

City of Spokane
Multifamily Housing Program
Program Description
Spring 2011

December 2010

Community Development Department
808 West Spokane Falls Boulevard, Rm. 650
Spokane, WA 99201-3339

telephone: 509.625.6325
fax: 509.625.6315
email: cdinformation@spokanecity.org

Table of Contents

	PAGE
MULTIFAMILY HOUSING PROGRAM – OVERVIEW	1
1. PROGRAM INFORMATION AND GUIDELINES	
1.1 Source of Funds	2
1.2 Loan Details	2
1.3 Eligible Applicants	3
1.4 Eligible Tenants and Program Priorities	4
1.5 Rent Affordability Requirements and Period of Affordability	5
1.6 Eligible Projects and Activities	6
1.7 Ineligible Projects and Activities	7
1.8 Funding Award Limits	8
1.9 Equity Requirement	8
1.10 Matching and Layering Funds	8
Table 1A Rent and Income Limits	9
Table 1B Utility Allowances: Section 8 Existing Housing Allowances for Tenant-Furnished Utilities and Other Services	10
1.11 Project Consistency with Local Plans and Codes	11
1.12 Tenant Displacement and Affirmative Marketing	12
2. PROJECT SELECTION PROCESS	
2.1 Application Processing	12
2.2 Pre-Application Meetings	14
2.3 Application Schedule	14
3. ADDITIONAL INFORMATION	14
4. STAFF CONTACTS	16
APPENDIX 1 - REGULATORY GUIDELINES FOR HOME FUNDS	17
APPENDIX 2 - OTHER REGULATORY GUIDELINES	21
APPENDIX 3 - GLOSSARY OF TERMS	23

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 or 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 deferred loans with the potential for debt forgiveness, property owners agree to rent restrictions and to rent to low-income tenants for at least 15 years for projects involving rehabilitation or acquisition, or 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. A greater subsidy is available when units are affordable to families with incomes at or below 30% of AMI. The program priorities are listed in Section 1.4. The City typically limits the additional subsidy to half of the HOME-assisted units in a fully HOME-assisted project. 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 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.

The City makes the HOME funds available in two competitive funding rounds annually. About **\$650,000** in HOME funds is available for projects in the Spring 2011 funding round. In addition, 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 for the **Spring 2011 round is about \$108,000**. CHDOs may also access the general HOME funds. These amounts may change, if there are payoffs or funds are recovered from projects that do not move forward.

The core of the City’s application is a common application used by some Washington public agencies. Each funder uses most of the common sections and forms, and provides an addendum for additional information specific to its program. Information that is not required as part of the City’s initial application may be requested later and an applicant might have more competitive application by including the information. For example, a full market study and appraisal are not required at the time of application to the City, but the additional information could increase the application’s competitiveness. Such information should be submitted when available, and final approval may be conditioned upon its receipt. The full application includes a Word document, an Excel spreadsheet with forms, attachments, and the City Addendum. More information and application materials are available on the City’s website at www.spokanecity.org when the City is accepting applications.

Applications are submitted to the City’s Community Development Department, which ensures the applications are complete (requesting additional information, as needed), summarizes the information, and distributes materials to the Project Selection Advisory Committee. The Committee recommends projects to the City Council for funding. Applicants are usually notified of the Committee’s recommendations about 6-8 weeks after applications are submitted. The City Council approves funding contracts.

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 11 of the National Affordable Housing Act of 1990 and funds became available in 1992. The purpose of HOME is to expand the supply of permanent affordable housing for low-income and very low-income families and individuals. Over the last 18 years, about \$15 million in HOME funds and \$782,000 in other locally-administered funds have supported the development of projects with over 2,000 units of permanent and transitional housing, including over 1,100 that are affordable to low-income households.

1.2 Loan Details

The City’s Multifamily Housing Program provides deferred 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 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”.) If conditions on the loan are met for an extended period, the loan can qualify for debt forgiveness. The City’s financing will not fully pay for a project, but can serve 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, or equity from the sale of tax credits. 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. In the case of 501(c)(3) nonprofits, grants and long-term deferred or forgivable loans from other public funders may be considered part of the equity requirement.

