

October 1, 1990

INTRODUCED BY AUDREY GRUGER

PROPOSED NO. 90 - 885

9693

ORDINANCE NO. _____

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AN ORDINANCE relating to the King County Housing Opportunity Fund, attaching revised program policies and project selection guidelines, amending Ordinance 9369, Section 2.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Ordinance 9369, Section 2, as amended, is hereby amended to read as follows:

Ordinance No. 9221, Section 92, as amended, is hereby amended by adding thereto and inserting therein the following:

CIP PROJECT APPROPRIATIONS - From the several capital improvement project funds there are hereby appropriated and authorized to be disbursed the following amounts for the specific projects identified in Attachment 1, as adjusted by Attachment 2, of this ordinance.

Fund	Capital Fund	
322	Housing Opportunity Acquisition Fund	\$2,759,000

PROVIDED THAT:

1) Housing projects are selected and funded in accord with the attached Revised Program Policies and Project Selection Guidelines, and

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2) The maximum number of FTEs authorized for the Housing Opportunity Acquisition Fund shall be: 1.0

INTRODUCED AND READ for the first time this 22nd day of October, 1990.

PASSED this 5th day of November, 1990.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Lois North
Chair

ATTEST:

Gerald A. Peter
Clerk of the Council

APPROVED this 16 day of November, 1990.

Don Hill
King County Executive

HOUSING OPPORTUNITY FUND
REVISED
PROGRAM POLICIES AND PROJECT SELECTION GUIDELINES

9693

INTRODUCTION

The following information describes the King County Housing Opportunity Fund (HOF): the need for this new funding resource, the purpose and design of the program including the program's policy emphasis and project selection process; and the application guidelines for these funds and their review standards.

NEED FOR THE HOUSING OPPORTUNITY FUND

The Shortage of Low-income Housing

The King County HOF was created in response to the urgent housing needs of the County's low-income residents. The County is experiencing a decreasing supply of low-cost housing due to pressures of development, increased development costs, lack of livable wages, and declining federal subsidies for housing programs.

Almost 3,000 households are at immediate risk of displacement due to conversion of existing mobile home parks to more profitable uses and expiring low-income use restrictions in privately developed, federally subsidized housing.

Over 11,000 households with special needs and homeless families need community-based housing and support services to stabilize and move toward independence. An additional 17,000 very low-income families are in need of assistance, primarily due to the widening gap between income and housing costs.

The Funding Gaps

Identified housing needs in King County span the continuum that includes emergency, transitional, and permanent housing as well as preservation and prevention. While the numbers of households in need of assistance in the County are equal to those of the City of Seattle, resources are not. Seattle, through the \$50 million housing levy and other sources, has provided project support and matching funds to assist hundreds of households. From 1987 to 1989, City levy funds combined with other City and public funds totalling \$13.5 million leveraged nearly the same in McKinney Act funding for transitional and permanent housing projects for the homeless.

King County is committed to providing services to low-income households in their own communities. While some housing program funding is available, limited housing and support service resources are increasingly stretched among programs that must respond to short-term emergency situations and programs for longer term, permanent solutions. Most housing subsidy programs, particularly those of the Stewart B. McKinney Homeless Assistance Act and the Washington State Housing Trust Fund, require or favor leveraging of local funds. The HOF was created to fill gaps in County funding and provide agencies and developers with this critical source of leverage for housing assistance in unincorporated King County and the suburban jurisdictions.

PROGRAM PURPOSE AND DESIGN

Policy Emphasis

The \$2.759 million King County HOF is a new initiative supported by 1990 Real Estate Excise Tax revenue. The HOF was proposed by the King County Executive, and expanded and adopted as part of the 1990 budget by the King County Council. The goal was to create a major new source of housing assistance to enable local housing providers to better compete for federal, State, and other local funds. The Council included budget ordinance provisos establishing the policy direction for the HOF. The Council provisos supply a recommended scope for the HOF including program emphasis and guidelines for location, benefit, and administrative costs. These are included as Attachment 1. The Council direction, along with the guidance from the HOF Working Group, composed of housing advocates and development experts, provided the framework for the design of the program. The program design emphasizes:

