Department of Commerce

Washington State 2017 National Housing Trust Fund Allocation Plan

AUGUST 8, 2017

As Submitted to U.S. Department of Housing and Urban Development

Overview

The National Housing Trust Fund (HTF) is a federal affordable housing production program that will complement existing federal, state, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low- and very low-income households, including homeless families and individuals, as well as special-needs populations. The HTF was established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289). On December 4, 2009, the U.S. Department of Housing and Urban Development (HUD) published a proposed rule (FR-5246-P-01) for public comment on the formula to be used to allocate HTF funds. The proposed HTF program rule (FR-5246-P-02) was published on October 29, 2010, for public comment on the regulations that will govern the HTF. On January 30, 2015, HUD published an interim rule (FR-5246-I-03 and at 24 CFR Parts 91 and 93), which provides the guidelines for states to implement the HTF.

The State of Washington has selected its Washington State Department of Commerce (the State) as the State Designated Entity (SDE) to administer the HTF program. Funding for the HTF comes from an assessment on loans made by Freddie Mac and Fannie Mae. The State of Washington has been allocated $4,129,304 for the 2017 fiscal year.

Program Requirements

HUD plans to issue a final rule for the HTF after states have had experience administering the program and are able to offer comments regarding the initial implementation. The first years of the program are crucial in demonstrating states' ability to effectively use this new funding source. HUD issued their initial HTF program guidance in the spring of 2016.

The interim HTF regulations are modeled on the HOME Program, but there are several key differences. Most importantly, HTF has lower income targeting, lower rent requirements, and a longer minimum affordability period. For years when total HTF funding exceeds $1 billion nationally, at least 75% of states' allocations must benefit extremely low-income households (ELI <30% AMI) or households with incomes below federal poverty level (whichever is greater), and the remaining 25% must benefit very low-income households (VLI <50% AMI). For years when total funding is less than $1 billion nationally, 100% of states' allocations must benefit ELI households. The rents for HTF designated units in an assisted project are capped at 30% of 30% AMI or 30% of poverty level, whichever is greater, for units occupied by ELI households, and 30% of 50% AMI for VLI households. The minimum required HTF affordability period is 30 years for units in all assisted projects, compared with 5-20 years for HOME.

Use of Funds

In the 2017 funding cycle, the State plans to use the HTF allocation to address its urgent need for affordable housing through new construction of rental housing with an accompanying operating subsidy, as permitted by the HTF rules. The State will conduct a funding round for the State HTF, National HTF, and HOME programs simultaneously via a release of a Notice of Funding Availability (NOFA) and will award the funds through a competitive application process. The State Housing Trust Fund and HOME are well-established programs. The State's Housing Trust Fund has a 30-year proven track record of successfully addressing the housing needs in Washington State with investments of almost $1 billion to date, which developed over 47,000 affordable housing units/beds.

Each new capital award to a successful project will be accompanied by operating and maintenance assistance, if needed. This will be in the form of an upfront reserve to help cover eligible operating and maintenance costs for HTF-assisted units only, to ensure financial feasibility for the entire affordability period (i.e., spreading the operations and maintenance funds over the 30-year period).

In future years, if and when the HTF is funded through appropriated funds in addition to, or instead of, non-appropriated funds (Fannie and Freddie assessment), the operating and maintenance cost assistance reserve may be limited to a period of five years with the possibility of periodic renewals. In 2017, however, the HTF is funded entirely by non-appropriated funds, so the expectation is that any operations and maintenance funds are spread over the 30-year commitment period.

Operating cost assistance may only be used in conjunction with HTF-funded units and is not available on units receiving project based rental assistance. Eligible operating and maintenance costs which may be subsidized by HTF funds include that portion of the following, which are attributable to the HTF-assisted units in a project on a pro-rata basis:

- Insurance
- Utilities
- Property tax
- Maintenance
- Replacement reserve payments

Operating and maintenance cost assistance may be provided to a project in addition to the funding of an initial operating ("rent-up") reserve, which is a separate development cost. The use of the HTF funds during the rent-up period may not exceed 18 months.

The operating and maintenance cost assistance reserve escrow account must be maintained separately from the project's operating accounts and other reserve accounts in a federally insured financial institution. Disbursements may be made from this account only to cover the operating and maintenance expenses identified above, and only with the express prior written approval of the State.

It is important to note that the 2017 funding cycle proposed approach for awarding the HTF funds is due to the very large and urgent demand for new affordable housing in our state. The State also conducted stakeholder meetings in Olympia and Spokane (in January and February 2017) to discuss the approach prior to writing its allocation for the 2017 fiscal year. There is no doubt Washington is experiencing a homelessness and affordable housing crisis. Several of our local governments have declared a state of emergency. In March 2017, the State received requests for $235 million to fund the development of over 6,800 affordable housing units across the state.

