and must document that the organization has capacity to own, develop, or sponsor housing each time it commits funds to the organization. Note that CHDO requirements and their roles changed significantly in the 2013 HOME Rule changes. A number of the changes were made to ensure that CHDOs maintain effect control of projects using HOME funds set aside for CHDOs. The information below does not include all of the sections that are applicable to CHDOs, so see the HOME regulations for more information.

A CHDO is defined as a private nonprofit organization that:

- Is organized under State or local laws;
- Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;
- Is neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization. A community housing development organization may be sponsored or created by a for-profit entity, but:
    1. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm.
    2. The for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body. Board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;
    3. The community housing development organization must be free to contract for goods and services from vendors of its own choosing; and
    4. The officers and employees of the for-profit entity may not be officers or employees of the community housing development organization.
- Has a tax exempt ruling from the Internal Revenue Service under section 501(c)(3) or (4) of the Internal Revenue Code of 1986 (26 CFR 1.501(c)(3)-1 or 1.501(c)(4)-1), is classified as a subordinate of a central organization non-profit under section 905 of the Internal Revenue Code of 1986, or if the private nonprofit organization is a wholly owned entity that is disregarded as an entity separate from its owner for tax purposes (e.g., a single member limited liability company that is wholly owned by an organization that qualifies as tax-exempt), the owner organization has tax exemption ruling from the Internal Revenue Service under section 501(c)(3) or (4) of the Internal Revenue Code of 1986 and meets the definition of "community housing development organization;"
- Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a CHDO; however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of governmental entity. Board members appointed by a governmental entity may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers or employees of a CHDO;
- Has standards of financial accountability that conform to 24 CFR 84.21, "Standards for Financial Management Systems;"
- Has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions, or by-laws;
- Maintains accountability to low-income community residents by:
    1. Maintaining at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations. For urban areas, "community" may be a neighborhood or neighborhoods, city, county, or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and
    2. Providing a formal process for low-income, program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing;
- Has a demonstrated capacity for carrying out housing projects assisted with HOME funds. A designated organization undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employees with housing development experience who will work on projects assisted with HOME funds. For its first year of funding as a CHDO, an organization may satisfy this requirement through a contract with a consultant who has housing development experience to train appropriate key staff of the organization. An organization that will own housing must demonstrate

capacity to act as owner of a project and meet the requirements of 92.300(a)(2). A nonprofit organization does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated by another organization; and

- Has a history of serving the community within which housing to be assisted with HOME funds is to be located. In general, an organization must be able to show one year of serving the community before HOME funds are reserved for the organization. However, a newly created organization formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least a year of serving the community.
- CHDO can have one of three roles in a rental housing project, which must be specified in the written agreement and in HUD's Integrated Disbursement Information System. The rental housing roles are described below. See the regulations for additional information if the CHDO has another role, such as when a CHDO provides homeownership opportunities.
    - Rental housing is "owned " by the CHDO if the CHDO is the owner in fee simple absolute of multifamily or single family housing (or has a long-term ground lease) for rental to low-income families in accordance with §92.252. If the housing is to be rehabilitated or constructed, the CHDO hires and oversees the developer that rehabilitates or constructs the housing. At a minimum, the CHDO must hire or contract with an experienced project manager to oversee all aspects of the development, including obtaining zoning, securing non-HOME financing, selecting a developer or general contractor, overseeing the progress of the work, and determining the reasonableness of costs. The CHDO must own the rental housing during development and for a period at least equal to the period of affordability in §92.252. If the CHDO acquires housing that meets the property standards in §92.251, the CHDO must own the rental housing for at period at least equal to the period of affordability in §92.252.
    - Rental housing is "developed" by the CHDO if the CHDO is the owner in fee simple absolute of multifamily or single family housing (or has a long-term ground lease) and the developer of new housing that will be constructed or existing substandard housing that will be rehabilitated for rent to low-income families in accordance with §92.252. To be the "developer", the CHDO must be in sole charge of all aspects of the development process, including obtaining zoning, securing non-HOME financing, selecting architects, engineers and general contractors, overseeing the progress of the work, and determining the reasonableness of costs. At a minimum, the CHDO must own the housing during development and for a period at least equal to the period of affordability in §92.252.
    - Rental housing is "sponsored" by the CHDO if it is rental housing "owned" or "developed" by a subsidiary of a CHDO, a limited partnership of which the CHDO or its subsidiary is the sole general partner, or a limited liability company of which the CHDO or its subsidiary is the sole managing member. The subsidiary of the CHDO may be a for-profit or nonprofit organization and must be wholly owned by the CHDO. If the limited partnership or limited liability company agreement permits the CHDO to be removed as general partner or sole managing member, the agreement must provide that the removal must be for cause and that the CHDO must be replaced with another CHDO. The HOME funds must be provided to the entity that owns the project.
    - HOME-assisted rental housing is also "sponsored" by a CHDO if the CHDO "developed" the rental housing project that it agrees to convey to an identified private nonprofit organization at a predetermined time after completion of the development of the project. Sponsored rental housing, as provided in this paragraph is subject to the following requirements:
        - The private nonprofit organization may not be created by a governmental entity.
        - The HOME funds must be invested in the project that is owned by the CHDO.
        - Before commitment of HOME funds, the CHDO sponsor must select the nonprofit organization that will obtain ownership of the property.
            - The nonprofit organization assumes the CHDO's HOME obligations (including any repayment of loans) for the rental project at a specified time after completion of the development.
            - If the housing is not transferred to the nonprofit organization, the CHDO sponsor remains responsible for the HOME assistance and the HOME project.

