Department of Commerce

HOUSING TRUST FUND
OPERATING & MAINTENANCE FUND
Program Guidelines

Background and Purpose
The 2002 Washington State Legislature passed SHB 2060 that requires county auditors to charge a $10 recording fee on all recorded documents with the exception of those previously excluded from any fees. A portion of the revenue from the fees is deposited into the Affordable Housing for All Account. The purpose of the funds is to support operating and maintenance costs of housing projects, or units within housing projects, that are affordable to extremely low-income persons with incomes at or below 30 percent of the area median income and which require a supplement to rent revenue to cover ongoing operating expenses. The Operating and Maintenance (O&M) Fund Program subsidizes housing projects so that affordable housing is made available to a broader range of extremely low-income households than would be possible without such subsidy.

The O&M Fund Program is part of the Housing Trust Fund (HTF) and program dollars support projects that have received capital dollars from the HTF. The legislation charged The Department of Commerce with the responsibility of administering the O&M Fund (described in RCW 36.22.178).

Eligibility for Funding
All organizations with projects receiving or having received HTF funding as allowed in the HTF Guidelines and Procedure Handbook Chapter 202.1, Eligible Applicants.

The GRANTOR will fund HTF projects that have units targeted to extremely low-income households (30 percent and below of area median income), seasonal farm worker projects, and projects for persons with special needs (including disabilities and homelessness). Projects receiving Section 8, or that have units occupied by tenants receiving Section 8, are generally not eligible. Exceptions may be made if the project demonstrates a compelling need for O&M Fund Program subsidy, at the discretion of the GRANTOR.

Operating and Maintenance Fund Focus
The focus of funding from the O&M Fund Program is to address the gap between eligible operating and maintenance costs and project income. Funding is provided in an amount appropriate to the scope of the identified problem as determined by an annual review of the project's operating budget. New awards to projects will generally not exceed $50,000 contracted annually. The GRANTOR reserves the right to negotiate modifications in an awardees proposed project budget prior to executing a grant agreement.

Obtaining an O&M Grant Agreement
The O&M Fund program will enter into an annual grant agreement for O&M support after the project is placed in service by a HTF Portfolio Manager. Each annual term of an O&M grant agreement is based on The Department of Commerce fiscal year, which begins on July 1, not a calendar year. Funding will begin upon the date of execution of the O&M grant agreement and will be prorated to reflect the remaining days of the Department's fiscal year. Project income, when generated, will be used first by the GRANTEE before drawing additional funds to complete activities included in referenced application.

Funding Limits and Length of Commitment
O&M Fund Program grants are subject to availability of funding and to annual reviews that may result in adjustments to subsidy amounts or the discontinuance of the subsidy, at the discretion of the GRANTOR. Length of the award commitment period is determined by the GRANTOR and has been 20 years, however commitments for new contracts will generally not exceed 15 years. The grant is renewable for a period not to exceed the original O&M award commitment period.

Eligible Uses
- GRANTEE-paid utilities specific to the project but not specifically metered to an individual unit and are not the responsibility of the tenant to include, water, sewer, garbage, electricity, gas, telephone, and internet.
- Property staff (on-site) salaries and benefits for all personnel directly associated with operating the building.
- Property management (off-site) including overhead and personnel costs that are necessary to operate the building but are not located at the site.
- In-direct administrative costs of the nonprofit, which will not exceed 5% of the current year's total project expense budget, and can include the following:
    - Administrative expenses such as human resources, general administration, and executive management costs, office supplies, rental equipment costs, and banking fees.
- Project administrative costs including: audit, accounting/CPA expenses, legal services, advertising and marketing, insurance, security, collection loss, real estate taxes, compliance fees, compliance manager unit expense, property manager office supplies and rent, and travel related to the project.
- Debt service payable to the HTF.
- On-going maintenance expenses such as janitorial supplies, maintenance contracts, and maintenance of existing landscaping.
- Maintenance and Unit-Turn expenses to include:
    - The repair of equipment and property as opposed to the replacement or upgrade; any equipment or property that is replaced or upgraded that has a useful life of over 1 year is a capital asset and should be paid for with replacement reserve funds and is not Maintenance.
- The cost for a Capital Needs Assessment (CNA) of the project.
- Replacement Reserve additions are funds set aside for the replacement of, or major repair work on the component systems of a housing facility. The amount deposited in the replacement reserve account should be based on a capital needs assessment and on the analysis of all facility systems that will wear out over the life of the project, and the estimated costs of repairing and replacing those systems when they wear out. Funds from the replacement reserve may only be used for long-term maintenance, as well as replacement costs including

such items as: major repairs to or replacement of appliances and major fixtures, windows and doors, plumbing and heating systems, and re-roofing.

