Rental Assistance Demonstration (RAD)
Public Housing Program Application

U.S. Department of HUD, Form HUD-5260
Office of Public Housing, Office of Multifamily Housing
OMB Approval Number 2577-0278 (Issue date 9/21/12) (Expires 9/30/15)

There are several explanation boxes that extend the full width of this form. Increase or decrease the height of the box as needed (click to the left on the horizontal line below the row number, then drag the line up or down as needed).

Section 1: PIC Development Number and Name

Enter the PIC Development Number and Name.

WA042000001 — Development Number
SCATTERED SITES — Name of Development ?

HA City of Yakima — Public Housing Agency (PHA) Name
169011160 — Data Universal Numbering System (DUNS) #

Lowel Krueger — Executive Director
5094533106 — Telephone Number
Lowel.Krueger@yakim — Email

Section 2: Background Information on the PHA and the Project

Enter the requested contact information and complete the below questions regarding the project.

Lowel Krueger — PHA Contact Name ?
Executive Director — Title
5094533106 — Telephone Number
Lowel.Krueger@yakim — Email

Type of Conversion: PBV (Project Based Vouchers) ?

Is this Project an existing Mixed Finance Project? No ? *The formulaic result from FASS data*
Is this Project an existing Mixed Finance Project? No ? *Corrected PHA entry (if applicable)*

Are you requesting the Choice-Mobility Exemption for this project? No

Review the below table of project unit counts, by bedroom size, per the PIC data extract as of 09/13/12

PIC Bedroom Distribution								Average
0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR	Total Units	Bedroom per Unit
0	22	52	56	12	8	0	150	2.55

Is the above PIC information correct? ? Yes *Skip to proposed post-RAD-conversion unit distribution*

Actual Bedroom Distribution (PIC corrected)								Average
0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR	Total Units	Bedroom per Unit
0	22	52	56	12	8	0	150	2.55

Enter the date corrected or PIC ticket created (MM/DD/YYYY)

Proposed Post-RAD-Conversion Unit Distribution. Below, show the mix of units that you have proposed to convert, as well as other dwelling units at the project

	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR	Total Units
Units Converting		22	52	56	12	8		150
Market Rate								0
Other Affordable								0
Total	0	22	52	56	12	8	0	150

For units converting under RAD, enter the current utility allowances and estimated reasonable rent determinations for each unit type.

?

	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR
Utility Allowances		$76	$93	$113	$136	$168	
Reasonable Rents		$540	$698	$919	$970	$1,116	

Section 3: De Minimis Reduction

The table below compares the current total public housing units, the number proposed for conversion, the number proposed to be reduced, and the applicable de minimis threshold. Indicate the number of reductions by category in the rows that follow, along with an explanation in the accompanying text box.

Current Public Housing Units	Total Units Proposed for Conversion	Units Proposed to be Reduced	de minimis threshold	Units above the de minimis threshold
150	150	0	8	0

Skip to section 4

	Units have already received Section 18 Demolition-Disposition approval from HUD
	Reconfiguring efficiency apartments
	Facilitating social service delivery
	Units vacant for more than 24 months
	Partial conversion ?
0	Total

Section 4: Existing Indebtedness, Capital Needs, and Replacement Reserves

Enter below information on the project's existing indebtedness, if applicable: ?

Energy Performance Contract (EPC)		$0	Per Unit	$0
Capital Fund Financing Program (CFFP)		$0	Per Unit	$0
Other		$0	Per Unit	$0
Other		$0	Per Unit	$0
Other		$0	Per Unit	$0
Total		$0	Per Unit	$0

Enter the most recent estimate of capital needs for the project, broken down by Immediate, Short-term, and Long-term needs. If these break-downs are not available, provide reasonable estimates.

Capital Needs: ?

What are your capital needs?

Year 1 (Immediate) ?	$5,757,453	Per Unit	$38,383
Years 2-5 (Short-term)	$150,000	Per Unit	$1,000
Years 6-20 (Long-term)	$300,000	Per Unit	$2,000

Please explain how you have arrived at these estimates.

Explanation

Replacement Reserve Funding ?

Enter the Initial Deposit and Annual Deposit to replacement reserves below.

	Formula Amount	Your Proposal
Initial Deposit to Repl. Reserve (IDRR)	$50,000	$300,000

You have entered more than the suggested IDRR, consequently your ADRR can be reduced to as low as $7,500.

Annual Deposit to Repl. Reserve (ADRR)	$20,000	$15,000	?

Section 5: Vacancy Loss and Bad Debt Loss, for Assisted Units

Enter vacancy and bad debt data for the proposed conversion.

	3 Yr Historical Avg	Proposed
Vacancy Rate (%) ?	#N/A	3.00%
#N/A		
Bad Debt Rate (%) ?	#N/A	2.00%
#N/A		

Section 6: Other Rent Potential, Vacancy Loss and Bad Debt Loss

In addition to units that will be included under the HAP contract, enter other rent potential, vacancy loss, and bad debt loss for the proposed conversion.

Type of Add'l Gross Potential Rent	Annual GPR	Vacancy Loss %	Bad Debt Loss %
Market rate apartments			
Other affordable apartments			
Office space			
Retail space			

Section 7: Other Income

Enter other income for the planned project. ?

	Annual	
Late / NSF charges	$21,252	2013 budget
Damage charges		Explanation
Laundry / Vending		Explanation
Investment Income	$50	2013 Budget
Other		Explanation
Other		Explanation

Section 8: Operating Expenses

Are you proposing the conversion in conjunction with new construction? No

Enter the 'Latest Approved Operating Budget' for the current fiscal year and the proposed conversion Operating Expenses. An explanation is required if any line item is entered below 85% of the latest approved operating budget.

	Latest Approved Operating Budget	Proposed
Administrative	**$343,984**	**$343,984**
Asset Management Fee	**$0**	**$0**
YHA self manages all properties		
Tenant Services	**$1,721**	**$16,721**
Includes additional expenditures to provide family self sufficiency services for 50% of the units.		
Utility Expense	**$125,050**	**$125,050**
Explanation		
Ordinary Maint and Ops	**$389,540**	**$389,540**
Explanation		
Protective Services	**$20,420**	**$20,420**
Explanation		
Real Estate Taxes	**$3,727**	**$3,727**
Explanation		
Property Insurance	**$15,141**	**$15,141**
Explanation		
Liability Insurance	**$3,838**	**$3,838**
Explanation		
Other General Expenses	**$13,450**	**$13,450**
Explanation		
Total Operating Expenses	$916,871	$931,871

3 Year Historical Expenses: ? *No New Construction: Provide Historical Operating Expenses*

2009 AFS Missing	2010 AFS	2011 AFS
#N/A	$829,503	$1,071,203

PHA Corrected 3 Year Historical Expenses:

2009 AFS	2010 AFS	2011 AFS	3 Year Average
$869,401	$858,188	$1,049,909	$925,833

New Construction : Section Not Applicable. No explanation is required.

Explanation

Section 9: Net Operating Income

Presented below is a summary calculation of the proposed project's Net Operating Income. Before proceeding, review and make any necessary changes in the applicable section of the application.

Apartment Gross Potential Rent:					
RAD Units	$998,256	150	Units	$6,655	per unit annual
Market Rate Units	$0	0	Units	$0	per unit annual
Other Affordable Units	$0	0	Units	$0	per unit annual
Office / Retail GPR	$0				
Vacancy and Bad Debt Loss	($49,913)	5.0%	weighted average		
Other Income	$21,302				
Effective Gross Income	**$969,645**				
Total Operating Expenses	($931,871)		$6,212	PUPA	
Annual Reserve Deposit	($15,000)		$100	PUPA	
Net Operating Income	**$22,774**				

Section 10: First Mortgage Loan Sizing

Are you proposing to take out a first mortgage loan for this project? **No**

No first mortgage proposed. Skip this section.

Interest Rate % per Year	?	
Mortgage Insurance Premium %	?	
Amortization Term	?	
Maturity Term	?	
Debt Service Coverage Ratio	?	
Maximum Supportable Mortgage Loan		**$0**
Proposed Mortgage Loan Amount	?	
Calculated Annual Debt Service		**$0**

Section 11: Total Uses of Funds (Total Development Cost)

Enter uses of funds for the proposed conversion.

Acquisition Costs		
Building and Land Acquisition	?	**$6,240,060**
Payoff Existing Loans		$0
Other Costs	?	
Construction Costs	?	$5,757,453
Relocation Costs	?	**$75,000**

Professional Fees	
Architecture & Engineering	$503,090
Physical Conditions Assessment	$15,000
Borrower's Legal Counsel	
Lender's Legal Counsel	
Feasibility Studies	
Environmental Reports	$15,000
Appraisal / Market Study	$15,000
Accounting	$12,500
Survey	$15,000
Other Costs	$75,000
Loan Fees and Costs	
FHA MIP	
FHA Application Fee	
FHA Inspection Fee	
Financing Fee	
Organizational Costs	
Title Insurance/Exam Fee	
Recordation Fee	
Closing Escrow Agent Fee	
Prepayment Penalty/Premium	
Payables	
Construction Interest	
Construction Loan Fees	
Cost of Bond Issuance	
Other Costs	
Reserves	
Initial Deposit to Replacement Reserve	$300,000
Initial Operating Deficit Escrow	
Operating Reserve	$479,400
Tax and Insurance Escrow	
Other Costs	$131,949
Developer Fees	$1,274,500
Total Development Cost	**$14,908,952**

aka Total Uses of Funds

Section 12: Total Sources of Funds

Enter sources of funds for the proposed conversion.

New First Mortgage Loan		$0
Public Housing Operating Reserves		
Public Housing Capital Funds		$250,000
Replacement Housing Factor		
Low Income Housing Tax Credit Equity - 4%		
Low Income Housing Tax Credit Equity - 9%		$8,222,290
Other/Local	Sponsor Deferred Developer Fee	$196,602
Other/Local	Acq Seller Takeback Financing	$6,240,060
Other/Local		
Total Sources of Funds		**$14,908,952**

Sources and uses are in balance

LIHTCs are proposed; complete Section 13

Section 13: Projects Utilizing 9% Low Income Housing Tax Credits ('LIHTCs')

Enter below information regarding your proposed use of LIHTCs: ?