Faith-based Organizations and Activities (§92.257)

Organizations that are religious or faith-based are eligible, on the same basis as any other organization. Recipients and subrecipients of program funds shall not, in providing program assistance, discriminate against a program participant or prospective program participant on the basis of religion or religious belief. An organization that is directly funded under the HOME program:

- may not engage in explicitly religious activities, including activities that involve overt religious content, such as worship, religious instruction, or proselytization, as part of the assistance funded under the HOME program. If an organization conducts such activities, the activities must be offered separately, in time or location, from the assistance funded under HOME, and participation must be voluntary for the beneficiaries of the assistance provided.

A faith-based organization that participates in the HOME program:

- is eligible to use such funds without impairing its independence, autonomy, expression of religious beliefs, or religious character. It will retain its independence from federal, state, and local government, and may continue to carry out its mission, including the definition, development, practice, and expression of its religious beliefs, provided that it does not use direct HOME program funds to support or engage in any explicitly religious activities, including activities that involve overt religious content, such as worship, religious instruction, or proselytization, or any manner prohibited by law. Among other things, faith-based organizations may use space in their facilities to provide program-funded services, without removing or altering religious art, icons, scriptures, or other religious symbols. In addition, a HOME program-funded religious organization retains its authority over its internal governance, and it may retain religious terms in its organization’s name, select its board members on a religious basis, and include religious references in its organization’s mission statements and other governing documents.
- shall not, in providing services supported in whole or in part with federal financial assistance, and in their outreach activities related to such services, discriminate against current or prospective program beneficiaries on the basis of religion, a religious belief, or a refusal to hold a religious belief, or a refusal to attend or participate in a religious practice.

HOME funds

- may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for explicitly religious activities.
- may be used for the acquisition, construction, or rehabilitation of structures only to the extent that those structures are used for conducting eligible activities as described in the HOME program. When a structure is used for both eligible and explicitly religious activities, HOME funds may not exceed the cost of those portions of the acquisition, construction, or rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to HOME program. Sanctuaries, chapels, or other rooms that a HOME program-funded religious congregation uses as its principal place of worship, however, are ineligible for HOME-funded improvements.

If a program participant or prospective program participant of the HOME program objects to the religious character of an organization that provides services under the program, that organization shall, within a reasonably prompt time after the objection, undertake reasonable efforts to identify and refer the program participant to an alternative provider to which the prospective program participant has no objection. Except for services provided by telephone, the Internet, or similar means, the referral must be to an alternate provider in reasonable geographic proximity to the organization making the referral. In making the referral, the organization shall comply with applicable privacy laws and regulations. Recipients and subrecipients shall document any objections from program participants and prospective program participants and any efforts to refer such participants to alternative providers in accordance with the requirements of §92.508(a)(2)(xiii).