Successful applicants will be offered grants or low-interest (0-3%) loans. Specific terms will be based on the project type, population served, and the financial underwriting and structure of the project.

In conformance with the HTF regulations, the State will use 90 percent of the State's HTF allocation to fund projects, and 10 percent for the State's program administration.

ALLOCATION PLAN QUESTIONS

HTF Funding Priorities - § 91.320(k)(5)(i)
The State is responsible for distributing HTF funds throughout the State according to its housing priority needs. In addition to revising the **AP- 30 Method of Distribution** screen in IDIS, the State must respond to the following questions.

Question 1. How will the State distribute its HTF funds (§ 91.320(k)(5))?

RESPONSE: Applications submitted by eligible recipients. Eligible applicants include nonprofit community- or neighborhood-based organizations, public housing authorities, and municipalities.

Question 2. If distributing HTF funds through grants to subgrantees, describe the method for distributing HTF funds through grants to subgrantees and how those funds will be made available to state agencies and/or units of general local government. If not distributing funds through grants to subgrantees, enter "N/A".

RESPONSE: The State will not distribute the funds through subgrantees.

Question 3. If distributing HTF funds by selecting applications submitted by eligible recipients,

a. Describe the eligibility requirements for recipients of HTF funds (as defined in 24 CFR § 93.2). If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

RESPONSE: Only eligible HTF applicants can apply for HTF resources within the HTF application cycles. Eligible applicants will include entities that at a minimum meet the following criteria (based on 24 CFR § 93.2):

i. Make acceptable assurances to the State that they will comply with the requirements of the HTF program during the entire period that begins upon selection of the recipient to receive HTF funds, and ending upon the conclusion of all HTF-funded activities (30 years at the minimum);

ii. Demonstrate the ability and financial capacity to undertake, comply, and manage the eligible activity;

iii. Demonstrate their familiarity with the requirements of other Federal, State, or local housing programs that may be used in conjunction with HTF funds to ensure compliance with all applicable requirements and regulations of such programs; and

iv. Have demonstrated experience and capacity to conduct an eligible HTF activity as evidenced by their ability to own, construct, or rehabilitate, and manage and operate an affordable multifamily rental housing development.

The State does not intend to award funds to for-profit entities in the 2017 funding cycle. Eligible applicants for the 2017 funding cycle include non-profit community- or neighborhood-based organizations, public housing authorities, and municipalities.

b. Describe the State's application requirements for eligible recipients to apply for HTF funds. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

RESPONSE: Please see "PROJECT FUNDING CRITERIA & THRESHOLDS" attached at the end of this document.

c. Describe the selection criteria that the State will use to select applications submitted by eligible recipients. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

RESPONSE: Please see "PROJECT FUNDING CRITERIA & THRESHOLDS" attached at the end of this document.

d. Describe the State's required priority for funding based on geographic diversity (as defined by the State in the consolidated plan). If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

RESPONSE: In addition to the geographic criteria listed in the "PROJECT FUNDING CRITERIA & THRESHOLDS" attached at the end of this document, projects will be prioritized such that funding can be distributed statewide. In 2017, given the small total HTF award, it may not be possible to spread the federal funds to several projects, but in combination with the State HTF, the State will prioritize statewide distribution among all its affordable housing project awards.

e. Describe the State's required priority for funding based on the applicant's ability to obligate HTF funds and undertake eligible activities in a timely manner. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

RESPONSE: Please see "PROJECT FUNDING CRITERIA & THRESHOLDS" attached at the end of this document.

f. Describe the State's required priority for funding based on the extent to which the rental project has Federal, State, or local project-based rental assistance so that rents are affordable to extremely low-income families. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

RESPONSE: As part of the project scope and housing model review, the State will evaluate applications based on whether any of the units in the project will have Federal, State, or local project-based rental assistance or an equivalent rental subsidy or rent revenue stabilizing source (e.g., capitalized operating reserves) to ensure tenants are not rent burdened. The underlying contract and/or commitment that delivers the rental subsidy to the project will also be evaluated for length of commitment and the reasonableness/expectation of continuity. See details in the "PROJECT FUNDING CRITERIA & THRESHOLDS" attached at the end of this document.

g. Describe the State's required priority for funding based on the financial feasibility of the project beyond the required 30-year period. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

RESPONSE: Please see "PROJECT FUNDING CRITERIA & THRESHOLDS" attached at the end of this document.

h. Describe the State's required priority for funding based on the merits of the application in meeting the priority housing needs of the State (such as housing that is accessible to transit or employment centers, housing that includes green building and sustainable development features, or housing that serves special needs populations). If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

RESPONSE: Please see "PROJECT FUNDING CRITERIA & THRESHOLDS" attached at the end of this document.

Describe the State's required priority for funding based on the extent to which the application makes use of non-federal funding sources. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

RESPONSE: Please see "PROJECT FUNDING CRITERIA & THRESHOLDS" attached at the end of this document.