Do you have a LIHTC reservation? No *Complete the rest of Section 13*

Briefly discuss the application submission and approval timing that is provided under the current QAP. Please provide sufficient detail that HUD can understand when you will submit an application, when you will be notified regarding selection, and when a LIHTC Reservation letter would be issued to you.

The Washington State Housing Finance Commission (Commission) is in the process of finalizing application materials for the 2013 LIHTC reservations. The application deadline is January 10, 2013. The initial scoring assessment will be available by late January. Final Commission awards and reservation letters will be made by April 2013.

RAD requires that you demonstrate recent success, internally or through development team partners, in obtaining 9% LIHTCs. Below, briefly discuss your capacity and experience in obtaining 9% LIHTCs from the relevant State allocating agency.

YHA has one existing LIHTC project, Mariposa Park, which was placed in service in 1998 and an additional farmworker tax credit project currently under development. YHA had engaged Beacon Development Group (BDG), as a development consultant. BDG has provided affordable housing development and consulting services since 1998 to non-profits and public housing authorities throughout Washington State. To date, BDG has completed 63 projects totalling $390MM and over 2,500 units of housing. 55 of these projects included LIHTC. BDG has been successful in each of the past 14 years in successfully securing allocations for clients and placing credits with syndicators and

Do you have a letter from the credit-issuing authority as described in Section 1.9(B) of the RAD Notice? Yes

Attach the letter to your application submission and skip the next two questions.

Provide evidence that the **applicant diligently attempted** to secure such a letter

RAD requires that you attach a self-scored QAP application. Below, briefly discuss why you believe that a QAP application for the subject project, at the indicated score, is likely to receive a 9% LIHTC award.

WSHFC has finalized all revisions to their QAP scoring criteria, but final application materials are not yet complete (expected by the end of October 2013). We have attached a self scored application and the final QAP scoring criteria. Per our self-scored application, the YHA RAD Conversion project would score 158 points as a non-metro project. Based on BDG's experience with WSHFC applications and their knowledge of potential competitive projects for the 2013 allocation round, a score of 158 points is considered competitive.

Section 14: Ranking Factors

Yes 1) Do you want to designate this project as your PHA's priority project? ?

No 2) Are you applying for a ranking factor for Choice Mobility? **Skip to section Question 3**

(a) Are you receiving choice-mobility vouchers?

(b) Are you providing choice-mobility vouchers?

Yes 3) Are you requesting the Ranking Factor for Green Building and Energy Efficiency?

The project will meet the Urban Moderate Rehabilitation standards of The Evergreen Sustainable Development Standard as established by the State of Washington Department of Commerce. The RAD team has reviewed our request to use this standard for the Green Building Ranking Factor and determined that the Urban Moderate Rehab standard of the Evergreen Sustainable Development Standard in WA is substantially equivalent to the standards required to qualify for 10 green points under the competitive component of RAD.

Section 15: Additional Narratives

Provide written responses in the grey highlighted rows below. Please limit each responses to 200 words.

Briefly describe the land, location / neighborhood, and physical plant for the project.

YHA's 150 public housing units are located at 13 different scattered sites within a 5 mile radius in the City of Yakima, WA. All projects were built by YHA between 1979 and 1999. Buildings are single or two story walk-up, wood frame construction with a range of 4-20 units per site.

Discuss any known environmental or building product risks such as lead based paint, asbestos, PCBs, flood zone status, aluminum wiring, and fuel storage tanks (whether underground or above ground), along with associated remediation measures.

There are no known environmental or building product risks at these properties and as such, there is no mitigation or remediation anticipated as part of the rehabilitation. All units were built by the Housing Authority and the oldest units date back only to 1979, after the period when asbestos and lead paint were widely used in building construction. As part of the predevelopment process for this rehabilitation, YHA will engage an environmental consultant to complete a full Phase 1 Environmental Study for all units. Also, in 2011, the City of Yakima completed an environmental review of all 150 units pursuant to federal regulation 24 CFR part 58 and determined all sites to be categorically exempt per 24 CFR part 58.34(a)(12).

Discuss any needed accessibility modifications. ?

The scope of rehab anticipated for the YHA RAD conversion project does not meet the definition of substantial rehabilitation under 24 CFR Part 8.23, however, 15 of the 150 units or 10% are already fully accessible based on Section 504 and UFAS regulations. The proposed rehabilitation does not include any specific accessibility modifications.

Discuss any known market competitiveness issues, such as small unit sizes or limited on-site parking, and how the conversion plans to address these issues.

There are no known market competitiveness issues. The majority of the units are larger, family sized units which are in high demand. 12 month vacancy rates at the properties per HUD form 52273 for 2010, 2011, and 2012 are 3.0%, 2.4% and 4.0% respectively. There are currently 498 applicants on the YHA public housing waiting list.

Discuss any proposed relocation plans for the project.

There will be no permanent location of tenants as part of the project. The majority of the proposed capital repairs include exterior work (siding, roofing, deck, sidewalk and parking lot repair, and exterior painting) which will not require relocation. Any temporary relocation which is necessary due to the scope of the work is anticipated to be handled on-site and comply with URA 49 CFR Part 24. We have included a $500/unit relocation allowance in the budget to address any relocation expenditures.

Discuss the capacity of the development team to undertake the proposed conversion. ?

YHA currently manages 1,110 housing units in a variety of government programs including public housing, HCV, VASH, USDA RD, LIHTC and State Housing Trust Fund and services a broad range of tenants from veterans, elderly, homeless, families to farmworkers. YHA has over $12MM in net assets and manages an annual budget of over $6.5MM. Senior YHA management staff have extensive experience in both finance and housing and the Board of Commissioners are made up of a strong group of local business and service interests with tenures on the Board from 3-14 years. As mentioned above, YHA has engaged BDG as a development consultant to assist with the RAD conversion and development. Formed in 1998, BDG provides development consulting services to non-profits and public housing authorities throughout Washington State. BDG has completed 63 projects totalling $390 million in funding with a variety of funding sources including LIHTC

Section 16: Required Attachments

The Following Must Be Attached as Part of Your Electronic Application:

Yes	Board Approval Form
Yes	Evidence of PHA to Administer PBV Contracts
No	Mixed-finance Affidavit
No	Financing Letter of Interest/Intent for Lender(s) or Equity Investor(s)
No	Financing Letter of Interest/Intent for 4% LIHTCs
Yes	Financing Letter of Interest/Intent for 9% LIHTCs
No	Choice-Mobility Letter Agreement
No	9% LIHTC Reservation Letter
Yes	Letter from credit-issuing authority
Yes	Self-Scored QAP Application for 9% LIHTCs
Yes	QAP Timeline
Yes	Resident Comments

The 6 attachments indicated 'Yes' above must be included in your electronic application package. Incomplete application packages will be rejected, and if you re-submit, your place on the waiting list will be based on the date of re-submission.

No changes were made to the PIC data

Attachment 1A: Board Approval Form

#N/A

HA City of Yakima RAD Application for SCATTERED SITES

AMP No:	WA042000001
Units	150

Type of Conversion

PBV (Project Based Vouchers)

Proposed Units for Conversion and De Minimis

Summary	Total Units Proposed for Conversion	Units Proposed to be Reduced	de minimis threshold
	150	0	8
Explanation for de minimis reduction			Unit Count

Pro Forma Sources and Uses

Sources of Funds	Amount	Per Unit
New First Mortgage Loan	$0	$0
Public Housing Operating Reserves	$0	$0
Public Housing Capital Funds	$250,000	$1,667
Replacement Housing Factor	$0	$0
Low Income Housing Tax Credit Equity - 4%	$0	$0
Low Income Housing Tax Credit Equity - 9%	$8,222,290	$54,815
Sponsor Deferred Developer Fee	$196,602	$1,311
Acq Seller Takeback Financing	$6,240,060	$41,600
Other	$0	$0
Total Sources of Funds	**$14,908,952**	**$99,393**

Uses of Funds	Amount	Per Unit
Acquisition Costs	$6,240,060	$41,600
Construction Costs	$5,757,453	$38,383
Relocation Costs	$75,000	$500
Professional Fees	$650,590	$4,337
Loan Fees and Costs	$0	$0
Reserves	$911,349	$6,076
Developer Fees	$1,274,500	$8,497
Total Uses of Funds	**$14,908,952**	**$99,393**

Stabilized Cash Flow Pro Forma

	Total	PUPA
Gross Potential Rents for RAD Units	$998,256	$6,655
Gross Potential Rents for Other Apartment Units	$0	$0
Gross Potential Rents for Commercial	$0	N/A
Vacancy Loss and Bad Debt Loss	($49,913)	-$333
Other Income	$21,302	$142
Effective Gross Income	$969,645	**$6,464**
Total Operating Expenses	($931,871)	($6,212)
Annual Deposit to Replacement Reserve	($15,000)	($100)
Net Operating Income	**$22,774**	**$152**
First Mortgage Debt Service	**$0**	$0
Operating Cash Flow	**$22,774**	**$152**

PHA's Explanation of Any Relocation of Tenants (Estimated Relocation Cost is $75,000)

There will be no permanent location of tenants as part of the project. The majority of the proposed capital repairs include exterior work (siding, roofing, deck, sidewalk and parking lot repair, and exterior painting) which will not require relocation. Any temporary relocation which is necessary due to the scope of the work is intended to be handled on-site and comply with URA 49 CFR Part 24. We have included a $500/unit relocation allowance in the budget to address any relocation expenditures.

PHA's Explanation of Capacity and Experience to Carry Out the RAD Conversion

YHA currently manages 1,110 housing units in a variety of government programs including public housing, HCV, VASH, USDA RD, LIHTC and State Housing Trust Fund and services a broad range of tenants from veterans, elderly, homeless, families to farmworkers. YHA has over $12MM in net assets and manages an annual budget of over $6.5MM. Senior YHA management staff have extensive experience in both finance and housing and the Board of Commissioners are made up of a strong group of local business and service interests with tenures on the Board from 3-14 years. As mentioned above, YHA has engaged BDG as a development consultant to assist with the RAD conversion and development. Formed in 1998, BDG provides development consulting services to non-profits and public housing authorities throughout Washington State. BDG has completed 63 projects totalling $390 million in funding with a variety of funding sources including LIHTC, State HTF, local CDBG and HOME grants, HUD 202 capital funds, tax exempt bonds and private / FHA financing. BDG has an exemplary record of securing local, state and federal sources of funding for clients and is staffed to assist with all aspects of development from financing, design, permitting and construction management.

