

Washington State Department of Commerce
Housing Trust Fund
Housing Preservation Program
Frequently Asked Questions

As of April 10, 2018

1. **Question:** Can the new preservation funds be used to purchase additional units or new properties for my organization to expand our current apartment complex?

Answer: No. These new funds, created and set aside by the legislature, are only for upgrading, remodeling, maintaining and preserving existing, affordable housing units, which are already in service and operating under existing affordable housing contracts with the Department of Commerce.

2. **Question:** What age does the building(s) in our project need to be to qualify for the new preservation dollars?

Answer: The building(s) must be more than 15 years old and currently in service with Department of Commerce, under an existing Housing Trust Fund contract.

3. **Question:** What kinds of upgrades, improvements and repairs can we make to our building(s)?

Answer: The Preservation funds may be used for capital needs improvements. Examples of eligible uses are:

- Major systems replacement: heating, air conditioning units and energy efficiency upgrades such as new windows or insulation.
- Improvements such as: major plumbing upgrades, adding ADA wheelchair ramps, safety handrails, fire sprinkler systems, new roofs, parking lot paving, updating of the interior apartment units or other remodeling activities that extend the lifespan of the project, create energy and utility savings and improve the overall living conditions for the tenants served.

Note: Improvements must add to the depreciable basis of the building(s). 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.).

4. **Question:** Do bids for work to be done by our contractor need to be approved by the Department of Commerce?

Answer: Yes. Any and all bids for proposed remodeling work need to be submitted at the time of your initial application for funds. Commerce needs to verify the scope of work you are proposing for your building(s).

5. **Question:** Do we need to furnish a **Capital Needs Assessment** to request preservation money for remodeling our building(s)?

Answer: Yes. The CNA requirement can be met by completing the 20 Year Capital Needs Assessment contained 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.

6. **Question:** Can we apply for a deferral of loan payments on our existing Housing Trust Fund contract, if our building(s) are going to be offline or vacant for a substantial amount of time, while we are performing a major remodel with our newly acquired preservation funds?

Answer: Yes. Loan payment deferrals on existing HTF contracts will be considered on a case-by-case basis. There is a separate Department of Commerce **workout application** for making such a request.

7. **Question:** How much can my organization apply for?

Answer: Applicants are strongly encouraged to consider requesting an amount within the range of \$50,000 - \$500,000 per application. If your request falls outside that range, an additional explanation will be required.

8. **Question:** How long is the commitment period for the new preservation funding with Commerce?

Answer: The new contract and new covenant will include a 15-year use restriction, running concurrent with any other commitment period previously enacted by an HTF capital contract, and will require that at least fifty-percent (50%) of the housing units be restricted to families and/or individuals with household incomes at or below thirty-percent (30%) of area median income (AMI).

9. **Question:** Is there a limit to the number of properties I can request funds for?

Answer: Not at this time. You can apply for funding for a building, multiple buildings in a complex, or buildings across multiple locations that are owned by your organization and in the HTF portfolio. However, each affordable housing project requires a separate application for preservation funds. The preservation fund awards are project-specific.

10. **Question:** If we are approved, how do we get the actual funds to pay for the preservation work on our units? Do we get a single disbursement check from Commerce or are funds portioned out like draws during a conventional construction loan?

Answer: Commerce will **reimburse** you for work completed, in stages, as your contractor completes the work. You will use the Secure Access Washington (SAW) system to request your payments. We will **not** reimburse you for work to your building(s) completed prior to applying for Housing Preservation funds.

11. **Question:** Will there be inspections at various stages of our remodeling process?

Answer: Yes. Commerce reserves the right to make on-site inspections as we deem necessary. Commerce may need to verify that the preservation work is being performed in a workmanship and timely manner.

12. **Question:** Do we need to provide audited financial statements from our CPA to apply?

Answer: Not at initial application. The NOFA application on the Commerce website has several tabs and pages for your organization's financial data. When we begin underwriting your request, we will request you to submit additional, supporting financial information if we need it. Otherwise, we will use the financial data you provide in the application itself.

13. **Question:** How long will the entire process take to secure a preservation award?

Answer: The application(s) must be submitted to Commerce by **5 p.m. (Pacific Time) on June 30, 2018**. During **July** and **August** 2018, Commerce will review all the applications submitted by the June 30 due date. On **September 14, 2018**, Commerce will announce which organizations have been awarded funds.

14. **Question:** If our organization is awarded Commerce preservation funds, do those funds count against the six million dollar per biennium cap that our organization can receive from Commerce for our various affordable housing projects?

Answer: No. The new Commerce preservation fund awards are separate from any other awards that your organization may receive from the state's Housing Trust Fund.

15. **Question:** If our organization is approved for preservation funds to remodel an existing building(s), is the amount of our award added to the existing loan balance that we owe to Commerce under our existing HTF contract(s), or is it a separate loan?

Answer: Any preservation funding from Commerce will be awarded via separate, brand new contracts with their own terms and repayment requirements.

16. **Question:** If our organization is awarded preservation monies from Commerce for remodeling our apartments or building(s), would we make payments to Commerce monthly, quarterly or annually?

Answer: Awards will be **grants** without expectation of repayment unless the terms of the contract are not met or the applicant requests a loan.

17. **Question:** If another nonprofit housing organization wants to assume our Commerce preservation fund contract in the future, is this allowed?

Answer: Assumption and transfer of Commerce contracts are allowed on a case-by-case basis. A Commerce **workout application** would need to be submitted. Commerce would evaluate both the current financials of your organization and the financials of the organization requesting to purchase or assume the original HTF and preservation contracts. If a project is approved for transfer, all underlying Commerce HTF contracts would also transfer.

18. **Question:** Is there a pre-payment penalty if our organization refinances or pays off our Commerce preservation fund loan early?

Answer: No, but the 15-year affordability restriction in the covenant will still apply.

19. **Question:** What is the hard deadline for applying for preservation funds?

Answer: June 30, 2018

20. **Question:** If our organization is approved for preservation funding, will there be an additional lien recorded on title against our property?

Answer: Yes, the new contract will be secured with a junior deed of trust.