

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

REVISED: As of June 1, 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: In the NOFA, Section II Threshold and Section V Requirements, it is indicated that a third-party CNA and third-party cost estimates are due at time of application. In an earlier version of the FAQ we used the word “bid” as though it is synonymous with “cost estimate”. Sorry for the confusion, these words do not mean the same thing and bids are not due at time of application. Our expectation is that what is proposed for the preservation project is supported by the CNA and cost estimates. If a project already has bids, we will certainly accept them but that is not the expectation at application.

Once a preservation project is awarded, bids should be submitted expediently for review prior to moving forward with the preservation project.

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 should reflect the entire building (or buildings) and reflect all of the proposed eligible Preservation Project activities and their components. And 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 affordable housing projects I can request funds for? And can we bundle multiple affordable housing projects, sites and/or buildings into a single Preservation Project application.

Answer: At this time there is not a limit to the number of affordable housing projects that can be applied for funding. Although all projects in a Preservation Project application must be owned by the applicant's organization and already be in the HTF portfolio.

Each affordable housing project requires a separate application for preservation funds. The HTF contract defines what we consider as the affordable housing project. In most cases, there is only one affordable housing project in an HTF contract (and this project may consist of a building, multiple buildings in a complex, or buildings across multiple sites). The HTF portfolio does have two subset of contract configurations where there may be multiple affordable housing projects in a single HTF contract or an affordable housing project was "phased" and each HTF contract includes one phase of a multi-phase project. Regardless of how the applicant organization has defined their affordable housing portfolio, the Preservation Project application should reflect the project(s) as identified in the HTF contract.

A Preservation Project application that includes affordable housing projects across multiple HTF contracts will not be accepted.

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 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: Applications must be submitted to Commerce by **5:00 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: Awards will be offered as **recoverable grants** (unless the applicant prefers a loan) with no expectation of repayment if the terms and conditions of the contract are met. Whether as a recoverable grant or loan, any preservation funding from Commerce will be awarded via separate, brand-new contracts with their own terms.

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 offered as **recoverable grants** (unless the applicant prefers a loan) with no expectation of repayment if the terms and conditions of the contract are met.

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.

21. **Question:** Would the remodel of a historical building be an eligible use of preservation funds?

Answer: Yes. However, keep in mind that awards to organizations and projects that apply will be prioritized based on the project's ability to conserve or increase the effectiveness or lifespan of units, as well as the project's ability to provide sustainable affordable housing to the community. While we encourage organizations with qualifying projects to apply, we caution against spending too much money up front on expensive feasibility studies, surveys or development costs until projects have been awarded preservation dollars.

22. **Question:** Our organization operates a homeless shelter that was built or acquired with Commerce Housing Trust Fund dollars. If we apply for preservation funds to remodel or improve our homeless shelter, is this an acceptable use of funds?

Answer: Yes, renovations and capital improvements to a homeless shelter are eligible uses of preservation funds as long as the homeless shelter was acquired, built or remodeled using Commerce Housing Trust Fund monies, is more than 15 years old, and is currently in service with Department of Commerce under an existing Housing Trust Fund contract.

23. **Question:** What version of ESDS do I need to address in my application for Housing Preservation Funds?

Answer: In the Excel application workbook there is a tab specifically for "ESDS Requirements". All proposed preservation activities must be reviewed and compared to the modified ESDS requirements stated on the "ESDS Requirements" tab of the application. If a proposed activity or material associated with a proposed activity corresponds to any of the modified ESDS criteria, at a minimum, that ESDS criteria must be complied with. To show that you have done the analysis, you must place an "X" in the far left column of the "ESDS Requirements" tab to show that that criteria will be met. The CNA submitted with the application and third-party construction cost estimates should also clearly identify any materials associated with the "ESDS Requirements" and any applicable narratives throughout the application should correspond to the "ESDS Requirements".

In the NOFA, Section VI (6), a methodology associated with ESDS v3.0.1 to show a reduction in operating and/or utility costs is used as an example. This is just one methodology that may be used and is not indicative of the preservation project following the ESDS v3.0.1 criteria for compliance purposes.