- o Projects which address the most urgent housing needs of King County's low-income households, which are:
 - the retention of housing threatened by conversion or expiring low-income use restrictions; and
 - the acquisition or development of permanent or transitional housing for those with special needs and emergency, transitional, and permanent housing for homeless families.
- o Projects located in unincorporated King County and/or benefiting residents of unincorporated King County. Housing in cities may be considered when total project financing includes funding from that city proportionate to their share of the population served because the HOF is capitalized through real estate excise taxes on residents of unincorporated areas. Priority will be given to projects located outside the City of Seattle, as project matching funds for housing are more readily available in Seattle than elsewhere in the County.
- o Projects that link the provision of low-income housing with necessary human services.
- o Projects that produce the greatest number of units at a competitive per-unit cost for the longest benefit to eligible beneficiaries. We anticipate that funding will provide for at least 75 to 100 units based on the maximum allowable subsidy available, which is no more than 50% of the total per-unit cost.
- o Projects that can assure long-term benefit to low-income people. ~~((HOF-subsidies-will-be-in-the-form-of-a-fee-ownership-interest-by King-County-in-each-property-assisted.--King-County-will-ensure-the availability-of-housing-units-to-low-income-households-for-the-economic life-of-the-property.))~~
- o King County will secure a property interest in projects supported with HOF funds. The form of this interest may include but not be limited to: (1) taking title to the real property and/or the improvements, (2) entering into a lease/lease-back transaction with project sponsors, or (3) entering into an interlocal cooperation agreement (applicable to governmental agencies only).

Project Selection Process

PCDD will use a competitive request for proposal (RFP) process to solicit project proposals. Technical assistance will be available from PCDD staff for project development. PCDD will also assist applicants in determining the appropriate linkages for supportive services such as contact with the Department of Human Services and the Department of Public Health.

The RFP document will reflect the policies and requirements of this plan including the project selection guidelines identified in the following pages.

Proposals received will be screened and given a preliminary review by PCDD staff and routed to members of an advisory committee for review and comment. This committee will be formed by the Director of the Parks, Planning and Resources Department. It will include administrators and staff responsible for programs serving the mentally ill, developmentally disabled, the aged, persons with AIDS, alcohol and substance abusers, and experts in housing finance and construction such as staff from the Local Initiatives Support Corporation and the Washington State Housing Finance Commission. After receiving comments from the advisory committee, PCDD staff will complete review of each proposal according to the Council-adopted guidelines, and prepare a recommendation for the HOF project selection committee.

The HOF project selection committee consists of the following:

- o Manager of the PCDD
- o Director of the Department of Human Services
- o Director of the Seattle-King County Department of Public Health
- o Chief Financial Officer or designee, Office of Financial Management.

The project selection committee shall review the PCDD staff evaluation and shall recommend funds to individual projects in a timely manner consistent with Council-approved program policies and project selection guidelines. Committee recommendations shall be made to the Director of the Parks, Planning and Resources Department for approval. The committee will inform all applicants of its recommendations, and the Director may, if requested, review requests for reconsideration. Funds not allocated during this process may be awarded during a subsequent opportunity cycle for new proposals.

Projects receiving notice of final approval from the Director of the Parks, Planning and Resources Department shall not incur HOF expenses unless and until a contract between the applicant and King County has been executed. All contracts are subject to the review and approval of the Office of the Prosecuting Attorney, the Office of Financial Management, and the Executive.

HOF APPLICATION GUIDELINES

General Guidelines

Eligible Applicants

Public housing authorities

Nonprofit organizations

For-profit organizations (new construction projects only)

Local governments

King County encourages partnerships among public housing authorities, other nonprofit housing developers, for-profit developers, and service providers to produce the greatest number of units for the most reasonable public investment with the longest duration of benefit for low-income people.

Eligible Beneficiaries

Households with incomes at or below 50% of the County median which fall into one or more of the following categories:

- o Low-income families and seniors at risk of displacement and homelessness
- o Homeless families and individuals, including youth
- o Special needs groups including but not limited to the list which follows. Applicants wishing to serve special needs groups not included in this listing of County priority groups must (1) demonstrate that the population requires ongoing care to gain independence and (2) present a budget which demonstrates the linkage of support services to the special needs group assisted.
 - Mentally ill
 - People with AIDS
 - People with developmental disabilities
 - Alcohol and substance abusers
 - Frail elderly

Eligible Activities

Funds may be used for the following eligible activities:

- o New construction
- o Acquisition
- o Rehabilitation
- o Relocation costs associated with a HOF-funded project

- o Project management costs incurred by nonprofits up to 5% of the total HOF amount awarded. Exceptions may be made for particularly complicated projects like cooperative conversions and major rehabilitation, but in no case can costs exceed 8%. The use of other funds for project management is encouraged. Total project management costs from all sources will be reviewed to contain costs at a reasonable level. Project management costs may include the following:
 - Coordinating activities of the development team
 - Negotiating site control
 - Negotiating and closing private financing
 - Executing King County's fee ownership interest, deed of trust, and covenants
 - Resolving development issues during the rehabilitation or construction phase
 - Managing the construction or rehabilitation process

Information and funding for predevelopment costs is available through the Local Initiatives Support Corporation Community Development Loan Fund. Contact John Berdes at 358-0497.