Loan Terms: The City’s deferred loan accrues interest at 4%, compounded annually, with payments deferred during the affordability period, which is 15 years for acquisition or rehabilitation projects or 20 years for new construction projects. At the end of the initial 15- or 20-year deferral period, the interest rate on the City’s loan increases to prevailing prime plus 4% and the loan’s principal and interest are amortized over the next 10 years. In exchange for an extended affordability period beyond the initial 15 or 20 years, the project sponsor is eligible for forgiveness of the City’s loan (see Loan Forgiveness Provision). Should there be a default or sale before the end of the restricted period of service, the City’s loan may need to be repaid. Repayment **will not** extinguish the affordability requirement during the initial affordability period. The affordability period begins at project completion, which is described in the Glossary.

Loan Forgiveness Provision/Extended Period of Affordability: A sponsor is eligible for forgiveness of the principal and accrued interest on the City’s loan, if rents continue to be affordable under the provisions of the original regulatory agreement during the next 10 years following the initial loan term. For each full year the rents remain affordable after the initial 15 or 20 years, the amortizing payments that would have been due are forgiven. Interest accrues at 4% during the extended period of affordability.

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.

Affordability covenants are recorded against the property; the covenants are recorded in a lien position superior to monetary liens.

Length of Commitment: All loan agreements regulate the use of the property for at least 15 years for existing projects, or 20 years for new construction projects. To receive the forgiveness of the loan, the owner must meet the affordability requirements for an additional 10 years. 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.

Subsequent City Loans: Projects are not expected to need additional funding from the City during the period of affordability. Since the Spring 2005 funding round, the Program has allowed owners to submit applications for additional funds in the regular funding rounds. The intent of the change is to enable the Program to preserve the City’s investment in existing projects. For the City to add HOME funds to an existing project, the project must have satisfied the federal minimum affordability requirement of the HOME program.

A project that previously received HOME funds may be eligible for additional HOME funding prior to the end of the initial 15-year affordability period, if the City’s investment of HOME funds is less than \$40,000 per HOME unit in projects involving acquisition or rehabilitation. New construction projects and projects with \$40,000 or more in HOME funds per HOME unit are **not** eligible for additional funds during the initial 20-year affordability period. Existing HOME projects may apply for additional funding during the extended period of affordability. City staff will determine if your project is eligible for additional funds. Requests for additional funds compete with other applications in the regular funding rounds. Contact Melora Sharts at 625.6325, if you have questions.

1.3 Eligible Applicants

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

- Nonprofit organizations, including Community Housing Development Organizations (“CHDOs”);
- For-profit entities, including individuals, partnerships, corporations, limited liability companies, and limited liability partnerships; and
- Housing authorities.

Applicants must be experienced in developing and managing the size and type of project they plan to undertake. Applicants must demonstrate that they have the skills and experience needed to develop and operate the property for the minimum affordability period. Typically, this means that the applicant has developed and managed at least 3 projects similar to the proposed project. We usually receive applications from experienced developers, so applicants who are relatively new to affordable housing development and property management are not competitive. Collaborative efforts with experienced parties and/or experienced development consultants will be considered.

Federal regulations require that at least 15% of the annual HOME allocation to the City be set aside for housing projects that are owned, sponsored, or developed by **Community Housing Development Organizations (CHDOs)**. A CHDO is a nonprofit organization that meets a variety of criteria outlined in the HOME regulations. HUD has specific requirements for CHDOs to qualify as the owner, sponsor or developer. For example, a CHDO can own the project directly, or have effective management control as the managing general partner of a partnership. Using a limited liability company for ownership requires a time-consuming HUD waiver, and the waiver is not assured. 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 inherently religious activities, such as worship, religious instruction or proselytization. If an organization conducts such activities, the activities must be offered separately, in time or location, from the assistance funded by HOME funds, 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.