Attachment 1A: Board Approval Form

#N/A

HA City of Yakima RAD Application for SCATTERED SITES

PHA's Explanation of the Proposed Total Operating Cost being less then 85% of the 3 Year Historical Operating Expenses

3 Year Historical Average Comparison	2009	2010	2011	Average	Proposed
	#N/A	$852,171	$1,079,877	#N/A	$931,871

N/A

PHA's Explanation of the Capital Needs and Replacement Reserves Estimates

N/A

Discussion of QAP timing

The Washington State Housing Finance Commission (WSHFC) is in the process of finalizing application materials for the 2013 LIHTC reservations. The application deadline is expected to be mid-January of 2013. The initial scoring assessment will be available by late January. Final board approval and reservation letters will be awarded late spring 2013.

Demonstration of recent success obtaining 9% LIHTCs

YHA has one existing LIHTC project, Mariposa Park, which was placed in service in 1998 and an additional farmworker tax credit project currently under development. YHA had engaged Beacon Development Group (BDG), as a development consultant. BDG has provided affordable housing development and consulting services since 1998 to non-profits and public housing authorities throughout Washington State. To date, BDG has completed 63 projects totalling $390MM and over 2,500 units of housing. 55 of these projects included LIHTC. BDG has been successful in each of the past 14 years in successfully securing allocations for clients and placing credits with syndicators and investors nationwide.

Likelihood of obtaining 9% LIHTCs

WSHFC has finalized all revisions to their QAP scoring criteria and final application materials are anticipated by the end of October 2012. Per our self-scored application, the YHA RAD Conversion project would score 158 points as a non-metro project. Based on BDG's experience with WSHFC applications and their knowledge of potential competitive projects for the 2013 allocation round, a score of 158 points is considered competitive.

I hereby certify to the following: (1) that I have the requisite authority to execute this application on behalf of the owner; (2) that HUD can rely upon this certification in evaluating the Application, (3) that I acknowledge that I have read and understand PIH Notice 2012-32 (the "Notice"), which describes the Rental Assistance Demonstration (RAD) (the "Program"), and agree to comply with all requirements of the Program or Notice; (4) that all materials submitted in association with the application are accurate, complete and not misleading; (5) that the application meets all applicable eligibility requirements for the Program set forth in the Notice; (6) that the owner approves the creation of a single-asset entity of the affected project if required by the lender to facilitate financing; (7) that, if selected for award, the owner will comply with the fair housing and civil rights requirements at 24 CFR 5.105(a) (general requirements) and will affirmatively further fair housing; (8) that there are no debarments, suspensions, or Limited Denials of Participation in Federal programs lodged against the applicant, PHA Executive Director, Board members, or affiliates; (9) that this Board Approval Form has been approved by the Board of Commissioners on the date noted below; and (10) that, if selected for an award, the PHA will comply with all provisions of HUD's Commitment to Enter into a HAP (CHAP), which shall indicate the HUD-approved terms and conditions for conversion of assistance, or will indicate to HUD within 15 days that it is refusing the terms of the CHAP and withdrawing from RAD participation.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 USC Sections 1001, 1010, 1012; 31 USC Sections 3729, 3802)

PHA Certification: By Lowel Krueger (Executive Director)

Lowel Krueger

Signature:

October 18, 2012

Date:

YHA
YAKIMA HOUSING
AUTHORITY

"Committed to Safe and Affordable Housing"

October 22, 2012

U.S. Department of Housing and Urban Development
Rental Assistance Demonstration
RADAppliction@hud.gov

RE: Evidence of Public Housing Authority to Administer Project Based Voucher Contract

To whom it may concern:

The Housing Authority of the City of Yakima (WA042) currently administers 635 Housing Choice Vouchers (HCV). Since the Housing Authority administers an HCV program, it is willing to administer the Project Based Voucher contract associated with the Rental Assistance Demonstration application for its 150 public housing units. If you have any questions regarding this letter, please feel free to give me a call at 509.453.3106 extension 101.

Cordially,

Lowel J. Krueger, CPA, MBA
Executive Director

P.O. BOX 1447 Yakima WA 98907 • www.yakimahousing.org
810 N. 6th Ave. Yakima WA 98902 • PH 509. 453. 3106 • FX 509. 453. 3111 • TDD 1. 800. 545. 1833 ext 560

Attachment 1B: Financing Letter of Interest/Intent

HA City of Yakima RAD Application for SCATTERED SITES	
AMP No:	WA042000001
Units	150

Type of Conversion
PBV (Project Based Vouchers)

Pro Forma Sources and Uses		
Sources of Funds	***Amount***	***Per Unit***
New First Mortgage Loan	$0	$0
Public Housing Operating Reserves	$0	$0
Public Housing Capital Funds	$250,000	$1,667
Replacement Housing Factor	$0	$0
Low Income Housing Tax Credit Equity - 4%	$0	$0
Low Income Housing Tax Credit Equity - 9%	$8,222,290	$54,815
Sponsor Deferred Developer Fee	$196,602	$1,311
Acq Seller Takeback Financing	$6,240,060	$41,600
Other	$0	$0
Total Sources of Funds	**$14,908,952**	**$99,393**
Uses of Funds	***Amount***	***Per Unit***
Acquisition Costs	$6,240,060	$41,600
Construction Costs	$5,757,453	$38,383
Relocation Costs	$75,000	$500
Professional Fees	$650,590	$4,337
Loan Fees and Costs	$0	$0
Reserves	$911,349	$6,076
Developer Fees	$1,274,500	$8,497
Total Uses of Funds	**$14,908,952**	**$99,393**

Stabilized Cash Flow Pro Forma		
	Total	***PUPA***
Gross Potential Rents for RAD Units	$998,256	$6,655
Gross Potential Rents for Other Apartment Units	$0	$0
Gross Potential Rents for Commercial	$0	N/A
Vacancy Loss and Bad Debt Loss	($49,913)	-$333
Other Income	$21,302	$142
Effective Gross Income	**$969,645**	**$6,464**
Total Operating Expenses	($931,871)	($6,212)
Annual Deposit to Replacement Reserve	($15,000)	($100)
Net Operating Income	**$22,774**	**$152**
First Mortgage Debt Service	$0	$0
Operating Cash Flow	**$22,774**	**$152**

PHA's Explanation of the Proposed Total Operating Cost being less then 85% of the 3 Year Historical Operating Expenses

	2009	2010	2011	Average	Proposed
3 Year Historical Average Comparison	#N/A	$852,171	$1,079,877	#N/A	$931,871

N/A

Attachment 1B: Financing Letter of Interest/Intent

PHA's Explanation of the Capital Needs and Replacement Reserves Estimates

N/A

Discussion of QAP timing

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Demonstration of recent success obtaining 9% LIHTCs

YHA has one existing LIHTC project, Mariposa Park, which was placed in service in 1998 and an additional farmworker tax credit project currently under development. YHA had engaged Beacon Development Group (BDG), as a development consultant. BDG has provided affordable housing development and consulting services since 1998 to non-profits and public housing authorities throughout Washington State. To date, BDG has completed 63 projects totalling $390MM and over 2,500 units of housing. 55 of these projects included LIHTC. BDG has been successful in each of the past 14 years in successfully securing allocations for clients and placing credits with syndicators and investors nationwide.

Likelihood of obtaining 9% LIHTCs

WSHFC has finalized all revisions to their QAP scoring criteria, but final application materials are not yet complete (expected by the end of October 2013). We have attached a self scored application and the final QAP scoring criteria. Per our self-scored application, the YHA RAD Conversion project would score 158 points as a non-metro project. Based on BDG's experience with WSHFC applications and their knowledge of potential competitive projects for the 2013 allocation round, a score of 158 points is considered competitive.

Statement of Lender / Equity Provider:

The project appears feasible for US Bank Community Development Corporation to fund. Our general repayment terms and any conditions are stated above and/or in the comment block below. US Bank Community Development Corporation understands and acknowledges the RAD program requirements and policies and agrees to cooperate with the applicable RAD processes, as appropriate. This letter of interest/intent is not a firm commitment. Final approval will be contingent on the results of US Bank Community Development Corporation due diligence process and approvals.

State any exceptions or additional conditions

US Bank Community Development Corporation: By Sebastian Glowacki (Vice President)

Signature: ______________________ October 22, 2012

Date:

WASHINGTON STATE
HOUSING FINANCE COMMISSION

Karen Miller
Chair

Mr. Kim Herman
Executive Director

October 10, 2012

To whom it may concern,

The Yakima Housing Authority (YHA) is currently the owner of 150 units of public housing in Yakima, WA. YHA has asked the Washington State Housing Finance Commission (the Commission) to provide a letter regarding their proposal to use 9% low income housing tax credits (LIHTC) as part of the financing plan for the HUD Rental Assistance Demonstration Program (RAD) conversion and renovation of these units.

The 2013 allocation of 9% low income housing tax credits will be awarded through a competitive application process. Applications are due January 10, 2013. Awards are expected to be made by April 2013.

Based on our preliminary review and discussion of the proposed transaction, (1) the property and the proposed transaction appear to be eligible for an allocation of 9% LIHTC, (2) YHA has acceptable experience as a sponsor/developer to proceed with a 9% LIHTC transaction, and (3) a typical reservation of credits is sufficient to address the expected need for the proposed transaction.

Please contact Leslie Price at 206-254-5358 if you have further questions.

