



## SOUTH KING HOUSING AND HOMELESSNESS PARTNERS Housing Capital Fund – 2022 funding guidelines

### INTRODUCTION AND PURPOSE

The Cities of Auburn, Burien, Covington, Des Moines, Federal Way, Kent, Normandy Park, Renton, and Tukwila, and King County have entered into an interlocal agreement to cooperatively plan for and provide affordable housing in south King County through an organization called SKHHP (South King Housing and Homelessness Partners). To accomplish this, SKHHP member cities provide funding to affordable housing projects through the SKHHP Housing Capital Fund.

SKHHP welcomes all groups or agencies considering preserving or adding to inventory of affordable housing available to low-income households. We encourage interested parties to contact SKHHP as early in the process as possible. SKHHP welcomes all inquiries, and our goal is to help project proponents connect to partners and leverage funding to move forward in as coordinated an approach as possible. The general purpose of the Housing Capital Fund is to create and preserve affordable housing that meets the needs of low-income households earning up to 60% of area median income.

### AVAILABLE FUNDING

Approximately **\$1.5 million** in total funding is anticipated to be available for the 2022 application round. This total is comprised of local funds from sales tax funds authorized by Substitute House Bill (SHB) 1406.

### FUNDING PRIORITIES

SKHHP has established the following priorities for Housing Capital Funds in 2022:

**Collaboration.** Project sponsors working in collaboration/partnership with local community-based organizations are a high priority.

**Community Connections and Engagement.** Project sponsors that demonstrate connections and direct experience with populations they are proposing to serve, and proven success in community engagement and involvement in decision-making are a high priority.

**Disproportionate impact.** Projects that ensure housing proactively meets the needs of and is available to populations most disproportionately impacted by housing costs while complying with relevant federal, state, and local fair housing laws.

**Extremely Low Income and Supportive Housing.** Proposals that provide rental housing for individuals and families earning 0-30% AMI and proposals that incorporate supportive services are a high priority.

**Geographic Equity.** The SKHHP Housing Capital Fund has a long term objective to produce housing across SKHHP member jurisdictions through the creation of a broad distribution in the location of all types of affordable housing over time to maximize choice for individuals and families seeking affordable homes within SKHHP's geographic purview.

**Homeownership.** Projects that are able to provide homeownership opportunities for individuals and families earning up to 60% AMI.

**Leverage of Private and Public Investment.** SKHHP encourages project sponsors to pursue private and public investment that provides maximum leverage of local resources. Projects that already have funding secured and/or leverage private and public investment are a high priority.

**Preservation.** Projects that preserve housing at risk of conversion to market-rate housing are a high priority. This includes housing units with expiring affordability requirements or preservation of residential rental properties that are affordable to households earning 60% AMI but do not have affordability requirements.

**Racial Equity.** SKHHP encourages proposals that advance racial equity through strategies that intentionally dismantle the racially disparate impacts of our current housing system. Strategies may include, but are not limited to: preserving communities at risk of displacement; creating project partnerships that give voice and ownership to communities of color; affirmatively marketing new housing opportunities to populations disproportionately experiencing cost burden and housing insecurity; and addressing historic inequities in access to homeownership.

**Transit-Oriented Development.** Projects located within ½ mile of an existing or planned high capacity transit station, defined as fixed rail (light rail or Sounder train), bus rapid transit, or other high frequency bus stop are a high priority. Transit-oriented development is designed to support dense, walkable, communities that increase access to employment, services, and other opportunities.

## SCHEDULE

The following schedule is anticipated for the 2022 Housing Capital Fund application round:

July 2022	Application package available
By August 8, 2022	Provide intent to apply statement ( <i>optional</i> )
Prior to application submittal	Pre-funding application meeting ( <i>mandatory</i> )
September 15, 2022	Applications due
December 2022	SKHHP makes recommendation to cities
January – March 2023	SKHHP recommendation reviewed by City Councils

## NOTICE OF INTENT TO APPLY

Proponents of affordable housing projects within south King County who are planning a development and are interested in benefitting from coordinated funding are asked to submit a notice of intent to apply. **Notice of intent forms are optional but strongly encouraged and are due by Monday, August 8, 2022**, please submit your intent to apply information as early as possible. A pre-application meeting is required in order to be eligible to apply to the funding round.