Some project owners utilize development consultants who are experienced in project feasibility, development, and finance. Two local consultants who work with both for-profit and nonprofit clients are Kiemle & Hagood Company and Goodale & Barbieri Company. For Kiemle & Hagood, contact Shannon Meagher at 509.755.7510. For Goodale & Barbieri Company, contact Sheryldene Rogers at 509.344.4920. In addition, **nonprofit** organizations may be able to receive technical and financial assistance to develop and finance their projects. Common Ground and Community Frameworks have historically had funding from HUD to provide **technical assistance to CHDOs and other nonprofits**. If you are considering having a consultant assist you, you may hire one directly, or explore the status of HUD-funded assistance with each consultant. For Common Ground, contact Niki Smith at 509.326.3678, or nikis@commonground.wa.org, or go to Common Ground’s website at www.commongroundwa.org. Community Frameworks’ contact for technical assistance is Terri Symbol at 509.484.6733, x108 or terris@communityframeworks.org. Community Frameworks’ website is www.communityframeworks.org.

Nonprofit organizations may apply for funding to cover essential **predevelopment** costs through the Impact Capital, which administers a program that provides risk capital for low-income housing development projects through recoverable grants. For information on this program, contact Laurie Olson at 206.658.2605 or laurie@impactcapital.org. For more information regarding Impact Capital in Eastern Washington, contact Boris Borisov at 509.456.8088 or boris@impactcapital.org. Impact Capital’s website is www.impactcapital.org.

1.4 Eligible Tenants and Program Priorities

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 typically limits the units with the greater subsidy to **half** of the units in a project.

Projects must meet at least one of the following priorities:

- **housing units affordable to households with incomes at or below 30% of AMI;**
- **studio, one-bedroom or two-bedroom housing units which are located in areas designated as Centers and Corridors in the City’s Comprehensive Land Use Plan, or in**

the “Vibrant Communities” area (see below), and that are affordable to households with incomes at or below 50% AMI; and

- **housing units with three or more bedrooms that are affordable to large families with incomes at or below 50% AMI.**

Information on the Comprehensive Land Use Plan and Centers and Corridors is available by calling 509.625.6300 or on the City Planning Department’s website, www.spokaneplanning.org. On the right, there is a link to the Comprehensive Land Use Plan. Under the “Current Planning” tab, there is information on Centers and Corridors. To see a map with the centers and corridors, look under the “Long Range Planning” tab, then go to “The Official Land Use and Zoning Maps” section for the “City Land Use Plan Map”. The City’s Business and Development Services’ website also has a map at www.developingspokane.org/docs/incentives/DevelopmentIncentives_E_03-2009.pdf.

“Vibrant Communities” is a redevelopment program targeting a portion of the East Central neighborhood. It is bounded by Helena on the west, Crestline on the east, the BNSF railroad tracks on the north and the I-90 freeway on the south. For additional information about the program, contact Tracy Reich at Impact Capital at 206.658.2603 or tracy@impactcapital.org.

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 not occupy a HOME-assisted unit in a project. This extends to the officers, employees, agents or consultants of the owner, sponsor, or developer.** 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.

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 after rehabilitation to existing tenants cannot exceed the greater of the prior rent or 30% of the tenant’s income. If the tenant pays utilities, the maximum allowable rent is reduced using the HUD Section 8 Existing Housing Allowances for Tenant-Furnished Utilities and Other Services. **See Tables 1A and 1B for current household incomes, rents by household size, utility allowances, and fair market rents for the Spokane area.** These are updated at least annually by HUD. The City monitors projects for compliance with the maximum rent limits and other Federal requirements.

Different rent limits apply to group homes. **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.

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 is 15 years for rehabilitation projects and 20 years for new construction projects. 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. Loan payments are deferred during the initial period of affordability. In exchange for a voluntary extension of the affordability requirements after the initial period of

affordability, the applicant may be eligible for forgiveness of the principal and accrued interest. See Loan Forgiveness Provision/Extended Period of Affordability in section 1.2 “Loan Details”.