Question 4. Does the State's application require the applicant to include a description of the eligible activities to be conducted with HTF funds? If not distributing funds by selecting applications submitted by eligible recipients, select "N/A".

RESPONSE: **Yes**. Please see "PROJECT FUNDING CRITERIA & THRESHOLDS" attached at the end of this document.

Question 5. Does the State's application require that each eligible recipient certify that housing units assisted with HTF funds will comply with HTF requirements? If not distributing funds by selecting applications submitted by eligible recipients, select "N/A".

RESPONSE: Yes, the state will require each eligible recipient to certify that housing assisted with HTF funds comply with the HTF requirements.

Question 6. **Performance Goals and Benchmarks**- § 91.320(k)(5)(iii)
The State has met the requirement to provide for performance goals and benchmarks against which the State will measure its progress, consistent with the State's goals established under 24 CFR 91.315(b)(2), by including HTF in its housing goals in the housing table on the SP-45 Goals and AP-20 Annual Goals and Objectives screens.

RESPONSE: Yes.

Question 7. **Maximum Per-unit Development Subsidy Amount**- § 91.320(k)(5) and § 93.300(a)

Enter or attach the State's maximum per-unit development subsidy limits for housing assisted with HTF funds.

The limits must be adjusted for the number of bedrooms and the geographic location of the project. The limits must also be reasonable and based on actual costs of developing nonluxury housing in the area.

If the State will use existing limits developed for other federal programs such as the Low Income Housing Tax Credit (LIHTC) per unit cost limits, HOME's maximum per-unit subsidy amounts, and/or Public Housing Development Cost Limits (TDCs), it must include a description of how the HTF maximum per-unit development subsidy limits were established or a description of how existing limits developed for another program and being adopted for HTF meet the HTF requirements specified above.

RESPONSE: The State is committed to implementing policies that increase the costeffectiveness of affordable housing investments while achieving the State's HTF's primary goal to provide safe, decent, and affordable housing to low-income and special-needs populations. The State plans to implement a two-step evaluation process to determine the maximum per-unit subsidy limits, and will use the method that results in the lowest cost per unit subsidy.

Method 1:
As a base threshold, the State will implement the HUD HOME subsidy limits as listed below:

0 bedrooms $141,088
1 bedroom $161,738
2 bedrooms .... $196,672 3 bedrooms................ $254,431
4+ bedrooms $279,285

Method 2:

The HOME limits do not necessarily account for geographical variance. To account for geographical reasonableness, the State plans to implement a secondary test. We will compare projects of a similar type, activity, size, and geographic location to determine cost reasonableness.

This methodology was developed for the State HTF at the request of the Washington Legislature. In 2012, the State HTF statute was amended by Substitute House Bill 2640 (SHB 2640) to require that the State consider cost when evaluating projects for funding from the State HTF. It directed the State, with advice and input from the Governor-appointed Affordable Housing Advisory Board, to report recommendations for awarding funds in a cost-effective manner, including an implementation plan and timeline. Working with a subcommittee of the Affordable Housing Advisory Board, the State conducted discussions with the affordable housing community, analyzed data, and surveyed other state agencies.

The resulting report identified measures that the State implemented, as well as measures that have already been taken in the past, to ensure that the State HTF investment in affordable housing are both efficient and effective. The detailed report, titled "Increasing the Cost-Effectiveness of Housing Trust Fund Investments," can be viewed at: http://www.commerce.wa.gov/wp-content/uploads/2016/10/AHAB-HTF-Cost-Effectiveness-FINAL-11-14.pdf#search=2012%20housing%20trust%20fund%20cost%20effectiveness%20report

Type: Multi-family rental
Size #1: Small (1-25 units), Medium (26-100 units), Large (more than 100 units)
Size #2: Cost Per Square Foot Bedroom
Size: 0, 1, 2, 3, 4+
Location: King/Pierce/Snohomish Counties; Other Metro; Non-Metro (rural)

Project costs are considered "reasonable" if the per-unit, per bedroom, and per square foot cost is at or below 110 percent of the average per unit cost of comparable projects within the same funding round. If there are insufficient projects of similar type, activity, size, and location within a funding round to provide for a reasonable comparison, data from up to three prior State application rounds will be used. (Average per-unit costs cannot be published in advance, since they can only be determined after all applications have been received.)

Using this two tiered approach will help the State ensure that: (1) the HTF subsidy does not exceed the actual HTF eligible development cost per unit; (2) the costs are reasonable and in line with similar projects within a geographic region; (3) the awarded projects do not provide excessive profit to the applicant/developer; and (4) HTF funding does not exceed the amount necessary for the project to be successful for the required affordability period (i.e., a project may leverage other funding sources, besides HTF, in order to be financially viable through the affordability period).

