



Washington State Housing Trust Fund

HOUSING PRESERVATION PROGRAM Notice of Funding Availability (NOFA)

April 2, 2018

The Washington State Department of Commerce (Commerce) is soliciting applications for preservation funding from the Housing Trust Fund (HTF) to ensure the long-term viability of the existing HTF multifamily rental portfolio.

I. FUNDING AVAILABILITY

The state Legislature has made available ten million dollars (\$10,000,000.00) from bonds and the HTF repayment account by appropriation in the 2017-2019 biennial budget. This application funding round is a competitive process available only to HTF portfolio projects. Housing Preservation Program funds may not be used to create new units.

II. THRESHOLDS

Applications from applicants proposing capital preservation projects at affordable housing properties meeting **all** the following **thresholds** will be accepted and reviewed:

1. The property is part of the existing HTF multifamily rental property portfolio (i.e., has an active HTF contract).
2. The building(s), of the property, where the proposed preservation activities will be done are more than fifteen (15) years old.
3. At least fifty percent (50%) of the housing units in the affordable housing project are occupied by families and/or individuals with household incomes at or below thirty percent (30%) of area median income (AMI).
4. Proposed preservation project activities include major building improvements, system replacements, and/or other activities that add to the depreciable basis of a building.
5. Proposed preservation project activities are supported by a capital needs assessment (CNA) and third-party construction cost estimate.
6. Proposed preservation project activities result in demonstrable reduction in operating and/or utility costs.



- 7. The applicant has read through this NOFA and has attested to their understanding of the thresholds, requirements, process for submitting a complete application, and all other considerations outlined in the NOFA.
- 8. The applicant has read the [Washington State HTF Handbook](#) and has attested to their understanding of the affidavits for Prevailing Wage, Use of Apprenticeship Program, and Archeological and Cultural Resources as applicable to proposed preservation activities. A modified version of the Evergreen Sustainable Development Standard (ESDS) also applies to this capital funding source. The applicant, through completion of the applicable sections of the application, has demonstrated how the preservation project aligns with the modified criteria of the ESDS and their intent to comply with the requirements.
- 9. A complete application, as outlined below, is submitted by the application submission due date, in the required format, and via email.

III. TIMELINE

Application Solicited (this NOFA)	April 02, 2018
Application Q&A	April 02 – June 01, 2018
Application Submittal Due Date	June 30, 2018
Commerce Review of Applications	July/August, 2018
Notification of Award Date	September 14, 2018
Contract Negotiations, Drafting, and Execution	September/October, 2018
Project Must Be Ready to Proceed With Preservation Activities	February 1, 2019
Demonstration of Full Funding for Preservation Project Activities	Before contract execution but no later than February 1, 2019
Anticipated Completion of Preservation Activities	May 30, 2019

Commerce reserves the right to revise this timeline.

IV. APPLICATION DOCUMENTS AND SUBMISSION

The Housing Preservation Program Application forms can be downloaded from the [Applying to the Housing Trust Fund](#) web page. Applicants must answer **all** questions, attach **all** required or necessary documents, and submit a **complete** Housing Preservation Program Application to Commerce as described below.

- 1. **SUBMISSION DEADLINE:** The application and all required supplemental documentation must be received via email at the HTF Portfolio Management email address provided below no later than **5:00 p.m. (Pacific Time) on June 30, 2018**. An incomplete application or an application with missing supplemental documentation will be considered non-responsive and will not be reviewed.



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2. SUBMISSION FORMAT:

- ONLY electronic submissions of the application forms and attachments will be accepted.
- Applications must be submitted in the original document format (Word or Excel) provided by Commerce. DO NOT convert your Application to PDF or other file formats.
- Supplemental documentation should be converted to PDF and sent along with the Application files.
- Email your completed Application (i.e., Word, Excel and PDF supplemental documents) to the HTF Housing Preservation Program Lead at htfportfoliomgmt@commerce.wa.gov.
- Applicants will receive an email confirmation of receipt by 5:00 p.m. (Pacific Time) on the business day following receipt by Commerce. *If confirmation is not received within this period, it is the applicant's responsibility to verify receipt with Commerce staff by calling 360-725-2936.*

Note: Applications may be shared with other Commerce staff, public funders and lending institutions, as applicable.