Maximum and Minimum HOME Subsidies Per Unit (§92.205(c), §92.250)

The per-unit cost limits were tied to Section 221(d(3) limits, which have been discontinued. Until a permanent subsidy limit is established, HUD published interim guidance in a notice: CPD 15-03. It adopts an interim policy directing PJs to use the Section 234-Condominium Housing basic mortgage limits for elevator-type projects that apply to the area in which the housing is located. HUD will allow the per-unit subsidy amount to be increased on a program-wide basis to an amount, up to 240 percent of the original per unit limits, to the extent that the costs of multifamily housing construction exceed the section 234 limit. The limits established under the City's program are within the federal limits.

A unit is defined as anything in which a household can reside, ranging from a single-room occupancy hotel unit, to a single family home, to a three-bedroom apartment. If multiple households share a single-family house, the house is counted as one unit.

The minimum level of HOME funds is $1,000 per unit. The maximum HOME subsidy that may be provided for each project is established by HUD, updated annually, and is not reduced by the presence of Low Income Housing Tax Credits. The regulations specify this provision to prevent the layering of federal funds beyond the amount required to make a project financially feasible. See Section 1.8 of the Program Description for the current maximum HOME subsidy by bedroom size under the City's program.

Property Standards (§92.251)

Rental housing acquired or rehabilitated with HOME funds must meet the CHHS Department's minimum rehabilitation standards as described in the Minimum Multifamily Housing Rehabilitation Standard for HOME Funded Properties, and all applicable state and local codes and ordinances. You can get a copy of the Department's rehabilitation standards from Paul Trautman at ptrautman@spokanecity.org or 509.625.6325. **Newly-constructed rental housing** must meet state and local codes, ordinances, and zoning requirements, as applicable, and site and neighborhood standards of 24 CFR 893.6(b). **All assisted rental housing** must meet the accessibility requirements of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973. Specifically, it must meet the accessibility requirements of 24 CFR part 8, which implement Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. Covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619). Operating budgets must include adequate maintenance reserves to ensure that they can continue to meet property standards at least as long as the required period of affordability.

New property standards apply to projects. Some are currently in effect and others were supposed to apply to projects to which funds are committed on or after January 24, 2015, but HUD guidance is still pending. Examples of changes include: a higher degree of oversight by the City, including requirements for the City to review and approve construction-related documents prior to construction and to monitor construction progress; the use the International Existing Building Code of the ICC in the absence of a local building code for rehabilitation; and specific requirements for inspection frequency.

Tenant and Participant Protections (§92.253)

Tenants are to be afforded certain protections in any HOME-assisted project. The major tenant protections include the following provisions:

- written leases must be for a minimum of one year unless mutually agreed to by the owner and tenant;
- leases may NOT contain any of the following provisions:
    - agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;
    - agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law;
    - agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent;
    - agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;

    - agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
    - agreement by the tenant to waive any right to a trial by jury;
    - agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease;
    - agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses; and
    - agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.
- an owner may not terminate tenancy or refuse to renew the lease except for: serious or repeated violation of the terms and conditions of the lease; for violation of applicable federal, state or local law; completion of the tenancy period for transitional housing or failure to follow any required transitional housing supportive services plan; or for other good cause. Good cause does not include an increase in the tenant's income or refusal of the tenant to purchase the housing. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy; and
- an owner must comply with the affirmative marketing requirements established by the City and have written tenant selection policies and criteria that:
    - limit the housing to very low-income and low-income families;
    - are reasonably related to the applicants' ability to perform the obligations of the lease (i.e., to pay the rent, not to damage the housing, not to interfere with the rights and quiet enjoyment of other tenants);
    - limit eligibility or give a preference to a particular segment of the population if permitted in the written agreement with the City (and only if the limitation or preference is described in the City's consolidated plan);
    - do not exclude an applicant with a certificate or voucher under the Section 8 Tenant-Based Assistance: Housing Choice Voucher Program (24 CFR part 982) or an applicant participating in a HOME tenant-based rental assistance program because of the status of the prospective tenant as a holder of such certificate, voucher or comparable HOME tenant-based assistance document;
    - provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and
      give prompt written notification to any rejected applicant of the grounds for any rejection.