In some cases, project sponsors choose to repay the loan. Alternative loan structures will be considered, if they are at least as advantageous to the City. For example, a fully amortizing loan with or without a deferral period is acceptable. The City will not consider a loan at less than 4% interest or a deferral longer than 15 years for rehabilitation or 20 years for new construction projects. The City prefers loans be repaid within 25 years, if rehabilitation, or 30 years, if new construction.

1.6 Eligible Projects and Activities

Eligible projects must (1) increase the supply of rental housing affordable to low-income or special needs households, or (2) preserve existing affordable housing that is likely to be lost, when economically feasible. 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. 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, but HOME funds will be used exclusively for the units within the project that meet HOME program requirements. 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 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. 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 environmental review required by HUD can make a project ineligible for HOME funds. Contact Paul Trautman at 509.625.6325, if you have questions about this requirement.

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 not 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 the total development fees charged to the project.

Projects may be charged for City staff and overhead costs directly related to carrying out a project, such as cost relating to the administration or compliance requirements of federal requirements. For example, a project will be charged for City staff to monitor requirements of the Davis Bacon Act, including activities such as site visits, interviews and documentation reviews. For multiunit projects, such costs must be allocated among HOME-assisted units in a reasonable manner and documented.

1.7 Ineligible Projects and Activities

Ineligible projects and activities include:

- Correctional facilities
- Delinquent taxes, fees, or charges on properties
- 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
- 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 dormitories
- 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 maximum amount of financing available depends upon the number of bedrooms and tenant income levels, as shown in the table below. These are the **maximum** subsidies available and the Project Selection Advisory Committee may recommend financing which is less than what was requested or is shown the table. 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 bedroom	\$25,000 per unit	\$50,000 per unit
3 or more bedroom	\$37,500 per unit	\$75,000 per unit

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 affects the project’s income, the City may limit the greater subsidy to **up to half** the units in a project.

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 must have at least a 10% equity holding which may include grants or appraised equity. In some cases, substantial long-term investment through state or federal programs may be considered as the equity contribution for nonprofit sponsors.

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 contribution of individual projects may be a consideration or requirement of funding. The HOME program does not consider owner contributions, sweat equity, and funding from any federal source to be match.

TABLE 1A - 2010 RENT & INCOME LIMITS

SOURCE: HUD
 STATE: WASHINGTON MSA: SPOKANE, WA
 EFFECTIVE: Rents – June 26, 2010
 Incomes – May 14, 2010



City of Spokane
 Community Development
 808 W. Spokane Falls Blvd.
 Spokane, WA 99201-3339
 (509) 625-6325
 FAX (509) 625-6315

FY 2010 ESTIMATED AREA MEDIAN INCOME (AMI): \$60,300

		-----2010 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)	42,300	48,300	54,300	60,300	65,200	70,000	74,800	79,600	84,400
LOW-INCOME	(80% AMI)	33,800	38,600	43,450	48,250	52,150	56,000	59,850	63,700	67,550
65% OF MEDIAN INCOME*	(65% AMI)	27,500	31,400	35,300	39,200	42,400	45,500	48,600	51,750	54,850
VERY LOW-INCOME	(50% AMI)	21,150	24,150	27,150	30,150	32,600	35,000	37,400	39,800	42,200
EXTREMELY LOW-INCOME	(30% AMI)	12,700	14,500	16,300	18,100	19,550	21,000	22,450	23,900	25,350

		-----2010 HOME PROGRAM RENTS-----							
		SRO	EFFICIENCY	1 BEDROOM	2 BEDROOM	3 BEDROOM	4 BEDROOM	5 BEDROOM	6 BEDROOM
FAIR MARKET RENT (FMR)		337	450	528	695	954	1079	1241	1403
30 OF 65 RENT*			*450	*528	*695	*954	1079	1173	1266
30 OF 50 RENT			*450	*528	678	784	875	965	1055
30 OF 30 RENT			317	340	407	470	525	578	633

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., 9-person is 140% of 4-person AMI).