- Operating Reserve additions are funds budgeted each year to cover unforeseen operating costs. The amount budgeted is normally equal to three months of all operating expenses, excluding long-term replacement reserve items. Reserves are allowed to accumulate until the amount is equal to 50 percent of a year's budget for operating costs, at which time O&M funds may no longer be used to fund the operating reserve. Operating reserves can be used to pay for work that cannot be entirely funded by the replacement reserve.

NOTE: If O&M funds are used to capitalize replacement or operating reserves, once the payment has been made by the DEPARTMENT, the GRANTEE must, within 30 days, submit the bank deposit documentation or provide documentation showing how the funds are categorized in your accounts system if a specific bank account is not being set up for the reserve funds. The GRANTEE must detail on their O&M Project Performance Report the beginning and ending reserve balances and detail the amount and purpose of any withdrawals and deposits to replacement and operating reserves. This will help us ensure reserve funds are being utilized as intended and for eligible activities.

Ineligible Uses:

- The O&M Fund will not subsidize the costs of social services or community/project oriented events
- Supplies provided for an individual's use to include hygiene products, housewares, and furniture
- Training costs
- Closing costs
- Amortized development costs
- Private debt service
- Depreciation
- Costs not specifically listed as an eligible use, unless approved by THE GRANTOR in advance

The GRANTOR understands and agrees that if the Project is owned by an affiliate of the GRANTEE, the GRANTEE will contribute or advance the funds it receives hereunder to that affiliate-owner of the Project. The GRANTEE shall ensure that regardless of such contribution or advancement, the funds provided hereunder shall be used, and the Project shall be operated, solely in accordance with the terms of this Contract. The GRANTEE also shall ensure that O&M Project Performance Reports are submitted with the draw requests and submitted within the prescribed time limit.

Reserve Funding

The requirements and limits on replacement and operating reserves may be adjusted periodically, and/or for specific projects by the GRANTOR based on a review of the capital needs and operating risks of projects and of other public funder standards. After the term of an O&M Fund Program grant agreement ends, any funds used for either operating or maintenance/replacement reserves shall be governed by the eligible uses of reserves in the project's HTF contract.

Budget Revisions

As part of the budget spreadsheet that is submitted with each invoice for subsidy payment, a section shall be included for the Project budget and the O&M budget for the project. You must fill out these sections of the budget spreadsheet and keep them up to date if your budgeted line items

change over the course of the year. The amount budgeted in the O&M section should not exceed the amount awarded for your O&M subsidy.

Subsidy Payments and Adjustments

Subsidy will be paid to projects on a monthly or quarterly basis as reimbursement for actual expenses. The draw request must be submitted at least quarterly. Quarterly reimbursements would consist of three (3) separate monthly reports. The O&M Project Performance Report must be submitted with the draw/subsidy request. The amount of subsidy paid will depend on the expenses accumulated and cumulatively cannot exceed the approved annual amount. If you receive prior approval from Commerce to move funds into replacement or operating reserves, this can be completed in a lump sum payment as long as the payment is deposited to a dedicated account and proof of deposit is provided to the GRANTOR within 30 days of receipt of the funds. In addition, the O&M Project Performance Report provides a place to record beginning and ending reserve balances along with withdrawals, deposits/interest, and a corresponding reason. HTF O&M funds in the reserve accounts must be tracked by HTF staff until the funds are spent. This is to ensure the funds are used for eligible activities. Failure to submit a properly completed payment request and O&M Project Performance Report will jeopardize the payment of subsidy funds.

The GRANTEE may request adjustments to the subsidy amounts. Adjustments upward will only happen at the sole discretion of the GRANTOR if there are sufficient uncommitted O&M Program funds to provide an increase. Any adjustments upward will need written substantiation, including a corrective action plan.

A project showing a positive net operating income in its operating budget may be required to make additional contributions to its operating and maintenance reserves, or if those reserve balances are adequate, the project's subsidy may be adjusted to a lower level.

Subsidy Payment Request Processing

- GRANTEES will submit for reimbursement on a monthly or quarterly basis (at least quarterly). Quarterly requests should include three (3) separate monthly reports.
- The O&M Fund Program reimbursement voucher and the O&M Project Performance Report are due by the last day of the month following the month or quarter in which the expenses were incurred, except for the final quarter ending on June 30. For the month or quarter ending June 30 the draw request is due by July 15.
- The signed voucher reimbursement request (PDF) should be emailed along with the Budget Spreadsheet/Ledger, and O&M Project Performance Report, to O&M Fund Program staff for each reimbursement request. The Budget Spreadsheet/Ledger should include the following:
    - Who the invoice is from and a clear description of what the expense is for (purpose)
    - Invoice number, date and $ amount
    - Date invoice was paid, and amount paid from HTF O&M funds
    - If costs are allocated between different subsidies or departments, a copy of your cost allocation plan must be submitted
    - Check number, tracking number <u>or</u> other ID number that can be traced back to the payment that was made

- Detailed expense supporting documentation should be emailed when requested

- The reimbursement voucher must include a signature of one of the individuals identified as having the authority to sign the voucher reimbursement on the Grant Agreement Information Sheet.
- If your reimbursement request and your O&M Project Performance Report is not submitted in a timely and complete manner, and an attempt to contact the GRANTEE does not result in all necessary documentation to complete the reimbursement request, the expenses will not be reimbursed.