## PRE-APPLICATION MEETING

**Applicants are required to schedule a Pre-funding Application Meeting to identify and discuss potential issues prior to submitting an application for funding.** Pre-funding Application Meetings will include SKHHP staff as well as staff from the jurisdiction where the project is proposed to be located. First-time applicants will benefit from meeting early and often with SKHHP. Applicants should be prepared to provide a project description identifying the population to be served, approximate number of units, income and affordability, type of construction (rehabilitation or new), neighborhood issues, whether relocation or displacement will be required, team members (developer, architect, property manager), likely funding sources, and demonstration of how the proposed project meets SKHHP's goals and priorities.

**Pre-Funding Application Meetings will likely be held between August 1 and September 1, 2022. To set up a pre-funding application meeting, email Angela San Filippo at [asanfilippo@skhhp.org](mailto:asanfilippo@skhhp.org)**

## ELIGIBLE APPLICANTS

Housing Capital Funds may be applied for by applicants or a group of applicants that are:

- Non-profit organizations
- Private for-profit organizations
- Public housing authorities
- Public development authorities
- Units of local government

Partnerships involving combinations of the above groups are encouraged, especially in the case where a private for-profit organization and/or applicants with less experience looking to build affordable housing development skills and abilities applies for funding. Partnerships are seen as opportunities to build organizational capacity, achieve community outcomes, and reduce investment risk for Housing Capital Funds.

**ELIGIBLE BENEFICIARIES**

The general purpose of the Housing Capital Fund is to create and preserve affordable housing that meets the needs of low-income households earning up to 60% of median income. SKHHP uses the United States Department of Housing and Urban Development income limits and rent limits developed for the Seattle-Bellevue Metro Area.

**2022 Income and Rent Limits – King County Area Median Income \$115,700**

**Maximum 2022 Household Income for Multifamily Rental Properties**

% of AMI	Household Size							
	1-person	2-person	3-person	4-person	5-person	6-person	7-person	8-person
20%	\$18,120	\$27,180	\$23,300	\$25,880	\$27,960	\$30,040	\$32,100	\$34,180
30%	\$27,180	\$31,080	\$34,950	\$38,820	\$341,940	\$45,060	\$48,150	\$51,270
35%	\$31,710	\$36,260	\$40,775	\$45,290	\$48,930	\$52,570	\$56,175	\$59,815
40%	\$36,240	\$41,440	\$46,600	\$51,760	\$55,920	\$60,080	\$64,200	\$68,360
45%	\$40,770	\$46,620	\$52,425	\$58,230	\$62,910	\$67,590	\$72,225	\$76,905
50%	\$45,300	\$51,800	\$58,250	\$64,700	\$69,900	\$75,100	\$80,250	\$85,450
60%	\$54,360	\$62,160	\$69,900	\$77,640	\$83,880	\$90,120	\$96,300	\$102,540

**Maximum Rent and Utilities for Projects Based on Unit Size\***

% of AMI	Number of Bedrooms					
	Studio	1-bedroom	2-bedroom	3-bedroom	4-bedroom	5-bedroom
20%	\$453	\$485	\$582	\$673	\$751	\$828
30%	\$679	\$728	\$873	\$1,009	\$1,126	\$1,242
35%	\$792	\$849	\$1,019	\$1,177	\$1,314	\$1,449
40%	\$906	\$971	\$1,165	\$1,346	\$1,502	\$1,657
45%	\$1,019	\$1,092	\$1,310	\$1,514	\$1,689	\$1,864
50%	\$1,132	\$1,213	\$1,456	\$1,682	\$1,877	\$2,071
60%	\$1,359	\$1,456	\$1,747	\$2,019	\$2,253	\$2,485

\*Includes the cost of basic utilities paid by resident. Unless the property pays ALL utilities, property must allow for the estimated amount the resident pays for utilities when calculating rent charges, so that both together do not exceed the rent limits. Most properties use public housing authority utility allowances. [King County Housing Authority energy assistance supplements \(formerly called utility allowances\)](#).