*Household income exceeding 65% AMI for tenants who initially income qualified to occupy HOME assisted rental units can result in a rent increase to the 30 of 65 Rent.

•HOME rent for an SRO is 75% of the Efficiency Fair Market Rent.

*Although HUD’s rent calculation exceeds FMR for this unit, HOME regulations do not allow rents to exceed FMR. Consequently, this rent is capped at FMR.

**TABLE 1B - UTILITY ALLOWANCES
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT
SECTION 8 EXISTING HOUSING ALLOWANCES FOR
TENANT-FURNISHED UTILITIES AND OTHER SERVICES**

**Spokane County
Rate Year 2010**

Rates Effective 3/1/10

	Houses, Duplexes, Triplexes						2-Story Apartments						3 Stories or more				
	0BR	1BR	2BR	3BR	4BR	5+BR	0BR	1BR	2BR	3BR	4BR	5+BR	0BR	1BR	2BR	3BR	4BR
HEATING																	
Natural Gas	58	74	101	122	143	164	43	55	74	89	105	120	34	43	53	64	80
Electric	40	54	81	103	125	146	24	31	44	76	93	108	14	18	24	30	36
Oil	69	89	124	153	179	208	50	66	91	110	130	149	-	-	-	-	-
Wood	67	86	120	148	173	192	-	-	-	-	-	-	-	-	-	-	-
COOKING																	
Natural Gas	7	8	9	10	13	15	7	8	9	10	13	15	7	8	9	10	13
Electric	4	5	6	8	11	12	4	5	6	8	11	12	4	5	6	8	11
Electricity-																	
General Use	17	19	22	27	28	30	17	19	22	27	28	30	17	19	22	27	28
Water Heating																	
Natural Gas	11	15	17	20	24	27	11	15	17	20	24	27	11	15	17	20	24
Electric	12	16	24	39	53	65	12	16	24	39	53	68	12	16	24	39	53
Water - Inside City	18	20	22	24	31	31	18	20	22	24	31	31	18	20	22	24	
Water - Outside City	22	24	26	28	34	34	22	24	26	28	34	34	22	24	26	28	-
Sewer	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	-
Trash Collection	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	-
Range	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	-
Refrigerator	3	3	5	5	7	10	3	3	5	5	7	10	3	3	5	5	-

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 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. We encourage projects accessible to services, jobs, transportation, and amenities.

As a reminder, projects must meet at least one of the following priorities:

- **housing units affordable to households with incomes at or below 30% of AMI;**
- **studio, one-bedroom or two-bedroom housing units, which are located in areas designated as Centers and Corridors in the City's Comprehensive Land Use Plan, or in the "Vibrant Communities" area, and which are affordable to households with incomes at or below 50% AMI; and**
- **housing units with three or more bedrooms that are affordable to large families with incomes at or below 50% AMI.**

We encourage you to meet with the City's Building Department when planning your project. Call 509.625.6300 or 509.625.6114 for information or to schedule a predevelopment conference. If you have had a predevelopment conference, include the notes from the conference in your application.

The City's Business and Development Services Department is a central point for information on development incentives. Its website is www.developingspokane.org and the telephone number is 625-6983.

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. Be sure to check with the Building Department and include the expense in your budget. Note that this may require an additional water line to the building, in addition to the cost of the sprinkler system.

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 Community Development Department's "Minimum Multifamily Housing Rehabilitation Standard for HOME Funded Properties" and other requirements. Contact Paul Trautman at 509.625.6325 or ptrautman@spokanecity.org for a copy of the Rehabilitation Standard.

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). Since July 1, 2008, applicants to the State's Housing Trust Fund must comply with the ESDS. Since 2009, the Housing Finance Commission also requires compliance for low-income housing tax credits. More information is available at www.commerce.wa.gov/housing. Click "Housing Trust Fund", then "Evergreen Sustainable Development Standard". A direct link is <http://www.commerce.wa.gov/site/1027/default.aspx>. There is information on the standards, training and workshops, and other links. For additional information, call Dena Harris at 360.725.2902.