Reporting Requirements

The GRANTEE may be asked for documentation to support program operations by the GRANTOR at any time during the funding commitment period. As well, the GRANTEE shall submit required documentation by the due dates shown below, using required forms, according to procedures issued by the GRANTOR. These reports and their due dates shall include, but are not limited to:

Documentation/Report	Due Date & Notes	Submission
Invoice for Reimbursement (Subsidy Payment Voucher [A19-1a] with Original Signature - PDF)	Due monthly or quarterly and not more than 30 days past quarter being billed for.	Email
Budget Report/Ledger/Spreadsheet	Due each time you submit a voucher for reimbursement. If quarterly it should include three (3) separate monthly reports.	Email
Expense Back-Up Documentation (Refer to Section Below entitled “Monitoring of Draw Requests”)	Detailed back-up documentation is not required with each draw request, but will be due upon request from O&M Program Staff.	Email
O&M Unit Report (Buy-Down grants only)	Due with each invoice for reimbursement.	Email
Final Yearly Reimbursement Request	Due 15 days following the end of the grant agreement/final quarter ending June 30th. **(Due July 15th)**	Email
O&M Project Performance Report	Due no later than one month from the end of the reporting period – month or quarter, and must be submitted with the draw request.	Email
O&M Annual Grant Renewal Packet	Information will be requested from you in January and should be submitted by the stated deadline.	Email
Documentation/Report	**Due Date & Notes**	**Submission**
Combined Funders Annual Report	Submitted to HTF by Due Date each year. (Tables 1,2&3 are due on Jan. 31, and Table 4 is due on June 31.)	Web Based System - WBARS
Automobile Proof of Liability	GRANTEE shall submit to the HTF pursuant to the HTF contract for this project.	Email / PDF

Commercial General Liability Insurance Policy	GRANTEE shall submit to the HTF pursuant to the HTF contract for this project.	Email / PDF
Organizational Audit	GRANTEE shall submit to the HTF pursuant to the HTF contract for this project.	Email /PDF or Mail

Program Monitoring
Monitoring of GRANTEE operations and funding compliance is performed throughout the commitment period, and includes:

- Maintaining compliance with your HTF contractual agreement
- Ensuring timely and accurate completion of O&M draw requests and O&M Program reporting requirements
- Ensuring that the items listed below are instituted and fully documented and available for review by O&M Program Staff when requested

Monitoring of Draw Requests
Requests for funds should be submitted on a monthly or quarterly basis. If quarterly, each quarterly request should include three (3) separate monthly reports. Draw requests will consist of the following:

1) A signed voucher request form (An emailed PDF voucher request form is acceptable)
2) A general ledger showing general draw categories, and
3) A spreadsheet detailing expenses for which reimbursement is being requested. The spreadsheet should include:
    a. Who the invoice is from and a clear description of what the expense is for (purpose)
    b. Invoice number, date and $ amount
    c. Date invoice was paid, and amount paid from HTF O&M funds
    d. Check number, tracking number or other ID number that can be traced back to the payment that was made
4) In addition, your organization is expected to maintain complete and detailed back-up documentation for all draw requests.
5) If you are allocating a portion of your operating expenses to the HTF O&M subsidy based on your cost allocation plan, consistently follow your cost allocation plan <u>and provide a copy of the cost allocation plan to HTF O&M Staff</u>.

Desk Monitoring
Once a year a desk monitoring process will take place for each contract that may include all or part of the following:

- You will be asked to submit full back up documentation for at least one monthly or quarterly draw request
- The O&M Project Performance Report for the same period as the draw request will be reviewed
- Verification that liability and property insurance and automobile insurance is on file, current and provides at least the minimum required coverage
- Verification that the most current annual audit report has been received by Commerce
- Verification whether HTF debt service payments are being made, if applicable
- Verification that the organization maintains a non-expendable equipment inventory report that lists all purchases and rentals of data processing equipment purchased with O&M

funds. The minimum threshold is an acquisition cost of $500 or more and a useful life of more than one year.
- Provide information on any major changes to your program or operations since the grant was initiated.
- Staff will review the condition of the property and compliance issues based on the most recent on-site property monitoring and compliance inspection.