Sincerely,

Steve Walker
Director

cc: Lowel Krueger, Yakima Housing Authority
Sarah Nichols, Beacon Development Group

1000 Second Avenue, Suite 2700, Seattle, WA 98104-1046
tel 206.464.7139 fax 206.587.5113 800.767.HOME www.wshfc.org

WSHFC
2013 Scoring - Final Scoring Criteria and Timeline
YHA RAD Conversion

Summary of 2013 Allocation Criteria	**Non-Metro**	**YHA RAD conversion**	**Notes**
Additional Low-Income Set-Aside	50-60	**60**	40% at 30% MI; 60% at 50% MI
Additional Low-Income Housing Use Period	2-44	**44**	22 years
Serving Special Needs Populations:			
75% Homeless	35	-	
Up to two of the following:			
100% Elderly	10	-	
20% Large Households	10	**10**	
20% Disabled	10	**10**	
20% Homeless	10	-	
20% Farmworker	10	-	
Funding:			
Local Funding Commitment	-	-	
Federal Leverage – Capital Funds	3/5	-	
Federal Leverage – Rental Assistance	1/3	**3**	100% Section 8
State Funding Coordination	2	-	
Development Costs:			
Efficient Use of Credit	1/2/3	**3**	>750 below per unit max at 100% or >1250 at 130%
Developer Fees	2-10	**10**	10%
Rehabilitation:			
Rehabilitation	5	**5**	
At-Risk Properties	7	-	
At Risk Properties with Rental Assistance	1/3	-	
Historic Property	5	-	
Targeted Areas:			
Eligible Tribal Area	3	-	
Area Targeted by a Local Jurisdiction	-	-	
Community Revitalization Plan	-	-	
Location Efficient Projects	2	**2**	Urban criteria; Within 1/4 mile of 4 or 1/2 mile of 6 community, service or retail facilities for each site
Job Centers	1	**1**	within 10 mile radius of Terrace Heights CDP
High/Very High Opportunity Areas (2014)	-	-	
Transit Oriented Development (TOD)	-	-	
Nonprofit Sponsor	5	**5**	
Donation in Support of Local Housing Needs	5	**5**	
Eventual Tenant Ownership	2	-	
		158	
Minimum	134		

Timeline
Application due 1/10/2013
Awards anticipated 4/2013

WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Memorandum

To: Stakeholders

From: Steve Walker

Date: October 11, 2012

Re: ***Approved Changes to LIHTC Program Policies for 2013 Program Year***

The following represents the policy changes for the 2013 Tax Credit Program Policies as approved by the WSHFC Board on September 27, 2012.

1. Geographic Credit Pools – Chapter 5

Issue: Statewide geographic dispersion of the Housing Credit remains a policy priority for the WSHFC. Over the past 25 years of administering the Housing Credit program, the WSHFC has implemented numerous policy approaches to address the issue of dispersing the Housing Credit to projects located throughout the state. This requires balancing statewide objectives and local priorities, urban and rural issues and many other considerations. Over the years, policy approaches to disperse credit across the state have included assigning allocation points to counties based on housing need, assigning points to areas underserved by the Credit and Credit set-asides for Rural Areas and Rural Development projects.

For the past several years, the primary method used to address geographic dispersion has been the Housing Needs point category[1]. The methodology for creating this policy was derived from the 2000 Census and was last updated in 2006 using HUD's Comprehensive Housing Affordability Strategy (CHAS) data[2]. In evaluating the dispersion of credit allocation since the 2006 Housing Needs update, it has become clear that certain areas of the state have not been able to compete for the 9% credit and are not getting their "fair share" of the credit. For example, between 2006 and 2012 the counties of Clark, Pierce, Snohomish, Spokane and Whatcom together received 24% of the credit allocated, but they have 38% of the state's extremely low and very low income renter households with housing problems. In

[1] The current Housing Needs policy is based on ranking counties according to "Absolute Need" and "Relative Need" determined by the number and proportion of renter households at or below 50% AMI with one or more Housing Problems. Housing Problems are defined as lacking complete kitchen or plumbing facilities, more than 1 person per room, or paying more than 30% of household income toward housing costs. The most recent data available on this indicator is captured in the table below and is available upon request.

[2] HUD CHAS data are special tabulations of American Community Survey data that specifically capture housing needs and housing problems by the area median income categories used in the Tax Credit Program.

response, staff is proposing a different approach for achieving balance between statewide opportunity and statewide need.

Proposed Change: Create three distinct Credit Pools – King County, Metro Counties, and Non-Metro Counties. Projects will compete for credit allocations based upon the pool in which they are located. Policies and allocation point criteria will be tailored to address specific needs within each pool. To maintain program integrity, projects will be held to minimum point scoring thresholds appropriate to the allocation criteria available in each Credit Pool.

Under this new credit allocation strategy, the current Credit Set-Asides for Rural, Rural Development and Qualified Non Profit (see below) will be eliminated, as will the RD new construction preference and the Housing Needs Points.

Defining the Geographic Groupings: Counties have been grouped together as a way for like projects to compete against like projects. The following data indicators were also considered at the county level to determine the groupings: population size, population density, percent of population living in Urbanized Areas (as defined by the US Census), access to local housing funds, development capacity, and housing needs. As a result, the following geographic groupings have been created:

(1) **King County**
(2) **Metro Counties:** Clark, Pierce, Snohomish, Spokane, Whatcom
(3) **Non-Metro Counties:** Adams, Asotin, Benton, Chelan, Clallam, Columbia, Cowlitz, Douglas, Franklin, Ferry, Garfield, Grant, Grays Harbor, Island, Jefferson, Kitsap, Kittitas, Klickitat, Lewis, Lincoln, Mason, Okanogan, Pacific, Pend Oreille, San Juan, Skagit, Skamania, Stevens, Thurston, Wahkiakum, Walla Walla, Whitman, Yakima.

Qualified Non Profits (QNP): Under IRS Tax Code, at least 10% of the State's total annual credit authority must be allocated to projects sponsored by QNPs. We will look to the King County Credit Pool first to satisfy this Code requirement, as this is where the requirement has historically been fulfilled. Applicants will be asked to identify whether they are a 501(c)3 or 501(c)4 nonprofit organization with the "fostering of low-income housing" as one of their tax-exempt purposes. The highest scoring projects in King County sponsored by a QNP will be used to fulfill the IRS requirement.

In the event no QNP is competitive in the KC Pool, we will look second to the Metro Pool and then lastly to the Non-Metro Pool to be in compliance with the Code. In the event no QNP is competitive within the established Credit Pools, the Commission will consider a Forward Commitment of credit to the highest scoring QNP on the waiting list to ensure this requirement is met. Nonprofit sponsors will continue to have a point advantage in all Credit Pools under the Nonprofit Sponsor point criterion.

Scattered Site Proposals: Projects consisting of multiple sites in different counties that cross between the Credit Pools will be treated as follows: Any proposal with one or more sites located in the Non-Metro Counties and one or more sites in the Metro Counties will be treated as a proposal in the Metro Pool. Likewise, any proposal with one or more sites located in the Non-Metro Counties and/or the Metro Counties but also having one or more sites in King County will be evaluated within the King County Pool.

Geographic Sizing Methodology: We have chosen a single indicator from the CHAS data to determine the baseline for statewide Housing Needs: Renter Households at or below 50% AMI with one or more

Housing Problems. Housing Problems includes those living in substandard housing (lacking complete kitchen or plumbing facilities), those living in overcrowded conditions (more than 1 person per room), and those paying more than 30% of household income for housing costs. This is the same indicator that we have used historically in the Housing Needs Allocation Criterion. Relative Housing Need[3] will no longer be weighted in determining Housing Needs. We have found the Relative Need of each Geographic Pool to be similar. Between 77% and 82% of the renting households earning less than 50% AMI in each Geographic Pool have housing problems. In effect, almost all renting households earning less than 50% of the Area Median Income are in need or at risk of being in need.

Renter Households at or below 50% AMI[4]		
	Number with Housing Problems	**% of State's Housing Problems**
King County	99,155	33.6%
Metro – 5 counties	111,615	38.2%
Non-Metro	82,270	28.2%
Statewide	292,040	100.0%

Data indicators are often not as comprehensive as we would like. For example, the numbers above do not include the homeless population. They also do not account for other less tangible factors such as the locations of opportunity and transportation costs. As a result of a negotiated agreement between representatives of the stakeholders in King County and the Metro Counties, the allocation between those two Pools has changed and will be phased in over the 2013 and 2014 allocation rounds as follows:

Annual Credit Authority by Geographic Pool		
	2013	**2014-2017**
King County	37%	35%
Metro – 5 counties	35%	37%
Non-Metro	28%	28%
Statewide	100%	100.0%

The sizing of the Geographic Pools will be revisited as part of the annual policy review process for the 2018 allocation round.

HOPE VI: The above mentioned stakeholder negotiation also resulted in an agreement that the pay back of the credit borrowed by King County under the 2010-2012 HOPE VI Set-Aside will be split evenly between the 2013 and 2014 allocation rounds.

[3] *Relative Housing Need* is defined as the percent of the total number of renting households in a county/group of counties at or below 50% AMI with one or more Housing Problems according to the CHAS data.

[4] HUD CHAS Data 2005-2009

The King County Pool will be a "hard" set-aside of credit. To be considered, the credit request of the last highest ranked project to be funded must fit into the available credit. The Pool will not be expanded unless there are no other Fully Funded projects seeking a credit allocation. However, projects within King County will be allowed, at the Commission's discretion and in coordination with the local funders, to adjust their credit requests to fit the last project in or to consume the entire credit amount in the King County Pool. In order to allow the King County funders the most flexibility to allocate funding within the Pool, all projects located in King County will be allowed to use the higher Maximum Annual Credit per Low-Income Housing Unit Limit (currently $19,622). King County Projects will remain subject to the 10% Maximum Credit per Project and 15% Maximum Credit per Applicant limits.

The Metro and Non-Metro Pools will be "soft" set-asides of credit. If the remaining portion of the credit in the Metro Pool equals at least 50% of the next highest ranked project's credit request in that Pool, the remaining credit amount will be made available to that project through a forward commitment of the following year's credit, as necessary. The same applies to the Non-Metro Pool. If the Metro Pool is undersubscribed, the Commission will look to the remaining Non-Metro projects first for funding and vice versa, if the Non-Metro Pool is undersubscribed, the Commission will look to the remaining Metro projects first for funding. In the event that both the Metro and Non-Metro Pools are both undersubscribed, the Commission will look to projects located in King County to insure that all credit is allocated.