1.12 Tenant Displacement and Affirmative Marketing

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 509.625.6325 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 509.625.6325.

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. **Projects with 5 or more units must have an Affirmative Fair Housing Marketing Plan.** HUD's form HUD-935.2a "Affirmative Fair Housing Marketing Plan" is included in the City's addendum to the Combined Funder Application. It is also available as a fillable pdf file at www.hud.gov/offices/adm/hudclips/forms/files/935-2a.pdf. The costs of affirmative marketing activities should be included in your development and operating budgets. Contact Paul Trautman at 509.625.6325 if you need guidance or have questions regarding your affirmative marketing efforts.

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 Community Development Department by the due date. **Applications must be complete.**
- City staff reviews applications, obtains additional information and clarification as needed, and summarizes information for the Project Selection Advisory Committee.

- Staff initiates environmental review and can provide sample Davis Bacon wage rates, if applicable.
- Applicant is informed of applicable Federal regulations that can affect the project.
- If necessary, staff works with the applicant to have inspections scheduled. The applicant will pay for any inspections. If the project is approved, these costs are eligible for reimbursement.
- Project Selection Advisory Committee reviews applications and recommends projects for funding.
- 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.
- Commitment letters will contain conditions to the allocation, which must be met before funding, including funding by other sources. The commitment is conditioned upon the approval of the City Council. Selection by the Project Selection Advisory Committee 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 commitment 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.
- Documentation is prepared and the project is submitted to the City Council for approval. If the Council approves the transaction, the Mayor's designate signs the documents for the City.

NOTE: The Project Selection Advisory Committee reserves the right to not award all available funds. 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
- 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.
- Project's access to transportation options appropriate to the target population.
- Compatibility of the project with the neighborhood.

2.2 Pre-Application Meetings

City 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 City staff as federal requirements will affect your budget. The City staff will offer guidance and refer applicants to information sources and other funders, however, the staff will not prepare the application. The applicant is responsible for securing all funding necessary to finance the project.

2.3 Application Schedule

December 2010

Application available.

You may download it from www.spokanecity.org, request it by email from msharts@spokanecity.org, or call 509.625.6325 to request a hard copy or to have it emailed. The application includes Word and Excel documents and spreadsheets which must be completed. Please read the instructions carefully.

February 1, 2011 -Tuesday

Application due by **4 p.m.**

Deliver to a hard copy of the application **and** a disk with the Excel forms to:

Community Development Department
808 West Spokane Falls Blvd., Rm. 650
Spokane, WA 99203-3339

You may email the Excel forms file to msharts@spokanecity.org. Please put the project and sponsor name in the email subject line. Do not email your entire application. You still need to deliver a hard copy of the application to the address shown above.

March/April 2011

Project Selection Advisory Committee makes recommendations.
Applicants notified.

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.
- 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 12 or more units in a project are HOME-assisted. **Reminder: Projects will be charged for City staff and overhead costs directly related to administering these requirements as they relate to the project.**

- Completed projects **must** include smoke detectors as required by local code and Landlord Tenant Law.
- 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 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 City staff, a request for funds is made to HUD, which wires the funds to the City’s account. The City creates a warrant. The process typically takes up to 5 working days.
- Ten percent 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. The City will retain 10% of each draw request until the 10% retention is reached.
- 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.
- 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 on the General Services Administration’s Excluded Parties List (<http://www.epls.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”.
- HUD publishes income levels and maximum HOME rents annually. These 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 \$500,000 in federal funds in its fiscal year, it must meet the audit requirements of the U.S. Office of Management and Budget’s Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations”, Section 400.** Applicants must submit copies of the audit to the City’s Community Development Department, if this applies to them.

- Applicants for 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 1-866-705-5711.

4. STAFF CONTACTS

Melora Sharts	Project Finance	email: msharts@spokanecity.org	509.625.6325
Paul Trautman	Compliance	email: ptrautman@spokanecity.org	509.625.6325
Allen Schmelzer		email: aschmelzer@spokanecity.org	509.625.6325
Fax Number	(Faxed or electronic submittals of applications will not be accepted.)		509.625.6315

The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, 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.