A project being considered for a HTF allocation could leverage additional funds (state, local, etc.), which would be awarded through a process related to the specific funding source. Each project will be reviewed and analyzed in accordance with standard underwriting criteria, including a subsidy layering review. The State has extensive experience in this area, including its layering review associated with all HOME and State HTF funded projects. In totality, the process should limit the subsidy specific to the HTF to a reasonable and necessary amount while also ensuring the project's economic viability.

Question 8. **Rehabilitation Standards** - § 91.320(k)(5)(iv) and § 93.301(b)

RESPONSE: N/A, the State does not intend to use HTF for housing rehabilitation in 2017.

Question 9. **Resale and/or Recapture Provisions**- § 91.320(k)(5)(v) and § 93.304(f)

RESPONSE: N/A, the State will not use HTF funds to assist first-time homebuyers in 2017.

Question 10. HTF Affordable Homeownership Limits- § 91.320(k)(5)(vi) and § 93.305

RESPONSE: N/A, the State does not intend to use HTF funds for homeownership housing in 2016.

Question 11. State Limited Beneficiaries or Preferences- § 91.320(k)(5)(vii)
Describe how the State will limit the beneficiaries or give preferences to a particular segment of the extremely low- or very low-income population to serve unmet needs identified in its consolidated plan or annual action plan. If the State will not limit the beneficiaries or give preferences to a particular segment of the extremely low- or very lowincome population, enter "N/A".

Any limitation or preference must not violate nondiscrimination requirements in § 93.350, and the State must not limit or give preferences to students. The State may permit rental housing owners to limit tenants or give a preference in accordance with § 93.303(d)(3) only if such limitation or preference is described in the action plan.

RESPONSE: The State will not limit beneficiaries to any specific segments of the extremely low-income population (ELI). While we will not limit it, we will give preference (as described above in application priorities) to populations that the State considers as being its housing priority needs, such as individuals, families, and youth affected by homelessness, people with disabilities, veterans, people with mental illnesses, and farmworkers.

Question 12. Refinancing of Existing Debt- § 91.320(k)(5)(viii) and § 93.201(b)

RESPONSE: N/A, the State will not permit the refinancing of existing debt.

PROJECT FUNDING CRITERIA & THRESHOLDS

The following is in response to Questions 3.b-h and 4.a.

The State will conduct its annual funding round simultaneously for the State HTF, National HTF, and HOME programs via a release of a Notice of Funding Availability (NOFA).

The State will then use a competitive process to evaluate how and to what extent applicants meet the criteria described below. As noted below, some criteria will act as thresholds, i.e., the applicant will need to meet certain requirements in order to be considered for funding. The rest of the criteria will act as priorities, each receiving a numerical score. The final project scores will not determine the specific source of funding, e.g., HOME, National HTF, or State HTF, rather they will determine which projects will be funded by the State at the end of the funding round. The State will make specific funding source decisions through conversations with the applicants and a review of the application and project details to ensure the projects' successful alignment with the funding sources regulatory requirements (i.e., HOME, National HTF, or State HTF).

DECISION POINT #1 – APPLICATION THRESHOLDS:

In order for applications to be considered for funding, they must meet ALL of the thresholds identified below. Commerce will exercise its discretion in issuing threshold waivers only in rare and extraordinary circumstances. Applicants should note that waivers are the exception, rather than the rule, and consult the State's HTF Handbook prior to requesting a waiver (e.g., how to request a dollar cap waiver). All waiver approvals will be made public.

T-1. Timely & Complete Application Submittal

Applications must be complete, i.e., the applicant must fill out all applicable sections and attach any required attachments or additional documents at the time of application submittal. Additional information or corrections will NOT be accepted after the deadline, unless specifically requested by HTF staff (such as clarification on an entry, missing attachment, etc.). In such cases the requested information will be due to Commerce within 24 hours (or one business day) of the time of the request.

Should an application be found to be incomplete during the review process (e.g. a required attachment was not included on the disc/flash drive), review of that application will be suspended. Commerce review staff will then engage the Process for Omissions and Corrections described in Chapter 3, Section 303.4.1 of the State's HTF Handbook. Per that Process, projects for which requested documents are not forthcoming will be considered "withdrawn" from the funding round.

T-2. Eligible Activities (Per RCW and HTF Handbook)

The project must only include activities that are eligible under the federal and/or state legislation and per HTF stated policies (the State HTF Handbook). Applicants are responsible for ensuring that their application meets this criterion by becoming familiar with state and federal requirements, as well as the State HTF Handbook.