Returned Credit will be credited to the Geographic Pool from which it originated. Likewise, forward commitments of credit will be deducted from the Geographic Pool to which it was committed. National Pool credit will be split according to the geographic sizing methodology above.

Hold Harmless Reserve: Staff recognizes that significant changes are being proposed in the allocation policies for the 2013 year and that sponsors may have projects in the pipeline that they expect to be competitive based on the historic method of allocation. To mitigate this in the 2013 allocation round only, credit to fund up to 2 projects will be held out of the Metro and Non-Metro Pools for the Commission to allocate at its sole discretion to projects that may get displaced by the 2013 Policy changes. Only projects meeting the Fully Funded policy will be eligible to compete for the Hold Harmless credit.

Applications in the 2013 round will be ranked according to the 2013 credit allocation methodology. Before any information about the competition is released to the public, the Commission will notify the lowest ranked Fully Funded projects of their eligibility to compete for the Hold Harmless Reserve of credit. Lowest ranked projects will be those Fully Funded projects on the waiting list and the 2 projects above the cut off line in each of the Metro and Non-Metro Pools. Projects notified will be given a limited amount of time to make an argument in writing to the Multifamily Housing and Community Facilities Director as to how their competitiveness has been harmed by the 2013 policy changes. Applicants will not be given any information about the competition and where they stand in the rankings.

Some ways in which a project might argue harm are as follows: A project located in a DDA lost 5 points as part of the 2013 policy changes. A project serving farmworkers lost 15 points in going from a 75% set-aside to a 20% set-aside. A project may have lost points as a result of the changes to the Additional Low-Income Set-Aside policy; however, this project would also have to demonstrate financial feasibility at the 2012 income set-asides for which the harm is based. A Project may have expected to be funded under the lower point minimum of the RD Set-aside; however, this project would also need to demonstrate that it would have been Fully Funded with the amount of credit available in that set-aside (5% limit on Credit Authority).

Staff will use the history of the past three allocation rounds to determine competitiveness of those seeking an allocation under this policy; in other words, a project scoring 165 points in the past three rounds would have been competitive and secured an allocation of credit in any round between 2010 and 2012. In determining whether a project would be competitive within one of the eliminated set-asides, the project will be evaluated based on the competition for that set-aside within the 2013 round. The two projects making the strongest case that they would have been competitive in the 2013 round under the 2012 policies will be allocated credit (subject to Commission approval). If no projects are deemed eligible for the Hold Harmless Reserve, or if sufficient harm is not demonstrated by two projects, the Commission may choose, at its sole discretion, to fund one or no projects under this policy.

An allocation through this policy will count against the Maximum Credit per Applicant limit. Once the amount of credit necessary to fund the two Hold Harmless projects is determined, the credit will be deducted from the credit available to the Metro and Non-Metro regions; the credit will be split according to the Geographic Sizing Methodology; and then the allocation list will be run according to the 2013 allocation methodology. Projects applying for, but not receiving, an allocation under the Hold Harmless Reserve will return to their respective position on the 2013 waiting list. An allocation of credit under this policy is at the sole discretion of the Commission.

The change from a King County Cap to a King County Credit Pool is not considered a significant change and King County projects will not be eligible to compete for the Hold Harmless credit, nor will any credit be reduced from the King County set-aside for the Hold Harmless Reserve.

Geographic Dispersion: If in any one year, projects in any one county are allocated 50% or more of the credit in that county's Geographic Credit Pool, then in the following year, the first 50% of the credit available in the Credit Pool must be awarded outside of that county, but inside the Geographic Credit Pool, before any projects proposed in that county will be considered. An exception will be made if there are not enough projects outside of that county to consume 50% of the credit. If that happens, projects in that county will be considered in rank order after the projects outside of that county regardless of the amount of credit awarded. The Geographic Dispersion policy does not apply to King County.

2. Summary of Allocation Criteria

The change to Geographic Credit Pools has provided the opportunity to evaluate the existing Allocation Criteria and their applicability to the various geographies. Additionally, the elimination of the Housing Needs points has necessitated adding additional point differentiators so that the competition for an allocation of credit does not result in a multi-way tie. The table below summarizes the additions, subtractions and modifications to the Allocation Point Criteria. The specific policies and requirements of each new or modified criterion are detailed in the following pages. The table is provided as a snapshot of the changes and to show which Allocation Criteria are applicable to each of the Geographic Credit Pools. Applicants will be subject to the following minimum threshold Allocation Criteria score in each Geographic Credit Pool:

- King County = ~~147~~ 139 points
- Metro Counties = ~~140~~ 134 points
- Non-Metro Counties = ~~138~~ 134 points
-

(Changes to the table below are in red).

Summary of Allocation Criteria	2012 Points	Proposed 2013 Points KC	Metro	Non-Metro
Unchanged				
Additional Low Income Housing Use Period	2-44	2-44	2-44	2-44
Nonprofit Sponsor	5	5	5	5
75% Homeless	35	35	35	35
20% Special Needs/100% Elderly	10	10	10	10
Developer Fees	2-10	2-10	2-10	2-10
Donation in Support of Local Housing Needs	5	5	5	5
Eventual Tenant Ownership	2	2	2	2
Rehabilitation	5	5	5	5
Existing Criteria with Proposed Modifications				
Additional Low Income Set-Aside	3-50	50-60	50-60	50-60
20% Farmworker	-	10	10	10
At-Risk Properties	10	7	7	7
Historic Property	5	5	5	5
Area Targeted by a Local Jurisdiction	5	2	2	-
Community Revitalization Plan	2	1	1	-
Eligible Tribal Area	5	6	5	3

New Proposed Criteria	2012 Points	Proposed 2013 Points KC	Metro	Non-Metro
Local Funding Commitment	-	5	5	-
Federal Leverage – Capital Funds	-	3/5	3/5	3/5
Federal Leverage – Rental Assistance	-	1/3	1/3	1/3
State Funding Coordination	-	2	2	2
Efficient Use of Credit	-	1/2/3	1/2/3	1/2/3
Location Efficient Projects	-	2	2	2
Job Centers	-	-	1	1
Transit Oriented Development (TOD)	-	1	-	-
High/Very High Opportunity Areas (2014)	-	1	-	-
At Risk Properties with Rental Assistance	-	1/3	1/3	1/3
Criteria Proposed for Elimination				

Housing Needs	1-10	-	-	-
Leveraging of Public Resources	10	-	-	-
75% Farmworker	35	-	-	-
Quality Management Program (WSQA)	1-3	-	-	-
Targeted Area - DDA	5	-	-	-
Targeted Area – QCT (eliminated in 2012)	5	-	-	-
Rehabilitation + Community Revitalization Plan	2	-	-	-
Targeted Area + Community Revitalization Plan	2	-	-	-

3. Allocation Criterion: Additional Low-Income Housing Commitment

Issue: The purpose of the current Additional Low-Income Set Aside matrix and the corresponding points is to prioritize projects proposing to serve the lowest income populations while maintaining financial viability. However, given that the area median household income across the state varies from $46,100 to $88,000 (as derived from the HUD Multifamily Tax Subsidy Projects Income Limits (MTSP)), the lower income counties are unable to compete for these points against the higher income counties. Unlike the higher income counties, they cannot maintain financial viability due to the significantly lower rents that must be charged in the lower income counties. For example, a 30% AMI 1 bedroom in Snohomish County can be rented for $792, while a comparable unit in Spokane can be rented for $567.

Proposed Change: Create an alternative for targeting lower income populations for use by the Lower Income Counties, as defined below, thereby allowing more equitable access to points under this Income Targeting priority. The Lower Income Counties are those counties whose 50% AMI income for a four person household is $32,000 or less as determined by HUD in the MTSP limits and documented on the Commission's Rent and Income Limits webpage (http://www.wshfc.org/limits/map.aspx). This is same indicator used to determine rent and income limits for the Housing Credit program.

Lower Income Counties: Adams, Asotin, Chelan, Clallam, Columbia, Cowlitz, Douglas, Ferry, Garfield, Grant, Grays Harbor, Jefferson, Kittitas, Klickitat, Lewis, Lincoln, Mason, Okanogan, Pacific, Pend Oreille, Spokane, Stevens, Wahkiakum, Walla Walla, Whitman, Yakima.

Higher Income Counties: Benton, Clark, Franklin, Island, King, Kitsap, Pierce, San Juan, Skagit, Skamania, Snohomish, Thurston, Whatcom.

We have taken a comprehensive approach in considering revisions to the Additional Low-Income Housing Commitment Criterion. A second matrix for Lower Income Counties could not be created without evaluating the structure of the existing matrix.

Staff is proposing a new approach using a menu of set-aside combinations that will be allowed with points assigned to each of those set-aside combinations. This will replace the current approach which assigns points to individual set-aside options (e.g. 50% of the units at 30% AMI = 44 points plus 25% of the units at 40% AMI = 6 points for a total of 50 points). In the Higher Income Counties, the combinations closely mirror the most competitive options under the existing matrix and are based on the principle that all 9% tax credit projects in the Higher Income Counties should serve a significant number of households at 30% AMI. In the Lower Income Counties, the presumed percentage of units set aside at 30% AMI has been reduced. In the Lower Income Counties, combinations that have 40-50% of the units at 30% AMI cross-subsidized by a large number of units at 60% AMI are not allowed since 60% AMI rents are typically not achievable in those counties.

We recognize that one shortfall of ranking by rental income is the impact of the market in various regions. Maximum Tax Credit Rents at 60% AMI are not achievable in some markets. To address this disparity, we have offered some set-aside combinations that use 50% AMI as the highest income served.

In order to value the set-aside combinations and assign points, we have ranked the set-aside combinations according to the income generated at the Maximum Allowable Tax Credit rents. The lower the income generated, the deeper the income targeting; therefore, the higher the points. The set-aside combinations have been grouped into point levels according to the average weighted AMI served (see chart below).

Both Lower Income and Higher Income Counties are being provided with 15 different set-aside combinations valued between 50 and 60 points providing sufficient choice. Lower Income Counties receive a two point advantage over the Higher Income Counties when the same set-aside combination is chosen in recognition that the same income targets are harder to serve when the allowable rents are lower.