Maximum Housing Opportunity Fund Subsidy Cost Per Unit

Since the HOF is designed as a leveraging source, the subsidy per unit shall be no more than 50% of the total per-unit cost. (A unit is defined as anything in which a household can reside, ranging from a single-room-occupancy hotel unit to a bedroom in a shared house, to a three-bedroom apartment.)

The maximum allowable subsidy will be:

Multifamily Housing

\$37,500 for new construction
\$33,000 for acquisition and rehabilitation

Single Family Housing

\$25,000 per bedroom for acquisition and rehabilitation of existing single family housing for shared living for single individuals

Siting

Projects assisted with the HOF must meet all zoning requirements of King County and be consistent with the policies and location criteria contained in the County Housing Assistance Plan. If a project is to be located in an incorporated jurisdiction, then that jurisdiction's applicable requirements will be followed.

Notification

The agency will work in good faith with the surrounding neighborhood to address any perceived problems the community may have with a HOF-funded project. Should neighborhood concerns develop, King County PCDD will work with the agency to develop a jointly acceptable strategy to mitigate neighborhood concerns.

Project Review Guidelines

(1) Leveraging non-County Funds

All projects must leverage non-County funds on at least a dollar-for-dollar basis. For the total amount requested from the County, an equal or greater amount of capital funds must be provided from local, state, federal, or private sources. Eligible leverage sources include Washington State Housing Trust Fund, McKinney Homeless Assistance Act funds, Community Development Block Grant, Emergency Shelter Grants Program, in-kind (land and materials), foundations, corporations, mortgage funds, equity from tax credits, and other federal housing assistance programs.

Leveraging debt financing is encouraged as long as rents remain affordable to low-income households. Leveraging debt financing is expected and encouraged when project subsidies are sufficient to allow debt financing.

Standard for Review

Projects with firm financial commitments will be preferred over those with pending, tentative, or speculative commitments. Land, buildings, and other in-kind assets committed to a project will be evaluated on the same basis as cash leveraged.

(2) Duration of Low-income Benefit

~~((The County will obtain a fee ownership interest in each project receiving HOF assistance. The fee interest shall be proportionate to the total County subsidy compared to the total project cost, but shall not exceed 50% in any case. No change of use shall occur unless and until the property is declared surplus by the County Council and the County's fee ownership interest is removed.))~~

Project sponsors must assure long-term housing for the target population and must provide evidence of continued affordability of the assisted housing. They must describe how the housing will remain affordable, in terms of monthly rent or mortgage cost, throughout the term of commitment and describe how the project will be financially sustained for the length of the commitment.

Standard for Review

~~((All other project factors being equal, preference will be given to projects with the longest economic life. For acquisition projects, the applicant must be willing to sign instruments restricting use of the property for the purpose intended. For rehabilitation projects, the applicant must first have site control to be able to receive the HOF assistance.~~

~~The applicant shall not accrue additional debt senior to the County's fee ownership interest without first receiving approval from King County. Acquisition by lease and rehabilitation of leased properties are not allowed, since the County has no ability to secure its fee ownership interest and, hence, secure long-term benefit for low-income people.)~~

Preference will be given to projects with the longest term commitment to serve eligible beneficiaries. For all projects, applicants must be willing to sign instruments restricting the use of the property for the purpose intended. For rehabilitation projects, the applicant must own the site to receive HOF assistance.

(3) Rent and Occupancy Requirements

The rent levels on units assisted with HOF monies must be affordable to low-income households in King County. Rents shall not exceed 30% of 50% of median income, including utilities. Applicants may make a case for project rents that do not exceed 35% of 50% of median if crucial to program feasibility. Such exceptions will be reviewed on a case-by-case basis. Projects affordable to very low (40% of median) and extremely low (30% of median) income households are encouraged and will be given priority. The chart below details the maximum rents allowed for households at 30%, 40%, and 50% of median income.