## **ELIGIBLE ACTIVITIES**

SKHHP funds may be used for the following activities:

- Acquisition, and related costs such as appraisals, financing costs, and transaction costs
- Rehabilitation and new construction costs
- Site development
- Off-site development only when necessary to assure utility service to the project site
- Mixed-income projects so long as Housing Capital Fund dollars assist units affordable at or below 60% of area median income

At this time, SKHHP does not have funds to support early technical assistance or predevelopment costs. Applicants in very preliminary stages are encouraged to apply to Impact Capital for predevelopment funding.

SKHHP member cities understand that certain County, State, and Federal housing programs require some level of matching by local resources. The SKHHP Housing Capital Fund is encouraged to be used as a local match for these programs.

## **INELIGIBLE ACTIVITIES**

Housing Capital Funds may **NOT** be used for:

The development of any non-residential use. Housing capital funds may be used in a mixed use development only for that portion of the development that is specific to the residential use. This restriction also applies to site development and off-site development costs for non-residential uses.

- The cost of any program operating expenses
- The cost of any political or lobbying activities or materials
- Rehabilitation of single-family housing units in a manner that would duplicate participating jurisdictions' housing repair assistance programs
- Uses that are public capital facilities such as correctional facilities or inpatient treatment facilities

## **PROJECT LOCATION**

All projects funded under this program must be located within the SKHHP sphere of influence (**see ATTACHMENT A**).

## **LOAN AND REGULATORY TERMS**

Housing Capital Fund dollars will be made available as either secured grants or loans. SKHHP has flexible terms designed to accommodate a range of projects and loan terms will vary based on the financial needs of the project. Applicants should indicate in the application whether they are applying

for a grant or loan, and what loan terms are proposed for the project. Loan applicants will not receive priority over grant applicants.

### **PERIOD OF AFFORDABILITY**

SKHHP expects that projects will commit to providing long-term affordability in the form of a 50-year regulatory agreement. A covenant will be recorded against the property that requires continued use of the property for low-income housing for the period of affordability. During this period the owner or property manager will be required to do annual reporting of tenant incomes and rents to ensure that affordability requirements are met, and SKHHP will monitor those reports to ensure compliance. If the project is converted to an alternative use or is otherwise not meeting the agreed upon terms in the regulatory agreement any time during the projects agreed-to term of affordability, the SKHHP Housing Capital Fund contribution to the project will be subject to immediate repayment, and potentially a proportionate share of appreciation.

### **OTHER AWARD TERMS/REPORTING REQUIREMENTS**

Additional funding conditions will be spelled out in an award letter to successful applicants. At a minimum, the following reporting requirements shall apply during development and occupancy:

#### *Quarterly Status Reports*

Quarterly status reports are required from all Housing Capital Fund funded projects during the development stage (from the time funds are awarded until completion and occupancy of the project). The quarterly reports will minimally include the status of funds expended and progress to date. A final budget must be prepared and submitted at the time of construction start and project completion. SKHHP will rely on the quarterly reports to determine if satisfactory progress is being made on the project. Additionally, SKHHP staff will inspect the project site at least once during the development/construction stage.

#### *Ongoing Monitoring*

After occupancy, the project sponsor or manager will submit an annual report to SKHHP summarizing the number of project beneficiaries, housing expenses for the target population, and the proportion of those beneficiaries that are low- and/or moderate-income, and that meet other eligibility criteria established in the SKHHP regulatory agreement. In addition, for projects with loan payments, financial information must be reported annually which will be used for assessing contingent loan payments and project health. All projects will also be evaluated periodically for long term sustainability. The annual reports will be required for the full duration of affordability.