Conflict of Interest (§92.356(f))

Owners and developers: No owner, developer or sponsor of a project assisted with HOME funds (or officer, employee, agent, elected or appointed official, or consultant of the owner, developer, or sponsor or their immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, or consultant of the owner, developer, or sponsor) whether private, for-profit or nonprofit (including a CHDO when acting as an owner, developer, or sponsor) may occupy a HOME-assisted affordable housing unit in a project during the required period of affordability specified in §92.252(e) or §92.254(a)(4). This provision does not apply to an individual who receives HOME funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

Exceptions: Upon written request of a housing owner or developer, the City may grant an exception to the provisions of the above paragraph on a case-by-case basis when it determines that the exception will serve to further the purposes of the HOME program and the effective and efficient administration of the owner's or developer's HOME-assisted project. In determining whether to grant a requested exception, the City shall consider the following factors:

- Whether the person receiving the benefit is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted housing and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;

- Whether the person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted housing in question;
- Whether the tenant protection requirements of 92.253 are being observed;
- Whether the affirmative marketing requirements of 92.351 are being observed and followed; and
- Any other factor relevant to the participating jurisdiction's determination, including the timing of the requested exception.

APPENDIX 2
Other Regulatory Guidelines

A number of federal regulations apply to projects utilizing HOME funds. Information relating to some of these is summarized below.

Affirmative Marketing

Sponsors are required to make special outreach to advertise vacancies to persons who are not likely to apply for housing without special outreach. Examples of special outreach are advertising vacancies with the Spokane Housing Authority, including the Equal Housing Opportunity logo in advertising, and displaying the Fair Housing poster. The HUD 932-2a form is available at http://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf .

American Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973, as amended (504) 24 CFR 8

New construction projects of 5 or more units must make, at a minimum, 5% of units accessible to handicapped persons and an additional 2% of units accessible to sensory impaired persons. If rehabilitating 5 or more units, perform planned repairs and improvements so that they increase handicapped and sensory accessibility as much as feasible. Major rehabilitation of a project with 15 or more units must also make 5% of units accessible to handicapped persons and an additional 2% of units accessible to sensory impaired persons.

Fair Housing

New construction of 4 or more units in a building must have fully accessible ground floor units and common spaces. If constructing a multistory building with an elevator, then all units and common spaces must be fully accessible and on an accessible route.

"It is an unfair practice for any person to refuse to sell or rent after the making of a bona fide offer, or to refuse to negotiate for the sale or rental of, or otherwise make unavailable or deny a dwelling to any person, whether acting for himself, herself, or another, because of sex, marital status, race, creed, color, national origin, families with children status, the presence of any sensory, mental or physical disability, or the use of a trained dog guide or service animal by a disabled person." Fair Housing Act as Amended (Title 8)

Sponsors shall not refuse to rent HOME-assisted units to a Section 8 certificate or voucher holder.

Lead-Based Paint

Sponsors acquiring and/or rehabilitating housing constructed before 1978 with federal financial assistance must comply with HUD regulations regarding lead-based paint. Depending on the types and extent of activity, certain inspections and repairs must be performed by certified inspectors and contractors. Completion of these requirements may affect the project's work list, timeline, and budget. Please consult City staff if you believe these requirements will apply to you.

Lessors of housing constructed prior to 1978 must provide tenants with the HUD/EPA approved Protect Your Family from Lead in Your Home pamphlet, disclose known lead-based paint hazards, and notify tenants of the results of any lead paint testing performed on the unit or common areas. Tenants must be instructed to notify the owner of any deteriorated lead-based paint surfaces. In addition, maintenance or repair that disturbs paint that may contain lead must use Safe Work Practices and pass a Certified Clearance Test.

Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended

The Uniform Relocation Act (URA) applies to all occupied residential and/or commercial property assisted with Federal funds. The URA protects all tenants in occupancy at the time of application for federal funds. You may not deny tenancy to current tenants - including refusal to renew a lease unless the tenant has violated the lease. The URA also protects tenants occupying or vacating units following application unless proper procedures are followed. City staff can assist you with these requirements.