T-3. Eligible Applicant

a. **Eligible:** Eligible applicants include local governments, local housing authorities, nonprofit community or neighborhood-based organizations, federally recognized Indian tribes in the state of Washington, and regional or statewide nonprofit housing assistance organizations.

b. **Experience:** The applicant must have recent and relevant housing development experience, or partner with a developer that has recent and relevant housing development experience.

c. **Good standing:** The applicant organization must be in good standing with the State and the current State HTF program, and must be fiscally sound. The State HTF asset management team will make this determination based on the applicant's history with the State. Applicants that do not have a history with the State HTF or the Department of Commerce must provide letters of "good standing" from public local funders (city, county).

d. **Capacity:** The applicant organization must demonstrate financial capacity to perform the proposed activities—both during the completion of development and ongoing operations of the project. The State HTF asset management team will make this determination based on the applicant's audited financial statements and proposed sources and uses statement.

T-4. Amount Requested Per Project/Applicant/Biennium

a. **Per project:** The maximum award per project is $3 million for multi-family projects.

b. **Per applicant:** The maximum award per applicant is $3 million per year and $6 million per biennium. The State views organizations that share common by-laws, board members (more than 50 percent), and service area as the same organization within their common service area.

c. **Funding limit waivers:** Organizations can request a waiver of the per-project and annual per-applicant limit; however, they cannot receive a waiver of the biennial per-applicant limit. Requests must be submitted in writing at least two weeks in advance of the application due date, or by the deadline identified in the solicitation for applications (aka NOFA), whichever is sooner.

Note: Funds allocated directly to a project by the Legislature are not counted against this limit, but will be otherwise factored into the State's funding decisions.

T-5. Readiness

a. **Site:** The project site must be under control, or the applicant must provide evidence that it will be before contract closing, should the project receive funding. Site control is required at the time of application for all multi-family projects and single-family subdivision developments, but not required for scattered-site projects.

b. **Zoning:** Zoning must be appropriate for the proposed project, or the applicant must provide evidence that it will be before contract closing, should the project receive HTF funding.

c. **Services:** If applicable to the project, services must be committed to the project. If the applicant does not provide the services, a formal partnership with a qualified and experienced service provider must be evidenced in the application (e.g., an MOU between applicant and service provider).

d. **Operations & long-term sustainability:** The applicant must demonstrate solid financial operations and long-term sustainability for at least 30 years to receive National HTF funds. (Note that the State HTF commitment period is minimum 40 years.)

T-6. The State's Evergreen Sustainable Development Standard (ESDS)

ESDS is a green building performance standard required of all affordable housing projects receiving capital funds from the State.

a. **Experience:** The applicant must have prior experience with ESDS or partner with an experienced party as their ESDS coordinator. In either case, an Evergreen Coordinator must be designated.

b. **Minimum standard:** The project must meet the ESDS minimum score, as applicable to the project type.

DECISION POINT #2 - PRIORITIES:

Projects passing all thresholds under Decision Point #1 above will be evaluated and scored according to the following priorities.

Projects will receive up to 100 points, plus another 1 to 2 bonus points for projects substantially exceeding the ESDS minimums. Projects will be ranked only against other projects in the same Geographic Region category (King County, Other Urban, Rural). Note that the State HTF is required under RCW 43.185 to allocate 30 percent of its competitive funds to rural projects. As such, the highestscoring (and hence funded) Rural project may score substantially lower than the lowest-scoring (and hence not funded) King County project.

Priorities	**Score Range**	**Max Score**
1. Populations Served	0 to 40	40
2. Privately Owned Housing Stock	0, 5, or 10	10
3. Need & Local Priority	0 to 15	15
4. Development Costs	0 to 10	10
5. Level of HTF Investment	0 to 15	15
6. Project Scope & Housing Model	0 to 10	10
7. Opportunity Rich Communities	-10 to 0	0
8. ESDS Bonus	0 to 2	2
Total Maximum Score		**102**

P-1. Populations Served: 0 to 40 Points

a. **0 to 15 points: Area Median Income (AMI):** The number of affordable units to be provided by projects will be compared, as well as the degree to which each project proposes to serve the *lowest* income populations (their "Size" and "Focus," respectively). The purpose of evaluating the two dimensions separately is to provide balance between smaller, more income-restricted projects, and larger, mixed-income projects.

- For SIZE: the total number of affordable units (up to 80% AMI) in a project will be compared to the project with the greatest number of affordable units in the overall application pool.

  Example: A project that provides 100 affordable units (up to 80% AMI) will score higher than a project that provides 50.

- For FOCUS: the number of 30% (50% for rural) AMI units in a project will be compared with the total number of affordable units in the same project, i.e., the percent of affordable units specifically targeted to 30% (50% for rural) AMI.

  Example: a project serving 30% (50% for rural) AMI *exclusively* will score higher than a mixed-income project, *regardless* of the size of project.

Note: Regardless of these scores, the National HTF program will only fund units serving ELI households within a project.

b. **0 to 15 points: Legislative Set-asides:** The Legislature typically requires that the State funds affordable housing for specific special-needs populations in a year or a biennium, aka target populations (e.g., homeless family with children, veterans, etc.). Projects are evaluated according to their target populations in both their size (number of targeted units) and focus (percentage of units targeted). The same "Size" and "Focus" concept is applied here as described in the AMI criteria above. The number of targeted units in a project will be compared to the project with the largest number of units for the target populations in the overall pool (except in the case of beds-only projects, as above), as well as the proportion of targeted units within the project.