### **APPLICATION CONTENTS**

SKHHP uses the [Combined Funders Application forms](#), developed jointly with other public funders including the State of Washington Department of Commerce and King County. The Combined Funders Application forms, SKHHP application addendum, and SKHHP notice of intent to apply are available on SKHHP's website at: <http://skhhp.org/home/housing-capital-fund/>

### *Letter of consistency*

Projects that are selected for funding have to demonstrate consistency with community priorities and plans. Applicants must include a letter of consistency from the jurisdiction where the project is located affirming the project is consistent with the Consolidated Plan, local comprehensive plan, and its housing element, and any local housing action plans.

### *Letter of community support*

Projects that are selected for funding must demonstrate community support. Applicants must include at least one letter of support from a community organizations, faith-based institution, community center, or school that serves the community where the project is proposed to be located.

### **The following materials are to be submitted for each application:**

One complete electronic application on a flash drive that includes:

1. A letter of consistency from the jurisdiction where the project is proposed (PDF format)
2. A letter of community support (PDF format)
3. SKHHP Addendum with narrative responses in Word format
4. Combined Funders Application that meets the following:
  - Attachments under each Tab should be placed in a separate folder labeled with the Tab number.
  - The Project Workbook must be in Excel format with linked sheets unlocked and formulas visible.

### **Complete applications are to be submitted by 5:00 pm on September 15, 2022 to:**

SKHHP  
ATTN: Angela San Filippo  
25 W. Main Street  
Auburn, WA 98001

If you are delivering in person, please reach out to SKHHP staff in advance to confirm a time for application delivery.

If you have any questions about application requirements, please contact Angela San Filippo at (253-329-7394 or email [asanfilippo@skhhp.org](mailto:asanfilippo@skhhp.org))

### **REVIEW PROCESS**

Proposals will be reviewed using the following process:

**Step 1.** An initial screening will be conducted by SKHHP staff and staff of the jurisdiction where the project is proposed to be located to determine the completeness of each application. Staff reserves the right to deny applications that are incomplete.

**Step 2.** SKHHP will evaluate the applications and develop a recommendation to the respective City Councils. SKHHP’s recommendation will be made by its Advisory Board and approved by its Executive Board.

**Step 3.** SKHHP member City Councils that have contributed funding will review, approve, and provide a statement of support for the funding recommendation submitted by SKHHP, or will return the recommendation, with comments, for further investigation before a final decision is made. SKHHP member jurisdictions where the project is proposed to be located that have NOT contributed funding to the project via the SKHHP Housing Capital Fund will be asked for a letter of support prior to a final funding decision being made.

## **EVALUATION CRITERIA**

### **General**

Evaluation of applications will focus on an overall evaluation of all of the following key areas:

- **Advancing the goals of equity**, including the extent that projects are community-driven and/or reduce or undo disproportionate harm to communities most impacted by historic injustice and displacement, including extremely low-income households with incomes at or below 30 percent of area median income and Black, Indigenous, and People of Color (BIPOC) communities
- **Feasibility, timeliness, and cost effectiveness** (i.e., SKHHP Housing Capital Fund award per unit/square feet, total development cost per unit/square feet, reasonableness of schedule, budgets, and proforma, adequacy of resources and ongoing sustainability, and site control to ensure timely completion).
- **Relevance of the project to local housing needs and funding priorities**, including the extent to which the project is consistent with the local plans (e.g., Consolidated Plan, Housing Element, or area plans), and the extent to which housing need will be met and help to achieve SKHHP’s stated priorities.
- **Suitability of the project sponsor and development team**, including any track record and/or housing development for success, adequacy of management plans, duration of affordability, ongoing sustainability, adequacy of support services, and firmness of financial commitments or likelihood of receiving those commitments.

### **Specific**

The following specific information areas will be evaluated for data to support the key focus areas described above.

#### **A. Development and Operating Budgets**

Projects will be evaluated for cost effectiveness on a per unit and per square foot basis. Higher up-front development costs may be justified to create long-term operational efficiencies (e.g., through use of high-efficiency building systems), provided that those increased costs have a relatively short payback period. Higher land costs may be justified to account for strategic location such as proximity to transit or other local amenities. SKHHP may use third party reviewers to evaluate estimated



construction costs. Development and operating budget forms should provide detailed explanation to support estimated expenses. If support services are identified as an integral part of the project, a detailed services budget must also be submitted. Proposed financing will be evaluated for feasibility based on expressed interest from lenders and investors, and applicant (or applicant team, including more-experienced consultants and partners) should have experience in obtaining financing, and other competitive criteria (e.g., estimated tax credit score if LIHTC equity is proposed).