City staff will provide sample notices for URA protected tenants. URA guarantees that after the project is completed, tenant's initial rent, including the estimated average monthly utility costs, will not exceed the greater of: (a) tenant's current rent and average utility cost, or (b) 30% of tenant's average monthly gross household income.

Temporary relocation results when a tenant cannot reasonably enjoy their unit due to construction. The tenant must be provided with suitable temporary housing at no additional cost and have the opportunity to reoccupy a suitable unit in the building within 12 months of temporary relocation.

Permanent relocation can occur when tenancy is terminated to avoid URA impact, or when a tenant moves prior to receipt of a URA notice, cannot occupy a suitable unit in the building after project completion, is temporarily relocated for more than 12 months, or otherwise moves permanently as a direct result of the project. You must provide tenants with notices and comparable replacement housing, as well as pay displaced tenants' moving expenses and replacement housing costs. **Contact City staff as soon as possible if your project will temporarily or permanently relocate tenants.**

Wage Requirements: Federal Prevailing Wages/Davis-Bacon

Projects with 12 or more HOME-assisted units must pay federal prevailing wages for all on-site construction work related to the project. The wages are determined by the U. S. Department of Labor. All construction contracts must contain a Federal Labor Standards Provisions attachment, which is available at www.hud.gov/offices/adm/hudclips/forms/files/4010.pdf. Also, all contractors must complete federal certifications and payrolls. **The City will charge the project for its time to administer these requirements.** Contact City staff if your project may be subject to the Davis-Bacon Act.

Note that federal prevailing wages are not the same as state prevailing wages. Projects may be subject to WA State prevailing wages, particularly if any part of the loan is forgiven. For information on State prevailing wages, go to http://www.lni.wa.gov/TradesLicensing/PrevWage/ .

Bid solicitations must include relevant wage determination(s) and subcontracts must include prevailing wage language.

APPENDIX 3 - Glossary of Terms

Affirmative Marketing – Actions to provide information and otherwise attract eligible persons who are underrepresented in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability.

Affordability - Affordability is achieved when a household's rent or mortgage payment and utility costs do not exceed 30 percent of the monthly income for the targeted income group as adjusted for household size.

Affordable - Under the Spokane Municipal Code, 17F.040.040, "Affordable housing" is defined as housing that has a rental rate at or below thirty percent of fifty percent of area median income adjusted for family size, and which is committed to such rental rate for a period of at least ten years by means of a recorded regulatory agreement between the owner(s) and the City, enforceable by the occupants of the housing."

Affordable Housing ("AH") Committee - A group of individuals that represent the broad array of interest groups that comprise the affordable housing development community. Members are appointed for two-year terms by the Community, Housing, & Human Services Board. The Committee meets review project funding applications and to recommend projects for funding to the CHHS Board, which makes recommendations for approval to the City Council. The Committee may also meet as needed to consider amendment requests and advise on policy issues.

Amortization - Payment of a loan in regular installments of principal and interest.

Applicant - The individual or organization that is submitting the application and is usually the legal entity that will contract with the City to complete the proposed project.

Appraised Value - The value the property should sell for in the marketplace, as estimated by a professional appraiser.

Area Median Income (AMI) - HUD publishes an annual listing of the median income adjusted for family sizes for areas of the country. The median income is the level at which half of the families have incomes above that figure and half of the families have incomes below.

Cash Flow - Cash available for the property owner after vacancy, expenses, and debt service payment have been deducted from gross income.

Chronically homeless – From definitions at 24CFR578.3, "Chronically homeless. (1) An individual who: (i) Is homeless and lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; and (ii) Has been homeless and living or residing in a place not meant for human habitation, a safe haven, or in an emergency shelter continuously for at least one year or on at least four separate occasions in the last 3 years; and (iii) Can be diagnosed with one or more of the following conditions: substance use disorder, serious mental illness, developmental disability (as defined in section 102 of the Developmental Disabilities Assistance Bill of Rights Act of 2000 (42 U.S.C. 15002)), post-traumatic stress disorder, cognitive impairments resulting from brain injury, or chronic physical illness or disability; (2) An individual who has been residing in an institutional care facility, including a jail, substance abuse or mental health treatment facility, hospital, or other similar facility, for fewer than 90 days and met all of the criteria in paragraph (1) of this definition, before entering that facility; or (3) A family with an adult head of household (or if there is no adult in the family, a minor head of household) who meets all of the criteria in paragraph (1) of this definition, including a family whose composition has fluctuated while the head of household has been homeless.