- For SIZE: the total number of units for target populations in a project will be compared to the project with the greatest number of target populations units in the overall application pool.

  Example: A project that provides 100 units for target populations will score higher than a project that provides 50.

- For FOCUS: the number units for target populations in a project will be compared with the total number of affordable units in the same project, i.e., the percent of units for target populations.

  Example: A project serving target population "X" *exclusively* will score higher than a project that includes non-target populations, regardless of size.

  Example: A project serving only target populations "X" and "Y" will score higher than a project that includes non-target populations, regardless of size.

c. **0 to 10 points: Prioritization of Target Populations:** This will help prioritize the population targets that are more difficult to achieve. These points are awarded based on the difficulty in achieving the target for each population.

   Example: If the State receives a legislative target of 100 units for Veterans and a target of 50 units for Seniors, each unit targeted to Veterans would be considered "worth" more. Units targeted to populations not identified by the Legislature (e.g., general lowincome) will not contribute to a higher project score.

Units for each target population will receive a weight reflective of the current difficulty in achieving the State's goal. The sum of the weighted values will be compared to the sum of the unweighted values, with the results multiplied to produce a point total between 0 and 10.

P-2. Privately-Owned Housing Stock: 0, 5, or 10 Points

Priority will be given first to projects that are creating new affordable units or projects that will increase the affordable housing stock in Washington State by bringing existing market-rate stock into the affordable market. Second priority will be accorded to projects that utilize or preserve housing stock currently under a regulatory covenant. Third priority will be given to projects that utilize or preserve housing stock that is already in the State HTF portfolio, as follows:

a. **10 points:** new construction, private property acquisition.
   OR
b. **10 points:** privately-owned housing stock including purchased by a public housing authority and public development authority.
   OR
c. **5 points:** other existing publicly owned housing stock (e.g., preservation of units under a current regulatory agreement/covenant).

OR

d. **0 points:** State-funded HTF property (i.e., preservation of existing State HTF units).

***Note**:* The National HTF program will only fund projects that construct of new units.

P-3. Need & Local Priority: 0 to 15 Points

a. **0 to 12 points:** Points will be awarded to a project based on the Affordable Housing Availability Gap at 30% AMI in its County, as documented in the most current Needs Assessment conducted by the Governor-appointed Affordable Housing Advisory Board. When comparing projects in rural areas the number of units at 50% AMI will be instead used, reflecting the reality that in many rural areas of the state, market rents are closer to 50% AMI (and thus are more difficult to achieve for a rent-restricted project).

   Any special circumstances, such as evidence of an underserved community, or an urgent situation (e.g., expiring USDA Rural Development project), will be taken into consideration when scoring the need, and may if well substantiated result in an upward adjustment of the points awarded.

b. **0 to 3 points:** Evidence of local priority and support from the jurisdiction in which the project is located will be evaluated as follows:

- **1 point** if a letter of support from the local public body (i.e., city or county) with jurisdiction over the project's location is provided with the application.
- **1 point** if the applicant demonstrates the project meets a currently defined local priority (e.g., consistent with the comprehensive plan, local resolution, ordinance, etc.).
- **1 point** if, at the time of the application, local public funds (capital and/or services) are already committed/allocated to the project.
  Note: This support measure is different from the level of public funding evaluation. Full project funding, including local funding commitment, is evaluated under Decision Point #3 below.

P-4. Development Costs: 0 to 10 Points

a. **No points:** Contingency, replacement reserves, profit and overhead, and developer and project management fees are reviewed but not scored. Applicants are responsible for ensuring that their application meets the requirements in the State HTF Handbook, or must clearly explain in their application any exceptions or special circumstances.

b. **0 to 5 points:** The construction elements of a project's Development Budget should align with the third-party construction cost estimate (CCE). Points are assigned based on the budget's *absolute* distance from the CCE.

   Example: A project with a budget that is $50k *above* the CCE will receive the same score as a project with a budget that is $50k *below* the CCE.

   Any divergence from the CCE must be satisfactorily explained. If not, or if no explanation is offered, zero points may be awarded.