Household Size	Maximum Rents Affordable by Household Size *			
	Public Assistance ** Income/Rent*	30% Area Median Income/Rent*	40% Area Median Income/Rent*	50% Area Median Income/Rent*
1	\$3,769/\$ 94	\$ 8,730/\$218	\$11,640/\$291	\$14,550/\$364
2	\$4,764/\$119	\$ 9,960/\$249	\$13,280/\$332	\$16,600/\$415
3	\$5,905/\$148	\$11,190/\$280	\$14,920/\$373	\$18,650/\$466
4	\$6,936/\$173	\$12,450/\$311	\$16,600/\$415	\$20,750/\$519
5	\$7,992/\$200	\$13,440/\$336	\$17,920/\$448	\$22,400/\$560
6	\$9,072/\$227	\$14,430/\$361	\$19,240/\$481	\$24,050/\$601

*Rents include utilities and are based on 30% of household's income.

**Public assistance refers to General Assistance-Unemployed (GAU) for individuals, and Aid to Families with Dependent Children (AFDC) for families.

Standard for Review

Projects will be evaluated according to the benefit to low-income people with greatest consideration given to the project that assists the lowest income group. Preference will be given to projects with rents which do not exceed 30% of median income, including utilities, adjusted for family size. This is a national standard for affordability used by HUD and included in the King County Housing Assistance Plan.

The following policies also apply to projects assisted with HOF monies:

- o After-rehabilitation rents for assisted units should generally not exceed before-rehabilitation rents.
- o ~~((During-the-term-of-the-County's-fee-ownership-interest,-rents))~~
During the contract term, rents can be increased only to cover increases in project operating costs approved by King County in the project pro forma. Any King County review of requested rent increases will include review of the ongoing operating budget and sufficiency of reserve accounts for capital improvements such as roof and furnace replacements.

- o King County must approve any proposed changes in the targeted low-income population to be served in the project.
- o Exception may apply to at-risk projects (such as mobile home parks and federally assisted housing projects) with residents having a range of incomes. No financial assistance will be provided to households with incomes exceeding 80% of median. Residents with incomes between 50% and 80% will be assisted on a sliding scale of benefit.

(4) Linkage of Support Services in Assisted Projects

Support services are necessary short-term and long-term resources for families and special needs groups to gain stability and independence. Services designed to foster stability and independence must be linked to transitional and permanent housing funded by King County, although such services cannot be paid by the County from the HOF as it is earmarked for one-time-only capital projects. Each applicant must devise a means to provide the necessary support services for the project from other sources. Other County resources may include operating funds from the developmental disabilities and mental health programs and child care subsidies from the Department of Human Services and resources for seniors and alcohol and substance abuse services from the Department of Public Health.

Standard for Review

Projects will be evaluated on the basis of the comprehensiveness of services to be provided and the ability of the applicant to maintain an adequate level of service over the life of the project.

Evidence of service linkage and contact with service programs administered by King County must be shown in the application. Coordination with County programs is critical, and their review must be shown through a letter of support included in the project application. A resource list is provided in Attachment 2. PCDD staff will be available to assist with establishing the linkages and designing the services program.

(5) Operating Budget

Proposals should contain information related to the operating budget for the completed housing including proposed rents and sources of operating support.

Standard for Review

Applicants must demonstrate adequate and stable sources of operating support for the project.

(6) Management Plan

Good building and tenant management which is both economically efficient and sensitive to the needs of the residents is critical to the long-term success of the project.

Standard for Review

Applicants will be required to submit a management plan with their proposal. Where the management entity has not been identified, the plan should address the points below as the standards by which the management entity will be selected. The plans should briefly address the following:

- o Description of management philosophy and experience managing the proposed client population.
- o Identification of key staff positions involved in managing the building including a description of responsibilities and program for staff training.
- o Description of process for determining rent increases and for informing tenants.
- o Description of process for dealing with late payment of rent and damage to units.
- o Description of long-term maintenance plan including adequate reserve funds for roof, furnace, and other system repairs.
- o Description of how vacant units will be marketed and filled with the targeted population.
- o Description of procedures for dealing with concerns, complaints, or issues raised by tenants and neighbors about the building or tenants.