Community, Housing, & Human Services Board – Formed in 2012, the CHHS Board is an 11-member advisory group, which provides oversight for the HUD entitlement programs, and other federal, state, and local funds that are used to address human services, public services, affordable housing, homelessness, neighborhood revitalization activities, economic development, and lead abatement.

Construction Loan - A short-term interim loan to finance the cost of construction.

Conversion - A rehabilitation of a structure from a use which does not provide permanent housing to one which provides permanent housing. For example, the rehabilitation of a hospital, nursing facility, office building, or warehouse to apartments.

Correctional Facilities - Facilities such as jails, prisons, and detention centers.

Debt Coverage Ratio - The ratio of net operating income to the required principal and interest payments. It reflects the ability of the project to repay its debt. A 1.0 ratio would mean the project can barely make its debt payments. A 1.2 ratio means there is a cushion of 20%, or that operating income exceeds the debt payments by 20%.

Debt Service Payment - Payment made to lender for funds borrowed for projects.

Deed of Trust - A legal instrument by which a borrower gives the lender an interest in the property.

Deferred Loan - Principal or principal and interest payments are deferred for a specified period of time or until the occurrence of a defined event (e.g., the transfer of property). Deferred amount may be due and payable in full at this time, depending upon the loan terms.

Developer Fee - A fee paid to the developer for services. It is used to offset overhead and is paid through the development process. It is usually based on a percentage of the costs, dollars per buildable square feet, or dollars per unit.

Displacement - The permanent relocation of a person (to include families, individuals, businesses, nonprofit organizations, and farms) as a result of a project assisted with federal funds through the City.

Environmental Review - National Environmental Policy Act of 1969 (NEPA) 24 CFR 58 - City staff will perform a NEPA assessment of the subject property following receipt of a project application. A 30-day public comment period and HUD Release of Funds may be required. Mitigation of environmental impacts may be required. This environmental assessment does not supersede state and local environmental review.

Equity - The part of the total value of the development owned by the owner.

Fair Market Rent - Fair Market Rents means the rent that would be required to be paid in a particular housing market area in order to obtain privately owned, decent, safe, and sanitary rental housing of modest (non-luxury) nature with suitable amenities. Rents are established by the Department of Housing and Urban Development for dwelling units of different sizes (number of bedrooms). Fair Market Rent includes utilities, except telephone and cable television.

Group Home - Usually a large single family structure, group homes are housing occupied by two or more unrelated single persons or families consisting of common space and/or facilities for group use by the occupants of the unit and (except in the case of shared one bedroom units) separate private space for each family. It also includes group housing for elderly or disabled persons. Supportive services may be provided.

Housing Quality Standards (HQS) - Units assisted with HOME funds must meet minimum standards. Inspection by City staff is available prior to construction. Inspections are required upon project completion and throughout the project's period of affordability. The 2013 changes to the HOME regulations include some requirements that are being phased in. HUD will issue guidance on how to incorporate the Uniform Physical Condition Standards into the property standards for rehabilitation and acquisition. It is effective as of 1/24/15 for projects to which HOME funds are committed after that date. Some requirements relating to inspections are effective 7/24/14.

Housing Costs - Include playground areas, laundry facilities, hallways and kitchens if used only by residents of the housing project.

Interest - The amount of money charged by the lender for the use of a principal amount of money. It is expressed as a percentage and may be calculated in a variety of ways. The interest rate may be fixed over the life of the loan or may be adjustable at regular intervals as defined by the lender.

Lease - A lease provides site control for the term of the lease. The person holding the lease has the use of the property as long as they comply with the terms of the lease. Any lease must state the term and amount due during any given period. Any period for which the rental amount is not set is not part of the site control period.

Leverage - The ratio of total project dollars from other sources as compared with City HOME funds as compared to total project dollars from other sources. Leverage of public resources is the ratio of resources from government sources or programs to the resources from non-government sources.