   ***Note*:** In certain cases, the requirement to submit a CCE at application may be waived. These are likely projects where an as-yet unidentified property will be purchased and rehabilitated/adapted to provide group housing for developmentally disabled individuals. In such cases, the 5 points will be given as an effective waiver.

c. **0 to 5 points:** Cost reasonableness will be evaluated by comparing similar projects, according to the State's Cost Containment policy as follows. Projects will be assigned a category constructed out of the following elements:

a. Activity Type:

i. New Construction (NC) or

ii. Rehabilitation (R)

Acquisition-only projects will be considered part of the Rehabilitation activity category. An Adaptive Reuse project may be categorized as New Construction or Rehab, depending on its scope. Projects involving both New Construction *and* Rehab will be categorized according to the percentage of the scope devoted to either. Projects with a scope that is 51% New Construction, for example, will be assigned to the New Construction type. b. Size:

i. Small (1-25 units),

ii. Medium (26-100 units),

iii. Large (more than 100 units)

Projects consisting of beds (e.g., shelters, seasonal farm workers) will be compared among themselves.

c. Geographic/Market location:

i. King/Pierce/Snohomish Counties (K|P|S),

ii. Other Metro (OM),

iii. Non-Metro (NM).

Note: This is different from the geographic category structure otherwise used by the State, with the intent of reflecting the more similar cost structures found in the Greater Seattle/Puget Sound market area.

Projects will then be compared within their Cost Category via their Adjusted Total Development Cost per Unit (TDC_APU, defined as the total development cost less the sum of land cost and capitalized reserves, divided by the number of units in the project).

$$TDC_APU = \frac{(Total\ Development\ Cost - (Cost\ of\ Land + Capitalized\ Reserves)}{Total\ Units\ in\ Project}$$

The project with the lowest TDC_APU in its category will receive 5 points. Projects will receive proportionally fewer points as they approach 110% of the category average. Projects with a TDC_APU greater than 110% of the average for their category will receive no points.

Example: If the average TDC_APU for a category is \$100k, then projects would be compared to \$110k (110%). Any project with a TDC_APU above \$110k would receive no points. If the lowest TDC_APU for the category was \$80k, that project would receive the full 5 points. A project with a TDC_APU of \$90k would receive 3.3 points, as \$90k is 2/3 of the distance from \$110k to the minimum \$80k.

In the event that an insufficient number of projects in a category are applied for in the funding round to allow for the construction of a reasonable average, applications data from up to three previous funding rounds will be added.

P-5. Level of HTF Investment: 0 to 15 Points

a. **0 to 5 points:** Other funding leveraged by the project is evaluated by comparing it to projects in the same activity, size, and geographic categories (King County, Other Urban, Rural). Note that the geographic categories are different from the Cost Containment categories above. This is intended to reflect the fact that projects in *any* urban area are more likely to secure other funds due to increased access to federal and municipal funds, as well as Low Income Housing Tax Credits (LIHTC), regardless of the actual cost to build in the area. The simple leverage of a project (i.e., State funds compared to all non-State funds in a project) will be divided by the maximum leverage in its geographic category, with the results multiplied by 5 points.

$$\text{"Simple" } Leverage = \frac{(TDC_A - HTF\ Funds)}{HTF\ Funds}$$

$$Leverage\ Score = 5 * \left[\frac{Leverage\ (Current\ Project)}{Leverage\ (Max\ in\ Category)}\right]$$

b. The project with the highest leverage will receive 5 points and the project with the lowest leverage will receive 0 points. The other projects will fall in between.

   Example: In a category where the maximum leverage is 4, a project with a leverage of 2 would receive 2.5 points (as (2/4) x 5 points = 2.5 points), and a project with a leverage of 3 would receive 3.75 points.

c. **0 to 10 points:** State investment (National HTF, State HTF, or HOME funds) per unit is evaluated by comparing it to *similar* projects in the application pool, using the Cost Containment categories (see #4.c. above). The project with the lowest State Cost Per Unit (CPU-HTF) in its category will receive 10 points. The project with the highest CPU-HTF in its category will receive 0 points. The rest of the projects in that category will fall in between, proportionally based on their closeness to the minimum CPU-HTF.

   Example: If the minimum is $20k and the maximum is $60k, a project whose CPU-HTF is $40k will receive 5 points, and a project whose CPU-HTF is $30k will receive 7.5 points.

P-6. Project Scope & Housing Model: 0 to10 Points

0 to 10 points: The State will use its staff's best professional judgement to score this criterion. The evaluation will include:

- whether the project is sustainable for the long-term, i.e., for the 30-year commitment period (40-year for the State HTF);
- whether it is appropriately-designed to support the population it proposes to serve (e.g., homeless populations, homeless youth, people with disabilities, people with a chronical mental illness, etc.);
- whether any proposed services and service plans are feasible, sustainable, and aligned with state and federally recognized best practices.

For projects that propose to serve homeless populations, including homeless youth, the State will seek feedback from the Homeless Assistance Unit and the Office of the Homeless Youth, both of which are also housed at the Department of Commerce. While the policy of the state is to encourage the development of low-barrier housing, if a project with a more restrictive residency policy is proposed (e.g., "clean and sober" housing), it may still receive a favorable score *if* it can be substantiated as a necessary part of a *continuum* of units for persons homeless at entry.