24. Question: When completing the application, how do I know if my preservation project exceeds the 20% of total requested costs for materials with a useful life of less than 10 years?

Answer: In the NOFA , Section V (3), “other activities that add to the depreciable basis of a building” are an eligible preservation activity. However, no more than twenty percent (20%) of the total requested cost of the preservation project shall include materials with a useful life of less than ten (10) years. If your preservation project includes these types of materials, and those materials are part of the HTF funding request, in the Excel application workbook, on the tab “PP Budget & Request” please identify these materials in the “Notes” column. Applicable components will most likely be in the Unit and Common Areas sections of the tab but if you’ve added rows for other components please ensure inclusion of those items in your analysis and note making. There is not an auto calculation in the spreadsheet that will indicate to you if the identified components are within the 20% allowance so you will need to keep track of that yourself. In the Word document portion of the application, Question 2 requests a detailed description of the preservation activities associated with the project and this would be a good place to indicate that your request complies with the 20% allowance, if applicable.

25. Question: In the Excel application workbook, on tab “PP Budget & Request” there are only two types of “payments” showing as an expense. What if I have debt not associated with the HTF or a bank that I am making payments?

Answer: On the AHO Info tab, under Funding Details, you should identify all related grant and loan balances associated with the affordable housing project regardless of the funder type. This information should then inform the “Bank” and “HTF” payments indicated on tab AHP I&E in that anything that is not “HTF” can be lumped into the “Bank” column as long as it is in repayment status and payments were made.

26. Question: Can HTF funded affordable housing projects, associated with different HTF contracts be bundled into a single preservation project?

Answer: At this time, we are not allowing the bundling of HTF funded affordable housing projects with different HTF contracts to be bundled into a preservation project. Each affordable housing project requires a separate application for preservation funds. In situations where an HTF contract includes multiple affordable housing “projects” we will allow one application for a preservation project related to those affordable housing projects in that HTF contract but the applicant must submit separate applicable information related to each affordable housing project . If you find yourself in this situation, please contact the Housing Preservation Program Manager for guidance on completing the application.

27. Question: We have multiple preservation needs in our affordable housing project that we would like to apply for funding. Should we make one application for all the projects we want to complete? And what if some of the projects we want to complete are determined not eligible for the funding, will this disqualify the entire application?

Answer: All activities associated with a Preservation Project application must be eligible activities for the application to be reviewed. If through the review it is determined a proposed activity is ineligible, the entire application will be disqualified. If you submit multiple Preservation Project applications for the same affordable housing project, we will review those applications in relation to one-another to determine the feasibility of all proposed preservation work being completed on-time and on-budget. In most cases, it will be a more competitive application if all proposed preservation activities are submitted as a single application.

28. Question: Our 103 year-old registered historic building contains the original wood windows that have varied layers of lead-containing paint and are now peeling. We need to hire a painting contractor certified to remove the contaminated peeling paint and repaint the windows. Is this an eligible item for this funding request?

Answer: This depends on a couple of things. Does what you are proposing with the windows, all associated rehab/replacement work, result in a demonstrable reduction in operating and/or utility costs? And will the rehab/replacement associated with the windows add to the depreciable basis of the affordable housing project? If the rehab/replacement does not add to the depreciable basis of the affordable housing project, then the cost of remediating the lead-based paint must be factored into any other costs that also do not add to the depreciable basis and this total cannot be more than twenty percent (20%) of the total requested cost of a project.

29. Question: For the required Board Resolution, what specific language should be included?

Answer: We do not require any specific language in the Board Resolution; however, it should be clearly identified that the board approves and authorizes submittal of the Preservation Project application and there is an understanding and agreement with the parameters of the NOFA (particularly Section V and VII).

30. **Question:** At our affordable housing project we have our own, in house construction and maintenance crew that works on all of our buildings. If we are awarded Preservation Funds, can we use our own workers to remodel our apartment buildings?

Answer: No, a neutral, **third party** needs to complete any repairs or improvements made to your building using preservation funds. A third-party contractor is a company that any other organization or the general public could hire to remodel their house or apartment building. If you used your own, in house contractors or maintenance workers, that would not be a third-party scenario and not allowed under the NOFA guidelines.