V. REQUIREMENTS

Applicants for Housing Preservation Program funding must provide adequate information, via the application, that shows **all** of the **requirements** below are met in order to be considered complete.

1. APPLICANT:

- **Eligibility:** The applicant must be an eligible organization per [RCW 43.185A.040](#) and be the controlling ownership entity of the affordable housing property where the proposed preservation activities will occur.
- **Organizational Capacity:** The applicant must demonstrate the capacity to effectively develop and manage the proposed preservation project so that all objectives are completed on-time and within budget. If the applicant lacks the capacity to complete the proposed project, it must identify formal partnerships with experienced entities capable of developing, managing, and completing the project as proposed.



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- **Good Standing:** The applicant must demonstrate that they are currently managing and operating the applicable affordable housing project in a manner that prioritizes long-term viability as affordable housing. The applicant's past performance and experience working with Commerce and other public funders/lenders must indicate sound organizational capacity and performance. And, the applicant must have no significant or recurring HTF compliance issues on previously awarded HTF contracts. See [Chapter 2](#), Section 206.1.1 of the [HTF Handbook](#).
- **WBARS Reporting:** The applicant has submitted and the affordable housing project is current in the Combined Funders Web-Based Annual Reporting System (WBARS) with a fully submitted 2017 report to include all supplemental materials and Tables 1, 2, 3, 4, 4a and 4b, as applicable.
- **Board Resolution:** The applicant must submit with the application a copy of the signed board resolution or board minutes authorizing submittal of an HTF application. See [Chapter 2](#), Section 206.4 of the [HTF Handbook](#).

2. PRESERVATION PROJECT:

- The affordable housing property where the preservation project is proposed must be part of the active HTF portfolio (i.e., currently within an HTF contract affordability/commitment period).
- The building(s), of the property, where the proposed preservation activities will be done are more than fifteen (15) years old.
- At least fifty percent (50%) of the housing units in the affordable housing project are occupied by families and individuals with household incomes at or below thirty percent (30%) of area median income (AMI). **Note:** This criterion may be satisfied, at the time of application, by 50% of the units being occupied by households with actual incomes at or below 30% AMI, regardless of the contractual AMI requirements (e.g., the existing HTF contract may require “up to 50% AMI” when the actual household incomes are below 30% AMI).
- Proposed preservation project activities include major building improvements, system replacements, and/or other activities that add to the depreciable basis of a building.
- Proposed preservation project improvements will result in the reduction of operating or utility costs, or both.



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- Proposed preservation project improvement will result in the long-term viability of the property.
 - Completion of a capital needs assessment (CNA) that supports the preservation project as proposed in the application and third-party construction cost estimate(s). **Note:** The CNA requirement can be met by completing the 20 Year Capital Needs Assessment in the application, by providing your own in-house produced CNA, or providing a third-party CNA. Regardless of the document format, the content of the CNA must speak to the proposed preservation project activities. The third-party construction cost estimates must also correspond to the proposed preservation project activities.
3. **ELIGIBLE PRESERVATION ACTIVITIES:** This is a capital funding round for preservation projects at existing HTF multifamily rental properties. Eligible activities under the Housing Preservation Program are as follows:
- Capital building improvements (including all substantial above ground structures).
 - System replacement or major upgrade (e.g., HVAC, boiler, elevator, electrical and plumbing).
 - Energy efficiency upgrades.
 - Accessibility retrofits to bring the property into compliance with ADA/FFHA and Washington State Building Code.
 - Fire sprinklers and fire safety to bring buildings into compliance with the Fire Code.
 - Other activities that add to the depreciable basis of a building. No more than twenty percent (20%) of the total requested cost of a project shall include materials with a useful life of less than ten (10) years (e.g., appliances, carpet, floor coverings, cabinetry, interior painting, etc.).
 - All work related to the proposed preservation project, reimbursable by the Housing Preservation Program, shall be completed by licensed third-party providers.

Note: If HTF Housing Preservation Program funds are used to leverage a refinance or loan restructure, the outcome of those preservation activities must result in substantial capital improvements of the building.