P-7. Opportunity-Rich Communities: -10 to 0 Points

The Stare expects that projects be developed in "Opportunity Rich Communities" to the extent these measures apply to a project (e.g., youth employment and training would not be applicable to a senior project). If projects meet these measures (which is the State's expectation) or if the measures are not applicable, their scores will not be affected (i.e., they receive 0 points). However, if a measure *is* applicable to a project but is not evidenced (e.g., serving families with children but the applicant does not show evidence of partnering with the school district), the project will lose 2.5 points. When a measure is not applicable, the applicant must be able to clearly demonstrate in their application why it does not apply to their project.

a. **0 or -2.5 points** (0 points if condition met OR if this does not apply to the project): Project location provides access to employment centers. The condition is met if employment centers are located close enough that commute times are less than 30 minutes travel by car or one hour by public transit.

b. **0 or -2.5 points** (0 points if condition met OR if this does not apply to the project): Project provides employment and training opportunities for disadvantaged youth under a youthbuild or youthbuild-type program, as defined in RCW 50.72.020. The condition is met if the project provides these opportunities for their youth population.

c. **0 or -2.5 points** (0 points if condition met OR if this does not apply to the project): Project location provides reasonable access to public transportation. For an *urban* project this entails availability of bus, rail and/or ferry services within a walkable distance of the project. For a *rural* and/or *tribal* project, the following transit options may also apply: vehicle share program, dial-a-ride program, employer vanpool, and public–private regional transportation.

d. **0 or -2.5 points** (0 points if condition met OR if this does not apply to the project): Applicant demonstrates partnerships with school districts. The condition is met if the process described in RCW 43.185.070(5)(n) is evidenced: "… To receive this preference, the local school district must provide an opportunity for community members to offer input on the proposed project at the first scheduled school board meeting following submission of the grant application to the department."

P-8. Evergreen Sustainable Development Standard (ESDS): 0 to 2 Bonus Points

0 to 2 bonus points: Bonus points will be assigned when the proposed ESDS score exceeds the minimum ESDS required score (described in Thresholds above). The State generally expects that a "buffer" of 10 ESDS points be built into the project's ESDS score, to guard against the project's falling below the minimum threshold if it is found prior to or during construction to be ineligible for one or more optional points. As such, no bonus points will be awarded for the first 10 ESDS points above the minimum threshold. The State also recognizes that costs escalate rapidly as higher ESDS point totals are pursued. However, for ESDS scores above the 10-point buffer, bonus points may be given to a project as follows:

- **No bonus points:** Min. ESDS score + 10 additional ESDS points
- **1 bonus point:** Min. ESDS score + 11-20 additional ESDS points
- **2 bonus points:** Min. ESDS score + 21 or more additional ESDS points

Given the importance that the State places on evergreen and sustainable development, projects will generally be held to the ESDS *point total* identified in their HTF application.

> *Example*: the developer of an awarded new construction project with 65 ESDS points finds they cannot achieve the 65 points with the options originally selected, they may choose another set of options to get to 65 at no penalty.

Note: In future funding rounds, the State may penalize an applicant with "negative" points for not having achieved the approved ESDS scores in their *previous* projects.

DECISION POINT #3 – PROJECT VIABILITY AND COORDINATION WITH OTHER FUNDERS:

This last phase in the decision making process will determine which projects are viable and can be funded. As described above, projects in a given category may be awarded funding even if they have lower scores than projects in another category.

Moreover, it is possible for the project with the highest score in the entire application round not to be funded, if it is determined at this last decision point that the project has a substantial funding gap. Full funding acts as a last threshold applied at the end of the evaluation process.

E-1. Full Funding Threshold

a. If the project has public local (city, county) or other state funding, the State coordinates with the other public funders to assess local priority for the project and to ensure that only fully funded projects move forward. Funds must be committed, awarded, or in-hand at the time of the State's award.

b. If a tax credit project, a State award will be conditional on an LIHTC allocation in the current round sufficient to complete the project; otherwise, the State award may be withdrawn after the LIHTC awards are announced. The Department of Commerce coordinates with the Washington State Housing Finance Commission in determining the likelihood for tax credit projects to receive allocations within their respective LIHTC pools.

c. If the project has no local or other funding, the full funding threshold may not apply.

E-2. Other Special Requirements or Priorities

The State must allow some flexibility for special requirements or priorities that cannot be scored in the priorities above. Examples may include:

- A project may receive additional priority because the project is a pilot/demonstration project that satisfies a legislative or Capital Budget requirement (e.g., the Ultra-High Energy Efficient demonstration program, which was paired with the State HTF awards in 2016) or other appropriation requirements.

- When several projects are in close proximity (same community, city, etc.), the State may communicate with the local jurisdiction regarding project prioritization, as the State may not be able to fund all projects due to limited funding and the statewide distribution requirement.