(7) Development Budget

Applicants must provide evidence that the development budget is carefully thought out and realistic. Information should indicate competitive and cost-effective acquisition, development, or rehabilitation, the ability of the applicant to secure proposed capital financing costs, and consideration of other factors that may affect project costs.

Standard for Review

Proposals will be evaluated based on completeness of budget, adequacy of resources, and consideration of contingency plans. All other factors being equal, projects with the lowest per-unit cost will be preferred.

(8) Financial Capability of Applicant

Applicants must provide information related to the financial stability of the agency including financial statements or agency audits.

Standard for Review

Only applicants with demonstrated financial stability will be considered. Indicators of stability include:

- o Assets compared to outstanding debts
- o Operating resources
- o Program stability by contract
- o Favorable audit reports
- o Organizational capacity

(9) Experience of Applicant

Transitional and permanent low-income housing development and management is a relatively new activity in King County and only a very few nonprofit agencies have specific prior experience. The prospect for success of a project depends, in part, on the ability of the applicant to undertake a complex project, provide the necessary service linkages, and provide a long-term operation and management commitment to the project.

Standard for Review

Organizations with demonstrated development and management experience will be preferred over those with little or no experience. Prior experience need not be specific to transitional or low-income housing but may be obtained from unrelated projects with similar development and management requirements. Expertise can be demonstrated through the use of project consultants.

(10) Scope of Work

A complete scope of work must be submitted detailing all items related to the project, along with a tentative schedule for completion. The scope of work should note which items, if any, would be postponed until a later time.

Standard for Review

The scope of work will be evaluated based on the completeness of the plan and the consideration of contingency plans. In general, phased rehabilitation projects are not encouraged. Phased rehabilitation will be considered on a case-by-case basis provided that health, safety, and code repair work is completed first.

(11) Tenant Displacement and Relocation Plan

Projects resulting in displacement are **strongly discouraged**. King County encourages the following practices to minimize displacement of low-income households.

- o Acquisition of vacant properties which are being voluntarily sold by an owner-occupant so that relocation is not the direct result of the project.
- o Projects which require only temporary relocation if relocation is needed.
- o Retention of dwellings currently housing low-income tenants.
- o New construction, if the costs would be similar to or less than the alternative resulting in displacement/relocation.

Standard for Review

Projects which cause displacement will be viewed less favorably. Applications for projects where displacement is likely to occur must include a budget covering the maximum benefits to displacees and the realistic staff and operating costs associated with helping them relocate. These relocation costs must conform to the King County Relocation Policy which is being developed. It will be similar to the Uniform Act but simpler to administer. Contact PCDD for a copy of the draft policy; it is being reviewed by the King County Prosecuting Attorney and must still be approved by the King County Council.

(12) Timing

The need for transitional and permanent housing for low-income families and special needs groups is urgent, and more units are needed as soon as possible. Hundreds of households are also at potential risk of displacement.

Standard for Review

Projects that are ready to proceed (conceptually and financially) will be preferred over those that are awaiting funding commitments and/or project design. If a funded project is unable to meet the timetable negotiated with County staff, funding may be withdrawn and allocated to a project which can proceed in a timely manner.

(13) Location

King County's housing policies seek to promote the diversity and vitality of neighborhoods, avoid undue concentration of assisted housing, and provide increased housing opportunities Countywide for low-income households.

In addition, projects must be in unincorporated King County unless a suburban city is also contributing funds. It is important that the HOF be used for housing assistance and projects in areas of the County that typically lack access to funding opportunities.

Standard for Review

Priority will be given to projects located outside the City of Seattle in an effort to target this source of leverage to areas of the County that have previously not had this opportunity available. Exceptions may be made on a case-by-case basis for projects located in the City of Seattle that serve a regional purpose, serve King County residents, and can demonstrate that the housing and services provided are not available elsewhere in the County. Such a project must also meet the standards for review in all other HOF criteria for project funding.

The location criteria contained in applicable 1990 Housing Assistance Plans will be used to review applications for HOF funding. Application review will ensure that projects are geographically dispersed throughout the County, and that any projects to be located in suburban cities include funds proportionate to their share of the population served.

Agency budgets must reflect consideration of the following, where applicable:

- o Handicapped adaptability requirements
- o Women and Minority Business Enterprise utilization
- o Identification and abatement of hazardous materials
- o Lead-based paint testing and abatement requirements
- o State prevailing wage rates
- o Environmental review and permit processing
- o Development fees
- o Historic preservation requirements (affecting structures built before 1940)

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