#### B. Project Readiness

Projects will be evaluated for their readiness to proceed. Applicants should demonstrate full site control. Applicants should have a “letter of consistency” from the jurisdiction where the project will be located affirming the project is consistent with the Consolidated Plan, local comprehensive plan and its housing element, and any local housing action plans. Projects that propose significant fundraising should demonstrate steps taken to prepare for and implement a capital campaign, including a plan and timeline for the proposed capital fundraising and, preferably, a track record of past or current capital fundraising ability. Projects that will rely on public funding to cover the costs of ongoing operations or services should identify and describe the availability of such funding, and report on the project’s competitiveness for such funds based on discussions with likely funders.

#### C. Development Team Track Record

Project review will take into consideration how well experienced development teams have performed on previously funded projects and, in the interest in increasing the diversity of housing and community developers, how less experienced developers (or partners/consultants on their team) demonstrate an understanding of the steps and structures needed for success. When there is an applicable track record (for the applicant or partner/consultants), the application should identify lessons learned from those projects and describe how performance/actions have been modified as a result.

#### D. Property and Asset Management Capacity

The proposed property and asset management entities will be evaluated on their experience, performance, or developing capacity in managing comparable developments. Successful asset managers will have a detailed understanding of the physical and financial condition of their properties, regularly updated capital needs assessments, and thoughtful policies for balancing the objective of maintaining affordable rents and planning for healthy reserves and operating income to cover current and future expenses. If a project is in its preliminary stages, a boiler plate management plan may be submitted with the application. A final management plan will be required prior to contracting.

A successful management plan will include the following information:

- **Occupancy:** Information in the occupancy management plan must include lease information (length, tenant eligibility and selection standards, standards for termination of lease, eviction, lease renewal) and marketing strategies including local outreach.
- **Facility:** The facility management plan should include provisions for both routine and long-term building maintenance.

- Supportive Services: If applicable, the applicant must describe how any supportive services identified as an integral part of the project will be provided, either directly or through linkages with an existing network of service agencies and describe how those services will be in accordance with best practices for the intended population.

#### E. Displacement and Relocation

Any activity which would result in the displacement of existing residents, especially low- and/or moderate-income residents and/or BIPOC residents is discouraged. If displacement may occur, the applicant must submit, as part of the application for capital funds, a plan for providing relocation assistance to the displaced residents. (If relocation may occur, the applicant is strongly encouraged to contact the King County Housing Finance Program to discuss what relocation assistance may be available.) Relocation costs should be included in the project budget. Projects funded with federal dollars (e.g., CDBG funds) must meet all applicable federal relocation requirements.

#### F. Supporting Equity

The proposed project will be evaluated based on whether the development will advance SKHHP's goals of equity, including preserving existing communities at risk of displacement (including manufactured housing communities); increasing opportunities for extremely low-income households (households with incomes at or below 30 percent of area median income); creating meaningful project partnerships (including with BIPOC-lead organizations) that give voice and ownership to residents and communities of color; affirmatively marketing new housing opportunities to communities less likely to access opportunities in South King County; providing affordable housing as a public investment – and potential catalyst – in areas that have traditionally received less services and/or public investments; and addressing historic inequities in access to homeownership.

#### G. Nature of Location

As part of the decision process, reviewers will want to understand how the proposed development fits into the neighborhood and would help further any number of public policy goals. Examples of furthering public policy goals could include:

- Locating in a “high opportunity” location, with proximity to or easy access to jobs, grocery stores, pharmacies, schools/childcare, transportation, and community or cultural centers.
- Providing affordable housing in areas at high-risk of displacement or experiencing a loss of naturally occurring affordable housing.
- Investing public dollars in areas traditionally/historically underserved or as a catalyst for further investments and development.

**ATTACHMENT A: SKHHP SPHERE OF INFLUENCE**