Tenant Income Certification
Units for which this subsidy is intended must be occupied at entry by households that have gross annual household incomes at or below 30 percent of the area median income (AMI), as adjusted for household size. If household income increases to greater than 30 percent of the AMI, the GRANTEE is not required to ask the tenant to move, but may increase rents. Household income must be recertified annually.

To certify the income level for tenants occupying buy-down units, projects with HOME funds will use HUD's "Technical Guide for Determining Income and Allowances for the HOME Program." Projects with Low Income Housing Tax Credits will follow the Washington State Housing Finance Commission procedures. If the project is not a tax credit or HOME project, further guidance will be provided by the GRANTOR under a separate attachment. Re-certifications must occur annually.

Tenant Rents
Rents for O&M Fund Program subsidized units must be based on what is affordable to a household with income at or below 30 percent AMI. At a minimum, GRANTEES must observe the rent limits published by the Washington State Housing Finance Commission for 30 percent set-aside units (www.wshfc.org/limits/map.asp). Rents for O&M Fund Program subsidized units shall not exceed the WSHFC rent limits for 30 percent AMI households.

Household income is to be recertified annually and the GRANTEE may adjust rental payments accordingly. If some households have little or no income when first moving into housing the rent may be waived or reduced temporarily, only if there are sufficient funds available within the O&M Fund Program grant agreement to cover the annual operating gap. At the HTF annual review, the subsidy amount may be adjusted if it is found that tenants are able to pay more rent than projected.

Non-Discrimination Policy
GRANTEES shall neither deny services to, nor otherwise discriminate in the delivery of services, against any person who otherwise meets the eligibility criteria for the program on the basis of race, color, religion, gender, sexual orientation, age, national origin, citizenship, ancestry, marital status, physical or mental handicap, or because such person is a recipient of federal, state, or local public assistance.

Insurance and Bonding
The GRANTEE is responsible for providing the following minimum coverage for each project receiving O&M Program funding:
- Commercial General Liability Insurance Policy, including contractual liability, in adequate quantity to protect against legal liability arising out of contract activity but no less than $1,000,000 per occurrence.
- For motor vehicles used in conducting activities under this Contract, whether or not owned by the Contractor, the minimum limit for automobile liability is $300,000 per occurrence using a Combined Single Limit for bodily injury and property damage.

Combined Funders' Annual Report Compliance
Organizations applying to or receiving subsidy funding from the O&M Fund Program must submit their required Housing Trust Fund Combined Funders' Annual Report(s) (WBARS) accurately completed and on time. If a project or organizations does not submit a required annual reports, the O&M Fund Program subsidy will not be paid, and pending applications for HTF funding for new projects from the organization will not receive an award.

Asset Tracking
The GRANTEE is responsible for tracking the project's non-expendable equipment inventory purchased with O&M Program funds. The tracking should include all purchases of equipment with a useful life of more than one year and an acquisition cost of $500 or more per unit and all purchases or rentals of data processing equipment.

Signature Authority
Review your Grant Agreement Information Sheet regularly to ensure that the appropriate people allowed to sign documents are doing so. If your Grant Agreement Information Sheet is not up-to-date, submit a new Grant Agreement Information Sheet to the O&M Program staff.

Annual Renewal of Grant
The GRANTOR will conduct on an annual basis a review to determine the terms of the grant agreement for renewal. The review utilizes, but is not limited to, information collected by the Combined Funders Annual Report/WBARS, regular HTF compliance monitoring reports, the renewal packet documents, and the organization's annual audit. The GRANTEE may be asked to provide the following additional materials that include, but are not limited to:

- A narrative report explaining how the subsidy received in the prior year and the subsidy requested for the next year will allow the sponsor to meet its commitment to serve extremely low-income households.
- Actual income and expenses, including breakdown on how O&M funds are used.
- Balance in operating and maintenance reserves, including breakdown and detail on how reserve funds were used.
- A current actual operating statement, and an operating budget for the next year based on current year 'actuals' and any expected adjustments, which should be explained.
- Current Tenant Rent Roll including household incomes and rents charged for each unit.
- A Capital Needs Assessment or an update if any funds are planned for major repair and maintenance work for the next year. Include estimate of the work and source of funds.
- Timely and complete reimbursement requests and O&M Project Performance Reports are an important factor in considering contract renewals.

The GRANTOR reserves the right, at any time, to require other information that may be deemed necessary to determine compliance with or eligibility for a grant agreement.