Additional Low-Income Set-Aside Menu							
Scenario	30% AMI	40% AMI	50% AMI	60% AMI	Weighted Average AMI	Higher Income County Points	Lower Income County Points
1	50@30	25@40		25@60	40.0	60	-
2	50@30		50@50		40.0	60	-
3	50@30		30@50	20@60	42.0	58	-
4	40@30		60@50		42.0	58	60
5	40@30	30@40		30@60	42.0	58	60
6	10@30	60@40	30@50		42.0	-	60
7	25@30	25@40	50@50		42.5	56	58
8	25@30	50@40		25@60	42.5	56	58
9	50@30		25@50	25@60	42.5	56	-
10	50@30	10@40		40@60	43.0	54	-
11	40@30		50@50	10@60	43.0	54	56
12	10@30	50@40	40@50		43.0	-	56
13	10@30	50@40	40@50		43.0	-	56
14	40@30		40@50	20@60	44.0	52	54
15	40@30	20@40		40@60	44.0	52	54
18	50@30			50@60	45.0	50	-
16	25@30		75@50		45.0	50	52
17	40@30		30@50	30@60	45.0	50	52
19	10@30	60@40		30@60	45.0	-	52

20	50@40	50@50	45.0	-	52
21	40@40	60@50	46.0	-	50

*A dash (-) in the points column indicates a combination that is not available in that location.

4. Allocation Criterion: Leveraging of Public Resources

Issue: It has been a long standing policy of the program to prioritize projects that leverage public resources through the award of points. The existing Leveraging of Public Resources category has been challenged with the questions of why the Commission differentiates between public funds and other sources of capital, and why we put so much weight on the use of public funds that a project without public resources cannot access the credit. Often times a commitment of public funds may serve as a proxy for local priority; yet, this is not always the case. We also know that it often requires the use of public funds to serve the lowest income populations that are prioritized within the Housing Credit program; yet, this too is not always the case.

Proposed Change: Eliminate the Leveraging of Public Resources Allocation Criterion and directly attend to the underlying priorities through the creation of point criteria that address local funding commitments, the bringing of new federal monies to the state, and the serving the lowest income populations.

5. Allocation Criterion: Local Funding Commitment

Issue: Housing is ultimately local. As a statewide housing funder, it has been a priority of the Commission to empower local decision making and local priorities with regard to tax credit projects. The Leveraging of Public Resources was a proxy for this priority, but did not address the issue directly. A policy that places a priority on local funding must also take into account that the amount of local funding available in each jurisdiction varies significantly from zero to millions of dollars per year.

Proposal: In the interest of directly promoting projects that are prioritized by their local jurisdiction, award 5 points to projects that have received a significant funding commitment from a local or county government. These points are intended to advance those projects prioritized by the local jurisdiction.

Staff feels there is the potential for unequal access to these points in the Non-Metro counties where there are only a few Participating Jurisdictions with HOME allocations. The majority of Non-Metro counties have very little local funding for housing. Therefore, Local Funding Commitment points will only be available to projects in the King County and Metro Credit Pools, locations where local funding exists in meaningful amounts.

For the purposes of this allocation criterion, Public Housing Authorities (PHAs) are considered a local government. PHAs are a municipal corporation organized pursuant to Revised Code of Washington Chapter 35.82 and a political subdivision of the state of Washington. They have the express statutory authority and power to exercise all public and essential government functions necessary to fulfill their purposes (RCW 35.82.070). The powers of the PHA are vested in the commissioners who are appointed by the governing body of the applicable City or County.

Likewise, federally recognized Indian tribes or their tribally designated housing entity (TDHE) are also considered local government for the purposes of this policy.

A list of eligible funding sources and types has been provided below. For any source or type of funds not listed, preapproval must be requested at least 60 days before the application deadline.

Eligible Sources: HOME, CDBG, 2060, 2163, land donation, local housing levy funds, local housing trust funds, HOPWA, McKinney-Vento Homeless Assistance Grants, NAHASDA Indian Housing Block Grant funds~~, Public Housing Authority funds providing a direct subsidy to the project~~

[Public Housing Authority Funds remain eligible but preapproval is required to demonstrate how the funds are providing a direct subsidy to the project.]

Eligible Types of Financing: ~~Construction Loans,~~ Permanent Financing, Capital Grants, Land Donation, Project-Based Rental Assistance, Operating and Maintenance Subsidies

[Construction loans may be eligible through preapproval.]

Required Funding Commitment Levels:

- King County = 15% of Total Project Cost
- Snohomish County
  - Funding from the City of Everett alone = $200,000
  - Funding from Snohomish County (with or without the City of Everett) = $600,000
- Pierce County
  - Funding from the City of Tacoma or Pierce County = $300,000
  - Funding from Tacoma Housing Authority = $600,000 (with preapproval)
- Spokane County = $300,000
- Whatcom County = $100,000
- Clark County
  - Funding from either Vancouver or the county = $100,000
  - Funding from both Vancouver and the county = $200,000
  - Funding from Vancouver Housing Authority = $600,000 (with preapproval)
- Indian Tribes or Tribally Designated Housing Entities = a commitment of funds in an amount equal to 50% or more of the most recent year's allocation of NAHASDA Indian Housing Block Grant funds.

Rental Assistance: The value of project based rental assistance allocated by the PHA or the local jurisdiction will be calculated taking the difference between current Fair Market Rents (FMR) as published by HUD and the maximum tax credit rents at 30% AMI multiplied by the number of units multiplied by the term of the rental assistance contract.

For example, if a project in Spokane County has 25 studios with a 5 year commitment for Project Based Rental Assistance, the formula to compute the Development Capital Equivalent would be as follows:

> FMR of $489 minus 30% AMI Tax Credit rent of $336 = a rent subsidy of $153 per unit per month
> $153 x 12 months x 25 units x 5 years = $229,500

Ineligible Financing: The following are not considered local funding for the purposes of this Policy: federal resources *not* allocated through the local/county jurisdiction, State Housing Trust Fund monies, taxable or tax-exempt bond financing, or any funding awarded as pre-development capital or acquisition bridge loans/grants.

6. Allocation Criterion: Federal Leverage

Issue: Almost a quarter of the projects funded over the past 10 years have leveraged the Housing Credit with some type of federal resource totaling close to $115M. Projects with federal funds are able to serve extremely low income and special needs populations with reduced requests to the collective state and local funders. Federal capital funding also often brings project based rental assistance, lowering the incomes served without tapping the State's operating subsidies.

Proposal: Award points to projects that are funded with Federal Funds. For the purposes of this policy, Federal Funds must be awarded through a national competition, a direct congressional appropriation, or through the assumption of an existing federally subsidized loan <u>or rental assistance contract.</u> <u>Both federal capital funds and federal rental assistance are eligible.</u> Federal funds administered by the local, county or state jurisdictions are not eligible for the points in this category. The funds must be committed to the project at the time of application.

Eligible sources include HUD 202 and 811 capital advances <u>and rental assistance</u>, USDA RD 514 and 515 loans <u>and rental assistance</u>; other sources may be eligible with preapproval at least 60 days before the application deadline. A commitment is not necessary at the time of preapproval.

NAHASDA funds will qualify as Federal Funds for the purposes of this policy <u>only</u> in the Non-Metro Credit Pool. In the King County and Metro Credit Pools, NAHASDA funds are recognized under the Local Funding Commitment policy.

<u>Capital Funds</u>

- 5 points for projects where federal funds equal 25% or more of the Total Project Cost.
- 3 points for projects where federal funds equal between 15% and 24% of the Total Project Cost.

<u>Rental Assistance</u>

- <u>3 points for projects with Federal Rental Assistance on 75% or more of the Low-Income units.</u>
- <u>1 point for projects with Federal Rental Assistance on 50% to 74% of the Low-Income units.</u>

<u>Projects may claim points under both the Capital and Rental Assistance Categories. However, projects claiming points for Rental Assistance under the Federal Leverage criterion may not also select points for Rental Assistance under the At Risk Properties Criterion (See #12 below).</u>

7. Allocation Criterion: Efficient Use of Credit

Issue: Staff has recognized the need for new policy options that will give priority to projects that leverage credit with other resources regardless of whether those resources are public or private. This policy does not differentiate between the use of public versus private resources. The Commission also wishes to promote projects that use the credit efficiently, prioritizing projects that are able to move forward using less credit. Using less credit can sometimes be the result of leveraging other sources, but can also be a product of cost efficiency.

Proposal: Create a new Allocation Criterion called "Efficient Use of Credit" that prioritizes projects that request less credit per unit. This criterion will reward projects both for the leveraging of additional funds and the lowering of their costs.

Projects will be awarded points based how far their requested Credit per Low-Income Housing Unit is below the applicable Credit per Unit Limit. A project that is using the 130% basis boost will compare its credit per unit to the higher credit per unit limit. A project without the boost will use the lower credit per unit limit. As with the Credit per Unit Limit policy, only Low-Income Housing Units will be used in calculating the units. The points assigned below recognize that it is more difficult to reduce the credit per unit in a project that is subject to the lower limit.

Points will be awarded according to the following scale:

Efficient Use of Credit Point Scale		
	Per unit reduction in the Lower Limit ($15,124)	**Per unit reduction in the Higher Limit ($19,622)**
1 point	-	$750-$999
2 points	$575-$749	$1000-$1249
3 points	> $750	> $1250

For example, a project subject to the Lower Credit per Unit Limit that is requesting $14,440 ($684 below $15,124) would be awarded 2 points. A project requesting more than $14,549 (less than $575 below $15,124) would get zero points.

8. State Funding Coordination

Issue: The Commission and the State Department of Commerce, as administrator of the Housing Trust Fund (HTF), are Washington's two statewide agencies with low-income housing as a fundamental part of their missions. Financing support from both agencies is often necessary to serve the State's lower income and special needs populations. The alignment of policies by the two agencies to serve their development partners in meeting housing needs assists in unifying low-income housing strategies to serve the target populations. This alignment also ensures the successful coordination of funding opportunities providing project stability and viability. Strategic coordination of the two agencies when setting policy ensures successful collaboration in funding decisions to meet the housing needs of Washington's low-income and special needs households.