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.



APPENDIX 1

Regulatory Guidelines for HOME Funds

Overall Design Policies and Requirements of the HOME Program

The statutory focus of the HOME 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 can be 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. While the City encourages mixed income projects, applicants are cautioned that relocation may be an issue.

For purposes of meeting the HOME affordable housing requirements for a project, 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.

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

Eligible Costs

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.

Community Housing Development Organization (CHDO) Setaside

The federal regulations require that 15% of the HOME allocation be set aside for capital projects by Community Housing Development Organizations (CHDOs).

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; and
 3. The community housing development organization must be free to contract for goods and services from vendors of its own choosing;
- Has a tax exempt ruling from the Internal Revenue Service under section 501(c) of the Internal Revenue Code of 1986;
 - Does not include a public body (including the participating jurisdiction) or an instrumentality of a public body. An organization that is State or locally chartered may qualify as a CHDO; however, the State or local government 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 can be public officials;
 - Has standards of financial accountability that conform to Attachment F of OMB Circular A-110 (rev.) "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;
 - Maintain 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), provided the governing board contains low-income residents from each county of the multi-county area; 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 activities assisted with HOME funds. An organization may satisfy this requirement by hiring experienced accomplished key staff members who have successfully completed similar projects, or a consultant with the same type of experience and a plan to train appropriate key staff members of the 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 (from the date the participating jurisdiction provides HOME funds to 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.

Faith-based Organizations and Activities

Organizations that are religious or faith-based are eligible, on the same basis as any other organization. An organization that is directly funded under the HOME program:

- may not engage in inherently religious activities, 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.

An organization that participates in the HOME program:

- will retain its independence from federal, state, and local governments, and may continue to carry out its mission, including the definition, practice, and expression of its religious belief, provided that it does not use direct HOME funds to support any inherently religious activities, such as worship, religious instruction, or proselytization. Among other things, faith-based organizations may use space in their facilities, without removing religious art, icons, scriptures, or other religious symbols. In addition a HOME-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 program assistance, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.

HOME funds

- may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently 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 herein. Where a structure is used for both eligible and inherently 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 funds. Sanctuaries, chapels, or other rooms that a HOME-funded religious congregation uses as its principal place of worship, however, are ineligible for HOME-funded improvements.

Disposition of real property after the term of the loan or grant, or any change in use of the property during the term of the loan or grant, is subject to government-wide regulations governing real property disposition (see 24 CFR parts 84 and 85).

Maximum and Minimum HOME Subsidies Per Unit

The per-unit cost limits have been set at the limits established under 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 17151(d)(3)) that apply to the area in which the housing is located. These limits may be adjusted in high cost areas. 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

Rental housing acquired or rehabilitated with HOME funds must meet the Section 8 Housing Quality Standards (“HQS”), Community Development 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 code requirements, the current Model Energy Code published by the Council of American Building Officials, 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. 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.

Tenant and Participant Protections Required by HOME Program

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

- leases must be for a minimum of one year unless mutually agreed to by the owner and tenant;
- restrictive provisions in the lease requiring the tenants to waive any rights is prohibited;
- an owner may not terminate tenancy or refuse to renew the lease except for violations of the terms of the lease or for violation of applicable federal, state or local law; and

- an owner must have written tenant selection policies and criteria that:
 - are consistent with the purpose of providing housing for very low-income and low-income families;
 - are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease;
 - provide for 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.

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 www.hud.gov/offices/adm/hudclips/forms/files/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.

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."

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.

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

Contingent Interest - See Shared Appreciation.

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.

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.

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 15 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.

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 has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD.

Project Selection Advisory 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 Development Board. The Committee meets twice a year to recommend projects for approval by the City Council. The Committee also convenes from time to time to consider amendment requests and advise on policy issues.

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.

Shared Appreciation - An arrangement in which the lender shares in its proportional share of appreciation in the property if and when it is sold.

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.

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