In order for the O&M Grant to be renewed, the organization must be in good-standing, to include:
- The submission of annual reports via the Web Based Annual Reporting System (WBARS)
- Current on all loan payments
- In compliance with the terms and conditions of your Housing Trust Fund Contract(s)

Background and Purpose

The 2002 Washington State Legislature passed SHB 2060 that requires county auditors to charge a $10 recording fee on all recorded documents with the exception of those previously excluded from any fees. A portion of the revenue from the fees is deposited into the Affordable Housing for All Account. The purpose of the funds is to support operating and maintenance costs of housing projects, or units within housing projects, that are affordable to extremely low-income persons with incomes at or below 30 percent of the area median income and which require a supplement to rent revenue to cover ongoing operating expenses. The Operating and Maintenance (O&M) Fund Program subsidizes housing projects so that affordable housing is made available to a broader range of extremely low-income households than would be possible without such subsidy.

The O&M Fund Program is part of the Housing Trust Fund (HTF) and program dollars support projects that have received capital dollars from the HTF. The legislation charged The Department of Commerce with the responsibility of administering the O&M Fund (described in RCW 36.22.178).

Eligibility for Funding

All organizations with projects receiving or having received HTF funding as allowed in the Housing Trust Fund Handbook Chapter 202.1, Eligible Applicants.

The GRANTOR will fund HTF projects that have units targeted to extremely low-income households (30 percent and below of area median income), seasonal farm worker projects, and projects for persons with special needs (including disabilities and homelessness). Projects receiving Section 8, or that have units occupied by tenants receiving Section 8, are generally not eligible. Exceptions may be made if the project demonstrates a compelling need for O&M Fund Program subsidy, at the discretion of the GRANTOR.

Operating and Maintenance Fund Focus

The focus of funding from the O&M Fund Program is to address the gap between eligible operating and maintenance costs and project income. Funding is provided in an amount appropriate to the scope of the identified problem as determined by an annual review of the project's operating budget. New awards to projects will generally not exceed $50,000 contracted annually. The GRANTOR reserves the right to negotiate modifications in an awardees proposed project budget prior to executing a grant agreement.

Obtaining an O&M Grant Agreement

The O&M Fund program will enter into an annual grant agreement for O&M support after the project is placed in service by a HTF Portfolio Manager. Each annual term of an O&M grant agreement is based on The Department of Commerce fiscal year, which begins on July 1, not a calendar year. Funding will begin upon the date of execution of the O&M grant agreement and will be prorated to reflect the remaining days of the Department's fiscal year. Project income, when generated, will be used first by the GRANTEE before drawing additional funds to complete activities included in referenced application.

Funding Limits and Length of Commitment

O&M Fund Program grants are subject to availability of funding and to annual reviews that may result in adjustments to subsidy amounts or the discontinuance of the subsidy, at the discretion of the GRANTOR. Length of the award commitment period is determined by the GRANTOR and has been

20 years, however commitments for new contracts will generally not exceed 15 years. The grant is renewable for a period not to exceed the original O&M award commitment period.

Eligible Uses

- GRANTEE-paid utilities specific to the project but not specifically metered to an individual unit and are not the responsibility of the tenant to include, water, sewer, garbage, electricity, gas, telephone, and internet.
- Property staff (on-site) salaries and benefits for all personnel directly associated with operating the building.
- Property management (off-site) including overhead and personnel costs that are necessary to operate the building but are not located at the site.
- In-direct administrative costs of the nonprofit, which will not exceed 5% of the current year's total project expense budget, and can include the following:
    - Administrative expenses such as human resources, general administration, and executive management costs, office supplies, rental equipment costs, and banking fees.
- Project administrative costs including: audit, accounting/CPA expenses, legal services, advertising and marketing, insurance, security, collection loss, real estate taxes, compliance fees, compliance manager unit expense, property manager office supplies and rent, and travel related to the project.
- Debt service payable to the HTF.
- On-going maintenance expenses such as janitorial supplies, maintenance contracts, and maintenance of existing landscaping.
- Maintenance and Unit-Turn expenses to include:
    - The repair of equipment and property as opposed to the replacement or upgrade; any equipment or property that is replaced or upgraded that has a useful life of over 1 year is a capital asset and should be paid for with replacement reserve funds and is not Maintenance.
- The cost for a Capital Needs Assessment (CNA) of the project.
- Replacement Reserve additions are funds set aside for the replacement of, or major repair work on the component systems of a housing facility. The amount deposited in the replacement reserve account should be based on a capital needs assessment and on the analysis of all facility systems that will wear out over the life of the project, and the estimated costs of repairing and replacing those systems when they wear out. Funds from the replacement reserve may only be used for long-term maintenance, as well as replacement costs including such items as: major repairs to or replacement of appliances and major fixtures, windows and doors, plumbing and heating systems, and re-roofing.
- Operating Reserve additions are funds budgeted each year to cover unforeseen operating costs. The amount budgeted is normally equal to three months of all operating expenses, excluding long-term replacement reserve items. Reserves are allowed to accumulate until the amount is equal to 50 percent of a year's budget for operating costs, at which time O&M funds may no longer be used to fund the operating reserve. Operating reserves can be used to pay for work that cannot be entirely funded by the replacement reserve.