Proposal: In recognition of the intrinsic partnership between Washington's two statewide housing agencies, award 2 points to applications holding a commitment of funds from the Department of Commerce's HTF in an amount of $750,000 or more.

King County has five active local funders that together create an unmatched level of resources. A King County Credit Pool also requires an unparalleled level of local coordination of funding priorities. For these reasons, a project located in King County will only be eligible for the State Funding Coordination points, if it is also eligible for the Local Funding Commitment points (see #5 above).

9. Allocation Criterion: Targeted Area

Issue: The Commission remains committed to strategically siting projects while also empowering local governments to influence where affordable housing gets proposed. As part of the 2012 policies, the Commission approved the removal of Qualified Census Tracts (QCT) from the Targeted Area point criterion (effective 2013), and staff committed to reviewing strategies for targeting in the 2013 policies.

Targeted Areas are a perfect example of where separating the allocation of credit into different geographic set-asides allows for different policies for each grouping. For example, the feedback often received from rural areas is that their jurisdictions lack the local planning capacity for advancing local targeting strategies. Similarly, transit oriented development is also not an applicable policy in less urban areas of the state.

Proposed Change: In recognition that housing is more than just shelter, staff is proposing using a menu of Targeted Areas as a method for encouraging applicants to locate projects in places where the opportunities to meet the needs of low-income and special needs residents are the greatest. Projects may select points in more than one category, unless otherwise noted.

(Changes to the table below are in red.)

Targeted Area Points	King County	Metro	Non-Metro
Eligible Tribal Area	6	5	3
Location Efficient Projects	2	2	2
Area Targeted by a Local Jurisdiction	2	2	
Transit Oriented Development	1		
High/Very High Opportunity Areas	1		
Community Revitalization Plan	1	1	
Job Centers		1	1

Eligible Tribal Area as defined in the 2012 policies. If a project selects points in this category, it is not eligible for any of the other Targeted Area Points. There is no geographic restriction on these points; an eligible project located in any of the three Geographic Pools may select these points. Please see Exhibit O of the 2012 Application Packet for a list of Eligible Tribes. Please note that there are not currently any eligible Tribes located in King County. The number of points associated with Eligible Tribal Areas has changed since the previous draft because Eligible Tribal Areas were not weighted appropriately compared to the other Targeted Areas in each pool. Eligible Tribal Areas are worth 6 points in King County, 5 points in Metro Counties, and 3 points in Non-Metro Counties.

Location Efficient Projects: Promote projects that provide nearby access to food and go beyond the minimum Access to Services criterion of the Evergreen Sustainable Development Standard (ESDS). It is mandatory under Evergreen Sustainable Development Standard Criterion 2.5 for urban projects to be located within ¼ mile walking distance of at least two or a ½ mile of at least 4 community, retail or service facilities. Rural projects must be located within 2 miles of at least 2 facilities. *Urban* and *rural* hold the same definitions as under ESDS.

Award 2 points to projects that:

- **Urban:** are located within ¼ mile walking distance of at least 3 community, retail or service facilities or within a ½ mile walking distance of 5 facilities from the list below. In addition, a supermarket, a grocery store with produce or a farmers' market must be within ½ mile walking distance of the project.

- **Rural:** are located within a 2 mile driving distance of 4 or more facilities from the list below. One of the 4 facilities must be a supermarket, a grocery store with produce or a farmers' market.

CIVIC & COMMUNITY FACILITIES		SERVICES	RETAIL
• Medical clinic or office • Licensed Adult or senior care • Licensed Childcare • Community or recreation center • Entertainment venue (theater, sports) • Educational facility (including k-12 school, university, adult education, vocational school, community college) • Cultural arts facility (museum, performing arts)	• Police or fire station • Public Library • Public park • Post office • Place of worship • Government office that serves public on-site • Social services center	• Bank • Restaurant, café, diner Laundry, dry cleaner • Gym, health club, exercise studio	• Supermarket • Other food store with produce • Farmers' market • Hardware store • Pharmacy • Clothing retail • Other retail

Area Targeted by a Local Jurisdiction: Award 2 points if a Project is located within the defined geographic boundaries of a planning document approved by the governing body of the local jurisdiction. The planned targeted area must provide for a mix of housing, retail and services and has zoning provisions to accommodate new growth in the area. The plan must include policies addressing the creation or preservation of affordable housing serving households at 80% AMI or below. The targeted area cannot be an entire local jurisdiction, nor can it be a site level designation.

Transit Oriented Development (TOD): Award 1 point if a Project is located within a 10 minute walkshed of Fixed Transit Infrastructure and located in an area zoned for high-capacity transit-supported density. TOD points are only available to Projects in King County. Puget Sound Regional Council (PSRC) has generously developed a map to locate properties to fit the TOD definition outlined below. The map is available on our website at http://www.wshfc.org/tax-credits/KingCountyTODmap.pdf. If a property meets the intent of the policy but fails to appear on the map, the location may be still be eligible for the TOD point with preapproval.

- "Fixed Transit Infrastructure" is defined as Light Rail Stations, Commuter Rail Stations, Ferry Terminals, Bus Rapid Transit Stations[5], Streetcar Stops, Major Bus Transit Centers[6].
- If the Fixed Transit Infrastructure does not yet exist, the transit investment must be planned, approved, and funded at the time of Application. Transit investments that have been funded, but not yet been sited, will not be considered.
- A "10 minute walkshed" is defined as the area surrounding the Fixed Transit Infrastructure that is comfortably walkable within 10 minutes, typically an area that is within ½ mile of the transit.

[5] Metro has certain Rapid Ride stops designated as 'stations' that will receive higher levels of improvement and will always be stopped at.

[6] The major bus transit centers in King County are Auburn Transit Center, Aurora Village Transit Center, Bellevue Transit Center, Burien Transit Center, Federal Way Transit Center, Issaquah Transit Center, Kent Transit Center, Kirkland Transit Center, Mount Baker Transit Center, Northgate Transit Center, Overlake Transit Center, Redmond Transit Center, Renton Transit Center, and Totem Lake Transit Center.

The size and shape of a walkshed takes into account the existence of freeways, the street grid, topography and other obstacles that might impede access to the transit site.

- An area is considered to be zoned for "high-capacity-transit-supportive density" when the overall zoning for the area within the walkshed of the Fixed Transit Infrastructure allows for at least 20 dwelling units per gross acre.

High and Very High Opportunity Areas: Award 1 point to projects located in a High or Very High Opportunity Area as defined by Puget Sound Regional Council (PSRC) http://psrc.org/assets/7831/EquOppSusReport2.pdf. This Targeted Area criterion would be implemented for King County in the 2014 round.

Community Revitalization Plan: Elevate to a Targeted Area category worth 1 point in the King County and Metro Credit Pools. Remove as a 2 point bonus option under the Rehab points. Maintain current definition and the requirement for pre-application approval.

Job Centers: Award 1 point to projects located in or near the top 25 cities and Census Designated Places (CDP) within the Metro and Non-Metro Credit Pools that have experienced the highest absolute job growth over the five year period from 2005 to 2010. Projects must be located within a 5 mile radius of the top growth places in the Metro Credit Pool and within a 10 mile radius of the places in the Non-Metro Credit Pool. The list of Top Job Growth Cities and Places will remain constant for a five year period. Updates will occur one year prior to implementation of the updated list to take development pipeline into account. For example, the proposed list will remain in place for the allocation years of 2013 to 2017. The list will be updated and published in 2016, but will not take effect until 2018.

Top Job Growth Places in Metro Counties

City or CDP	County	2010 Jobs	2005 Jobs	2005-2010 Job Growth	Rank
Everett	Snohomish	82,643	75,211	7,432	1
Vancouver	Clark	77,603	71,511	6,092	2
Spokane	Spokane	119,405	113,364	6,041	3
Mount Vista CDP	Clark	3,616	1,879	1,737	4
Lakewood	Pierce	25,409	23,797	1,612	5
Airway Heights	Spokane	3,700	2,425	1,275	7
Battle Ground	Clark	4,556	3,283	1,273	8
Blaine	Whatcom	3,151	1,954	1,197	9
Bothell (Partial)	Snohomish	11,432	10,318	1,114	10
Fife	Pierce	14,887	13,792	1,095	11
North Lynnwood CDP	Snohomish	2,478	1,458	1,020	12
Mukilteo	Snohomish	7,852	6,843	1,009	13
Fairwood	Spokane	2,176	1,308	868	14
Spokane Valley	Spokane	49,060	48,208	852	15
Bonney Lake	Pierce	2,593	1,743	850	16
Hazel Dell CDP	Clark	6,664	5,824	840	17

South Hill	Pierce	6,330	5,705	625	18
Sumner	Pierce	9,290	8,750	540	19
Five Corners	Clark	2,847	2,314	533	20
Fort Lewis	Pierce	2,567	2,063	504	21
Mill Creek	Snohomish	3,915	3,440	475	22
Ferndale	Whatcom	5,029	4,575	454	23
Cheney	Spokane	3,938	3,497	441	24
Salmon Creek CDP	Clark	4,862	4,460	402	25

*Places must have at least 2,000 jobs in 2010 to be considered as a Top Job Growth Location.

Top Job Growth Places in Non-Metro Counties					
City or CDP	County	2010 Jobs	2005 Jobs	2005-2010 Job Growth	Rank
Kennewick	Benton	31,260	27,032	4,228	1
Lacey	Thurston	17,433	14,034	3,399	2
Pasco	Franklin	18,634	15,624	3,010	3
Grandview	Yakima	3,354	507	2,847	4
Richland	Benton	35,816	33,065	2,751	5
Hoquiam	Grays Harbor	2,927	338	2,589	6
East Port Orchard CDP	Kitsap	2,507	202	2,305	7
Wenatchee	Chelan	18,451	16,567	1,884	8
Olympia	Thurston	49,968	48,381	1,587	9
Terrace Heights CDP	Yakima	3,078	1,566	1,512	10
Pullman	Whitman	13,084	11,751	1,333	11
Tumwater	Thurston	13,259	11,955	1,304	12
Yelm	Thurston	2,180	1,177	1,003	13
Ellensburg	Kittitas	8,024	7,238	786	14
Sunnyslope CDP	Chelan	3,863	3,112	751	15
Port Angeles	Clallam	9,133	8,540	593	16
Clarkston	Asotin	4,236	3,707	529	17
Walla Walla	Walla Walla	15,327	14,835	492	18
Moses Lake	Grant	10,258	9,795	463	19
Longview	Cowlitz	19,477	19,051	426	20
Ephrata	Grant	3,607	3,215	392	21
Sequim	Clallam	3,889	3,498	391	22
Bainbridge Island	Kitsap	5,889	5,516	373	23
Sunnyside	Yakima	5,902	5,554	348	24
Chehalis	Lewis	6,317	5,976	341	25

*Places must have at least 2,000 jobs in 2010 to be considered as a Top Job Growth Location.