Lien - Security interest in a property when it is used as collateral to support a loan. When the property is sold, the first lien holder is paid first; the second lien holder is paid second and so forth. Any funds remaining after all liens have been satisfied are paid to the owner. This is important in the case of defaults and other legal matters associated with borrowing funds to purchase or improve property.

Loan - Funds provided by a lender to the housing project, which must be repaid to the lender within a specified period of time and under certain conditions.

Loan-to-Value Ratio (LTV) - The ratio of the debt on a property to the value of the property. Due to the variation in the real estate market and the potential for deterioration in value (e.g., if a property is neglected), lenders do not like to exceed 75% or 80% LTV on commercial real estate properties.

Major Building Systems – When rehabilitation projects have 26 or more units, they must do a capital needs assessment covering major building systems. Per 24 CFR 251(b)(1)(ii) describes major systems as structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); electrical; and heating, ventilation, and air conditioning.

Medical Treatment Facilities - Facilities licensed as medical treatment centers.

Non-Housing Costs - Costs associated with space used for commercial purposes or the proportionate share of kitchens, community rooms, etc. not used by residents of the City project.

Non-Profit Corporation - A corporation which has received certification from the Internal Revenue Service as to its non-profit status. Typically, these receive a tax-exempt ruling from the Internal Revenue Service under section 501(c)(3) or (4) of the IRS Code of 1986.

Non-Residential Costs – See Non-Housing Costs.

Nursing Homes - State licensed nursing homes.

Operating Subsidy - Financial assistance used to supplement the day-to-day operations of a project.

Option – An option states that the holder has the right to purchase or lease a property for a specific dollar amount during the term of the option. An option is often renewable for a set time period for a set fee.

Period of Affordability - The period of time for which the applicant commits the development for use as proposed in the City's application. Under the City's program, the period of affordability is at least 5 years for acquisition and rehabilitation and 20 years for new construction.

Permanent Loan - Long term financing that allows the owner to pay for the cost of the development over the course of its useful life. Also known as a take-out or primary loan.

Permanent Supportive Housing - A combination of housing and services designed for people with serious mental illnesses or other disabilities, who need support to live stably in their communities. These services can include case management, substance abuse or mental health counseling, advocacy, and assistance in locating and maintaining employment.

Pre-development Cost - Generally, these are costs associated with the planning of a housing project. They include a variety of costs which must be incurred prior to the start of construction but which may be necessary in order to obtain financing commitments for the project. Examples are market analyses, preliminary architect fees, engineering fees, surveys, application fees, site option costs and environmental assessments.

Project Completion – Under the HOME regulations, the affordability period begins at project completion, which means that all necessary title transfer requirements and construction work have been performed; the project complies with the requirements of 24 CFR Part 92, including the property standards under §92.251; the final drawdown of HOME funds has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD, except that with respect to rental housing project completion, for the purposes of §92.502(d) of the HOME Rule, project completion occurs upon completion of construction and before occupancy.

Purchase and Sale Agreement - A purchase and sale agreement states the conditions under which the purchaser will purchase and the seller will sell. It is not as firm as an option since both sides often have ways out. It should specify a price and have a period of time for the purchaser to get financing and close any other contingencies in the agreement.

Relocation Expenses - Costs paid to households or businesses when temporary or permanent relocation is necessary. The applicant must provide notices and pay certain relocation expenses.

Senior - A person 55 years of age or older, unless a program sets a different limit.

Shelter Housing - Developments offering short term temporary residency ranging from a few days to two months for homeless families and individuals. Shelter housing is not eligible for HOME funds.

Term - The period of time over which a loan is outstanding until it is entirely repaid.

Title - Evidence of legal ownership interest in a property and the right to encumber the property (e.g. to borrow funds, which will be secured by a loan against the property).

Transitional Housing - Developments offering intermediate term temporary residency ranging from two months to two years. Social services are typically included in this kind of development.

Uniform Physical Condition Standards (UPCS) – Uniform national standards established by HUD pursuant to 24 CFR 5.703 for housing that is decent, safe, sanitary, and in good repair. Standards are established for inspectable items for each of the following areas: site, building exterior, building systems, dwelling units, and common areas.

Vacancy - Estimated reduction in projected income due to the non-occupancy of the rental space.