NOTE: If O&M funds are used to capitalize replacement or operating reserves, once the payment has been made by the DEPARTMENT, the GRANTEE must, within 30 days, submit the bank deposit documentation or provide documentation showing how the funds are categorized in your accounts system if a specific bank account is not being set up for the reserve funds. The GRANTEE must

detail on their O&M Project Performance Report the beginning and ending reserve balances and detail the amount and purpose of any withdrawals and deposits to replacement and operating reserves. This will help us ensure reserve funds are being utilized as intended and for eligible activities.

Ineligible Uses:

- The O&M Fund will not subsidize the costs of social services or community/project oriented events
- Supplies provided for an individual's use to include hygiene products, housewares, and furniture
- Training costs
- Closing costs
- Amortized development costs
- Private debt service
- Depreciation
- Costs not specifically listed as an eligible use, unless approved by THE GRANTOR in advance

The GRANTOR understands and agrees that if the Project is owned by an affiliate of the GRANTEE, the GRANTEE will contribute or advance the funds it receives hereunder to that affiliate-owner of the Project. The GRANTEE shall ensure that regardless of such contribution or advancement, the funds provided hereunder shall be used, and the Project shall be operated, solely in accordance with the terms of this Contract. The GRANTEE also shall ensure that O&M Project Performance Reports are submitted with the draw requests and submitted within the prescribed time limit.

Reserve Funding

The requirements and limits on replacement and operating reserves may be adjusted periodically, and/or for specific projects by the GRANTOR based on a review of the capital needs and operating risks of projects and of other public funder standards. After the term of an O&M Fund Program grant agreement ends, any funds used for either operating or maintenance/replacement reserves shall be governed by the eligible uses of reserves in the project's HTF contract.

Budget Revisions

As part of the budget spreadsheet that is submitted with each invoice for subsidy payment, a section shall be included for the Project budget and the O&M budget for the project. You must fill out these sections of the budget spreadsheet and keep them up to date if your budgeted line items change over the course of the year. The amount budgeted in the O&M section should not exceed the amount awarded for your O&M subsidy.

Subsidy Payments and Adjustments

Subsidy will be paid to projects on a monthly or quarterly basis as reimbursement for actual expenses. The draw request must be submitted at least quarterly. Quarterly reimbursements would consist of three (3) separate monthly reports. The O&M Project Performance Report must be submitted with the draw/subsidy request. The amount of subsidy paid will depend on the expenses accumulated and cumulatively cannot exceed the approved annual amount. If you receive prior approval from Commerce to move funds into replacement or operating reserves, this can be completed in a lump sum payment as long as the payment is deposited to a dedicated account and proof of deposit is provided to the GRANTOR within 30 days of receipt of the funds. In addition, the O&M Project Performance Report provides a place to record beginning and ending reserve balances along with withdrawals, deposits/interest, and a corresponding reason. HTF O&M funds in the reserve accounts must be tracked by HTF staff until the

funds are spent. This is to ensure the funds are used for eligible activities. Failure to submit a properly completed payment request and O&M Project Performance Report will jeopardize the payment of subsidy funds.

The GRANTEE may request adjustments to the subsidy amounts. Adjustments upward will only happen at the sole discretion of the GRANTOR if there are sufficient uncommitted O&M Program funds to provide an increase. Any adjustments upward will need written substantiation, including a corrective action plan.

A project showing a positive net operating income in its operating budget may be required to make additional contributions to its operating and maintenance reserves, or if those reserve balances are adequate, the project's subsidy may be adjusted to a lower level.

Subsidy Payment Request Processing

- GRANTEES will submit for reimbursement on a monthly or quarterly basis (at least quarterly). Quarterly requests should include three (3) separate monthly reports.
- The O&M Fund Program reimbursement voucher and the O&M Project Performance Report are due by the last day of the month following the month or quarter in which the expenses were incurred, except for the final quarter ending on June 30. For the month or quarter ending June 30 the draw request is due by July 15.
- The signed voucher reimbursement request (PDF) should be emailed along with the Budget Spreadsheet/Ledger, and O&M Project Performance Report, to O&M Fund Program staff for each reimbursement request. The Budget Spreadsheet/Ledger should include the following:
    - Who the invoice is from and a clear description of what the expense is for (purpose)
    - Invoice number, date and $ amount
    - Date invoice was paid, and amount paid from HTF O&M funds
    - If costs are allocated between different subsidies or departments, a copy of your cost allocation plan must be submitted
    - Check number, tracking number <u>or</u> other ID number that can be traced back to the payment that was made

- Detailed expense supporting documentation should be emailed when requested
- The reimbursement voucher must include a signature of one of the individuals identified as having the authority to sign the voucher reimbursement on the Grant Agreement Information Sheet.
- If your reimbursement request and your O&M Project Performance Report is not submitted in a timely and complete manner, and an attempt to contact the GRANTEE does not result in all necessary documentation to complete the reimbursement request, the expenses will not be reimbursed.