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4. **INELIGIBLE ACTIVITIES/MATERIALS:** Awarded funds shall NOT be used to add or expand the capacity of the property beyond that which was intended by the original HTF capital contract (as amended, of applicable). This is a capital funding round and the following activities are **NOT** eligible:
- Remediation of damage caused by deferred maintenance. Applications that propose activities or materials that keep a property in good working condition and habitable are NOT considered capital improvements.
 - Unit interior renovation to improve marketability.
 - Furniture purchases.
 - Vehicle purchases.

Note: HTF Preservation Program funds cannot be used to repay any debt associated with the applicable property or building(s).

5. **PRESERVATION PROJECT COSTS:** The applicant must demonstrate that project costs are reasonable, per the following:
- Project costs per unit of investment;
 - Project costs result in a reduction of operating or utility costs, or both; and
 - Project costs, as described in the application, are supported by a capital needs assessment and a third-party construction cost estimate.
6. **AMOUNT REQUESTED:** For this funding round we are not instituting a minimum or maximum funding cap. However, applicants are strongly encouraged to consider requesting within the range of \$50,000 - \$500,000 per application. If your request falls outside that range, an additional explanation will be required. A separate application must be completed and submitted for each affordable housing project where preservation activities are being proposed.
7. **SUBMISSION:** Applications must meet all submission requirements identified in Section III of this NOFA.
8. **FULL FUNDING:** Applicants must demonstrate they have full funding to complete the activities associated with the entire proposed preservation project before a contract will be executed but no later than February 1, 2019. Commerce may not expend funds unless and until the non-state share of project costs have been either expended, or



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firmly committed, or both, in an amount sufficient to complete the project. Awards will be conditional upon meeting this requirement.

9. **READINESS:** Projects should be ready to proceed with preservation activities as soon after contract execution as possible with anticipation of completion of work by May 30, 2019.
10. **FINANCIAL OPERATIONS:** The Affordable Housing Project Income/Expense History, tab 4 of application, must demonstrate that the affordable housing project has been effectively managed for the past five (5) years. The operating pro-forma, **tab X**, should follow the project financial guidelines outlined in [Chapter 2](#), Sections 204.4-8 of the [HTF Handbook](#). Expenses in the operating pro-forma should reflect estimated future savings to operating and utility costs as outlined in the preservation project details.
11. **EVERGREEN SUSTAINABLE DEVELOPMENT STANDARD (ESDS):** Proposed preservation activities must meet a modified ESDS criteria, as outlined in the application. If the proposed preservation activities correspond to the modified ESDS criteria, the activity and materials must at a minimum meet the ESDS requirements. The ESDS criteria are not scored.

VI. APPLICATION REVIEW PRIORITIES

Complete Housing Preservation Program applications may receive priority for a funding award based on the following criteria:

1. **POPULATIONS SERVED:** Applications that include properties where most of the housing units are occupied by extremely low-income households (i.e., at or below 30 percent of area median income), and properties serving persons with special needs (including the homeless and those with disabilities) may receive priority. WBARS data will be used to verify occupancy levels, in addition to the information provided by the applicant in the application.
2. **RURAL/GEOGRAPHIC DISTRIBUTION:** Applications that include properties in rural areas may receive priority, depending on the overall application pool. Commerce is required to use at least thirty percent (30%) of HTF monies in any given funding cycle for the benefit of projects located in rural areas, unless it has not received an adequate number of suitable applications for rural projects (per [RCW 43.185.050](#)). Commerce is also required to provide for a statewide geographic distribution of funds (per [RCW 43.185.070](#) (2)(a)).
3. **RESOURCE AVAILABILITY:** Preservation projects that have no other available sources of funding besides the HTF Preservation Program may receive priority.