Reporting Requirements

The GRANTEE may be asked for documentation to support program operations by the GRANTOR at any time during the funding commitment period. As well, the GRANTEE shall submit required documentation by the due dates shown below, using required forms, according to procedures issued by the GRANTOR. These reports and their due dates shall include, but are not limited to:

Documentation/Report	**Due Date & Notes**	**Submission**
Invoice for Reimbursement (Subsidy Payment Voucher [A19-1a] with Original Signature - PDF)	Due monthly or quarterly and not more than 30 days past quarter being billed for.	Email
Budget Report/Ledger/Spreadsheet	Due each time you submit a voucher for reimbursement. If quarterly it should include three (3) separate monthly reports.	Email
Expense Back-Up Documentation (Refer to Section Below entitled "Monitoring of Draw Requests")	Detailed back-up documentation is not required with each draw request, but will be due upon request from O&M Program Staff.	Email
O&M Unit Report (Buy-Down grants only)	Due with each invoice for reimbursement.	Email
Final Yearly Reimbursement Request	Due 15 days following the end of the grant agreement/final quarter ending June 30th. **(Due July 15th)**	Email
O&M Project Performance Report	Due no later than one month from the end of the reporting period – month or quarter, and must be submitted with the draw request.	Email
O&M Annual Grant Renewal Packet	Information will be requested from you in January and should be submitted by the stated deadline.	Email
Documentation/Report	**Due Date & Notes**	**Submission**
Combined Funders Annual Report	Submitted to HTF by Due Date each year. (Tables 1,2&3 are due on Jan. 31, and Table 4 is due on June 31.)	Web Based System - WBARS
Automobile Proof of Liability	GRANTEE shall submit to the HTF pursuant to the HTF contract for this project.	Email / PDF
Commercial General Liability Insurance Policy	GRANTEE shall submit to the HTF pursuant to the HTF contract for this project.	Email / PDF
Organizational Audit	GRANTEE shall submit to the HTF pursuant to the HTF contract for this project.	Email /PDF or Mail

Program Monitoring

Monitoring of GRANTEE operations and funding compliance is performed throughout the commitment period, and includes:

- Maintaining compliance with your HTF contractual agreement
- Ensuring timely and accurate completion of O&M draw requests and O&M Program reporting requirements
- Ensuring that the items listed below are instituted and fully documented and available for review by O&M Program Staff when requested

Monitoring of Draw Requests

Requests for funds should be submitted on a monthly or quarterly basis. If quarterly, each quarterly request should include three (3) separate monthly reports. Draw requests will consist of the following:

6) A signed voucher request form (An emailed PDF voucher request form is acceptable)
7) A general ledger showing general draw categories, and
8) A spreadsheet detailing expenses for which reimbursement is being requested. The spreadsheet should include:
    e. Who the invoice is from and a clear description of what the expense is for (purpose)
    f. Invoice number, date and $ amount
    g. Date invoice was paid, and amount paid from HTF O&M funds
    h. Check number, tracking number or other ID number that can be traced back to the payment that was made
9) In addition, your organization is expected to maintain complete and detailed back-up documentation for all draw requests.
10) If you are allocating a portion of your operating expenses to the HTF O&M subsidy based on your cost allocation plan, consistently follow your cost allocation plan and provide a copy of the cost allocation plan to HTF O&M Staff.

Desk Monitoring

Once a year a desk monitoring process will take place for each contract that may include all or part of the following:

- You will be asked to submit full back up documentation for at least one monthly or quarterly draw request
- The O&M Project Performance Report for the same period as the draw request will be reviewed
- Verification that liability and property insurance and automobile insurance is on file, current and provides at least the minimum required coverage
- Verification that the most current annual audit report has been received by Commerce
- Verification whether HTF debt service payments are being made, if applicable
- Verification that the organization maintains a non-expendable equipment inventory report that lists all purchases and rentals of data processing equipment purchased with O&M funds. The minimum threshold is an acquisition cost of $500 or more and a useful life of more than one year.
- Provide information on any major changes to your program or operations since the grant was initiated.
- Staff will review the condition of the property and compliance issues based on the most recent on-site property monitoring and compliance inspection.