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4. **LOCAL PRIORITY:** Applications that demonstrate both financial and community need for the preservation project may receive priority. (i.e., letters of support or local funding commitments)
5. **READINESS & FULL FUNDING:** Applications demonstrating all applicable financing commitments and a readiness to proceed within the specified timeframes as identified in this NOFA may receive priority.
6. **REDUCTIONS IN OPERATING & OR UTILITY COSTS:** Preservation projects that demonstrate greater reductions in operating and/or utility costs may receive priority. There many different ways to demonstrate how costs are proposed to be reduced (e.g., use of the Simple Payback Method or Savings to Investment Ratio analyses as outlined in Appendix B of the ESDS v3.0.1 to show how the applicable ESDS criteria will perform over time, inspection and analysis reports from a third-party reviewer, or use of other industry standardized modeling methodologies) but the end outcome should be a clearly articulated analysis and documentation that support the cost savings as they relate to the proposed preservation activity.
7. **PROJECT COSTS:** Applications indicating the most reasonable project costs/cost per unit investment may receive priority.
8. **SUSTAINABILITY:** Applications demonstrating the ability to meet and/or exceed the ESDS, safeguarding health and safety, increasing durability and sustainable living, preserving the environment, and increasing energy efficiency may receive priority.
9. **BENEFIT TO TENANTS:** Preservation projects that include cost savings to tenants, improvements to tenants' quality of life, and/or improvements to tenant health and safety by bringing older properties up to applicable codes and housing quality standards, such as Uniform Physical Conditions Standards (UPCS) may receive priority.

Applications may be subject to additional Priorities, as determined by Commerce.

VII. OTHER CONSIDERATIONS BEFORE APPLYING

Applicants should consider the following before applying for these funds. If your preservation project is awarded funds, we will not make exceptions to these conditions of our award.

1. **AWARD STRUCTURE:** Funding will be provided as a recoverable grant (unless the applicant prefers a loan) with no expectation of repayment **if** the terms and conditions of the contract are met.
2. **CONTRACT AND LEGAL DOCUMENTS:** Awarded preservation projects will result in a HTF contract, covenant, deed of trust, and promissory note that will run concurrent to the



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original or current HTF capital contract and security documents. It is our intention that the current contract and security documents not be amended as a result of this new capital funding, although there may be exceptions to this situation discovered at time of contract development.

- The new HTF Housing Preservation Program contract and security documents shall take a junior position to existing funding;
 - The new covenant shall include a 15-year restriction, running concurrent to any other commitment period previously enacted by an HTF capital contract, and will require at least fifty-percent (50%) of the housing units be restricted to families and/or individuals at or below thirty-percent (30%) the area median income (AMI); and
 - Proof of additional title insurance covering the funded amount will be required.
3. **REIMBURSEMENT ONLY:** Awarded funds are available on a reimbursement basis. For projects with limited ability to front preservation activity costs, we will work with you to cover costs as they are incurred. In no circumstance will funds be advanced prior to work being completed. All funds shall be used only for eligible activities as identified above in Section IV (2) & (3). Preservation activity expenses incurred more than ninety (90) days prior to the application deadline are ineligible for reimbursement.
 4. **STATE PREVAILING WAGES:** Projects funded under this NOFA are required to pay state prevailing wages, so consideration should be given in the project budget, unless the applicant has a determination otherwise from the Washington State Department of Labor and Industries. HFU staff cannot provide technical assistance on how this requirement may or may not apply to your proposed preservation project.
 5. **ARCHEOLOGICAL & CULTURAL RESOURCES:** Proposed improvements must comply with Washington State Executive Order 05-05 criteria, as applicable, and be reviewed by the Department of Archaeology and Historic Preservation (DAHP) and affected tribes to determine potential impacts to cultural resources.
 6. **USE OF APPRENTICES:** Applicants funded under this NOFA, and if required to meet the standards set forth in RCW 39.04.300–320, will make a good faith effort to comply with this Chapter of RCW. If at the start of construction, it is determined that the applicant is not able to comply with this Chapter of RCW, they must submit a written request for waiver of the apprenticeship participation requirement and will include reasons supporting the waiver request. Written approval of the waiver request is required from the Department of Commerce. HFU staff cannot provide technical assistance on how this requirement may or may not apply to your proposed preservation project.



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VIII. QUESTIONS

For questions related to the Housing Preservation Program NOFA or Application, please refer to the Housing Preservation Program NOFA & Application FAQ posted on the [Applying to the Housing Trust Fund](#) page. If your questions are not answered by the FAQ, and it is between April 02 and June 01, 2018 you can contact the HTF Housing Preservation Program Lead, Tanya Mercier, directly at 360-725-2936 or at htfportfoliomgmt@commerce.wa.gov.

Please allow at least two business days for resolution of issues.