Tenant Income Certification

Units for which this subsidy is intended must be occupied at entry by households that have gross annual household incomes at or below 30 percent of the area median income (AMI), as adjusted for household size. If household income increases to greater than 30 percent of the AMI, the GRANTEE is not required to ask the tenant to move, but may increase rents. Household income must be recertified annually.

To certify the income level for tenants occupying buy-down units, projects with HOME funds will use HUD's "Technical Guide for Determining Income and Allowances for the HOME Program." Projects with Low Income Housing Tax Credits will follow the Washington State Housing Finance Commission procedures. If the project is not a tax credit or HOME project, further guidance will be provided by the GRANTOR under a separate attachment. Re-certifications must occur annually.

Tenant Rents

Rents for O&M Fund Program subsidized units must be based on what is affordable to a household with income at or below 30 percent AMI. At a minimum, GRANTEES must observe the rent limits published by the Washington State Housing Finance Commission for 30 percent set-aside units (www.wshfc.org/limits/map.asp). Rents for O&M Fund Program subsidized units shall not exceed the WSHFC rent limits for 30 percent AMI households.

Household income is to be recertified annually and the GRANTEE may adjust rental payments accordingly. If some households have little or no income when first moving into housing the rent may be waived or reduced temporarily, only if there are sufficient funds available within the O&M Fund Program grant agreement to cover the annual operating gap. At the HTF annual review, the subsidy amount may be adjusted if it is found that tenants are able to pay more rent than projected.

Non-Discrimination Policy

GRANTEES shall neither deny services to, nor otherwise discriminate in the delivery of services, against any person who otherwise meets the eligibility criteria for the program on the basis of race, color, religion, gender, sexual orientation, age, national origin, citizenship, ancestry, marital status, physical or mental handicap, or because such person is a recipient of federal, state, or local public assistance.

Insurance and Bonding

The GRANTEE is responsible for providing the following minimum coverage for each project receiving O&M Program funding:

- Commercial General Liability Insurance Policy, including contractual liability, in adequate quantity to protect against legal liability arising out of contract activity but no less than $1,000,000 per occurrence.
- For motor vehicles used in conducting activities under this Contract, whether or not owned by the Contractor, the minimum limit for automobile liability is $300,000 per occurrence using a Combined Single Limit for bodily injury and property damage.

Combined Funders' Annual Report Compliance

Organizations applying to or receiving subsidy funding from the O&M Fund Program must submit their required Housing Trust Fund Combined Funders' Annual Report(s) (WBARS) accurately completed and on time. If a project or organizations does not submit a required annual reports, the O&M Fund Program subsidy will not be paid, and pending applications for HTF funding for new projects from the organization will not receive an award.

Asset Tracking

The GRANTEE is responsible for tracking the project's non-expendable equipment inventory purchased with O&M Program funds. The tracking should include all purchases of equipment with a

useful life of more than one year and an acquisition cost of $500 or more per unit and all purchases or rentals of data processing equipment.

Signature Authority

Review your Grant Agreement Information Sheet regularly to ensure that the appropriate people allowed to sign documents are doing so. If your Grant Agreement Information Sheet is not up-to-date, submit a new Grant Agreement Information Sheet to the O&M Program staff.

Annual Renewal of Grant

The GRANTOR will conduct on an annual basis a review to determine the terms of the grant agreement for renewal. The review utilizes, but is not limited to, information collected by the Combined Funders Annual Report/WBARS, regular HTF compliance monitoring reports, the renewal packet documents, and the organization's annual audit. The GRANTEE may be asked to provide the following additional materials that include, but are not limited to:

- A narrative report explaining how the subsidy received in the prior year and the subsidy requested for the next year will allow the sponsor to meet its commitment to serve extremely low-income households.
- Actual income and expenses, including breakdown on how O&M funds are used.
- Balance in operating and maintenance reserves, including breakdown and detail on how reserve funds were used.
- A current actual operating statement, and an operating budget for the next year based on current year 'actuals' and any expected adjustments, which should be explained.
- Current Tenant Rent Roll including household incomes and rents charged for each unit.
- A Capital Needs Assessment or an update if any funds are planned for major repair and maintenance work for the next year. Include estimate of the work and source of funds.
- Timely and complete reimbursement requests and O&M Project Performance Reports are an important factor in considering contract renewals.

The GRANTOR reserves the right, at any time, to require other information that may be deemed necessary to determine compliance with or eligibility for a grant agreement.

In order for the O&M Grant to be renewed, the organization must be in good-standing, to include:

- The submission of annual reports via the Web Based Annual Reporting System (WBARS)
- Current on all loan payments
- In compliance with the terms and conditions of your Housing Trust Fund Contract(s)