DDA: Eliminate points for DDAs. Giving specific counties a point advantage is in opposition to the credit allocation strategy of geographic credit pools.

10. Allocation Criterion: Farmworker Units

Issue: Beginning in 1999, the Policies have placed a high priority on projects setting aside units for Farmworkers. Current policy awards 35 points to projects that set aside 75% of the units for farmworkers, the same priority given to Supportive Housing for the Homeless. After 14 years of allocations under this priority, 1,638 units of Farmworker housing have been created in 49 projects across 13 counties. We have received input from stakeholders requesting that the Farmworker priority be reduced in order to allow for projects serving other special-needs populations, specifically the elderly or non-Farmworker families, to compete. Additionally, it is anticipated that by reducing the percentage of the Farmworker commitment, thus allowing for a mixed population project, we may help to reduce the community resistance that some of these Farmworker projects have faced.

Proposed Change:
(1) Reduce the Farmworker commitment to from 75% to 20% of the units worth a point score of 10 allocation points, making it equivalent to the 100% elderly, 20% disabled, 20% large household and 20% homeless set-asides and subject to the same guidelines. <u>A project may combine the 20% Farmworker set-aside with one other 20% Special Needs set-aside to reach a total of 20 points under the Special Needs Housing Commitments criterion. A Farmworker set-aside may not be combined with the 100% Elderly set-aside.</u>

(2) Eliminate the Farmworker Points in the King County Set-Aside.

(3) Allow Farmworker projects to compete in both the Metro and Non-Metro credit set-asides.

11. Allocation Criterion: Historic Property

Issue: Historic Preservation has long been an allocation point criterion within the Tax Credit Program. Historic preservation adds costs to the overall project. To address the additional costs of the historic preservation, over the years the Commission has been lobbied to consider tying the inclusion of historic tax credits as a resource to eligibility for this point criterion.

Proposed Change: Require projects claiming Historic Property points to use the federal Historic Tax Credits as part of the project's financing.

12. Allocation Criterion: At Risk Properties

Issue: Preservation of affordable housing has been a long time priority of the Commission. Current Tax Credit Policy awards 10 points to Federally Assisted Buildings that are at risk of an expiring low-income use restriction in locations where market rent is significantly greater than the rents being charged. The current policy does not differentiate between the value of preserving a project with an existing affordability covenant and a project with an existing affordability covenant that is also preserving federal project based rental assistance.

Proposed Change: Reduce the value of the At Risk Allocation Criterion to 7 points and award an additional 3 points to At Risk Projects with Project Based Rental Assistance covering 75% or more of the Low-Income Housing Units or an additional 1 point for At Risk Projects with Project Based Rental Assistance covering between 50% and 74% of the Low-Income Housing Units. Eligibility for the 7 At Risk Points would not change. Projects selecting points for Rental Assistance under this Allocation Criterion are not eligible for Rental Assistance Points under the Federal Leverage Criterion.

Changes from the previous draft: The division of points in this Allocation Criterion has been modified to create equivalency between this policy and the points associated with Rental Assistance under the Federal Leverage Allocation Criterion.

13. Allocation Criterion: Supportive Housing for the Homeless

Issue: When the Commission first introduced a policy prioritizing predominantly homeless projects (i.e. Supportive Housing), the Policies required a pre-application approval for applications seeking points under this policy. In 2009, after three years' experience with the policy, staff felt the preapproval was no longer necessary and the preapproval was eliminated. In the 6 years the Supportive Housing for the Homeless policy has been in place, we have allocated credit to 31 projects, 24 in King County and only 7 in the balance of the state.

The applicants in King County are known providers of Supportive Housing. We have not seen repeat users of this point criterion outside of King County.

Proposed Change: In an effort to ensure those projects proposing Supportive Housing for the Homeless are meeting the intent of the policy and have the capacity and funding to do so, require preapproval for any project outside of King County seeking the 35 points for setting aside 75% of the project's units as Supportive Housing for the Homeless. A request for preapproval should be submitted no less than 60 days before the application deadline.

The preapproval process is intended to provide an opportunity for the sponsor to demonstrate to the satisfaction of the Commission that they have a successful track record serving this population, for developing and operating this type of housing, and a financial feasible project.

Preapproval will be based upon demonstration of each of the following:

- Development and operational capacity and experience with this type of service intensive supportive housing
- A comprehensive service plan
- A comprehensive funding strategy
- A comprehensive operating subsidy strategy
- A description of the target population, including a marketing plan and screening criteria.

Applicants failing to obtain preapproval from the Commission as described above will not be eligible for the 35 allocation points.

In King County, preapproval is not required.

14. Allocation Criterion: Quality Management Program

Issue: In 2010, the Commission incorporated the Washington State Quality Awards (WSQA) program into our credit allocation selection criteria. Due to budget cuts at the state level, applicants seeking WSQA assessments report problems with consistent access to the program, delayed feedback, and lost applications. Additionally, the WSQA Lite Assessment is a self-guided assessment without objective criteria for determining completeness or quality of submission. While WSQA is a worthwhile endeavor for organizations, it is unfair to allow critical allocation points to be based on a program with inconsistent access or quality control and that adds costs to the application process.

Proposed Change: Suspend WSQA points indefinitely.

15. Project Ranking "Tie Breaker" Policy – Chapter 5

Issue: The Commission has always had in place a policy for separating projects scoring the same number of Allocation Points. Current "tie breaker" Policy gives preference first to the lowest credit request and secondly to the lowest credit per Low-Income Housing Unit. Given the changes being proposed and the emphasis being placed on the efficient use of credit, staff feels it best to focus the tie breaker policy accordingly.

Proposal: If projects receive equal scores, priority in the staff's recommendations for Credit reservations and allocations will be given to the project that requests the least amount of Credit per Low-Income Housing Unit. If projects receive equal scores and request the same amount of Credit per Low-Income Housing Unit, priority in the staff's recommendations will be given to the project that requests the least amount of Credit. If after applying these two tie breakers, two or more projects remain tied, staff will give priority to a project located in a Qualified Census Tract.

16. State Designated Basis Boost

Issue: The Commission received the authority to designate certain projects as eligible for a State Designated Basis Boost in 2008 through the HERA legislation. When this authority was conveyed to the States, it was with the caution that this new authority must be prudently applied.

Under current policy, projects located in Rural areas, as defined under the Rural Credit Set-aside, are automatically eligible for the State Designated Basis Boost. Any project outside of a Rural area must apply for the Basis Boost 60 days before the application deadline. After 4 years of working with our State Boost policy, we have seen two different types of requests from Non-Rural projects seeking the boost: (1) projects that require more eligible basis in order to support the credit amount needed for the project, and (2) projects that have sufficient eligible basis but request a State Boost in order to access the Commission's higher Credit per Unit Limit that is availed to any project receiving a basis boost.

It is the Commission's position that giving the State Boost to Non-Rural projects with sufficient eligible basis to support their credit request in order to access the Commission's higher Credit per Unit Limit (#2 described above) does not meet the intent of the authority given to the Commission under the HERA legislation.

Rural Projects: Additionally, the policy regarding the Rural State Designated Boost falls under the Rural Credit Set-aside that is proposed for elimination above. The State Designated Basis Boost will continue to be available without pre-approval to all projects located in Rural areas as listed in the existing policies (See page 44 of 2012 Tax Credit policies for list). In evaluating the population data from the 2010 Census, we have found that a few communities remain rural but are slightly over the population thresholds in the Rural definition.

Proposed Change to Rural Definition: Increase the population thresholds in the Rural definition by 5,000 each to accommodate minor growth over time and to maintain the areas that are currently considered Rural. A "rural area" will be defined as follows:

a) Counties with a population of less than 90,000, except for those cities within these counties with a population of greater than 25,000,

b) Counties with a population greater than 90,000 but less than 390,000 when more than an aggregated 25% of that county's population resides in one substantially contiguous metropolitan area. In this case, the county except such metropolitan area would be considered rural.

Proposed Change for Non-Rural Projects: The pre-approval policy remains the same for Non-Rural projects seeking a State Boost. However, projects will no longer be approved if they apply for the State Boost in order to access the Commission's higher Credit per Unit Limit. If a project has enough eligible basis to support its credit request, a request for the state basis boost will be denied.

Example: A Non-Rural project has enough eligible basis without the basis boost to support a credit request of $700,000, but has an equity gap that needs $620,000 in credit to be fully funded. At 40 units, the project is limited by the Credit per Unit Limit to a credit request of $590,000. The project has enough eligible basis to support the $620,000 in credit, but cannot access that amount because of the Credit per Unit Limit. At the higher Credit per Unit Limit, the project could request up to $767,000 in credit. A request for a State Boost so that the project can request $620,000 will not be approved.

17. Maximum Developer Fees – Chapter 3

Issue: Current policy restricts the total developer fee to 15% of the Total Projects Costs and the allocation points provide incentives for applicants to reduce their developer fee to as low as 10% of the Total Project Costs. It has been customary for the Tax Credit program to determine the developer fee using the total project costs at the time of the Final Cost Certification. While this creates certainty that the developer fee will be based on the exact final costs, it provides a disincentive for cost savings. As developers approach the completion of construction and find excess funds in the project budget, there is an incentive to spend the savings or excess contingency to keep the Total Project Costs constant so there will be no reduction in the total developer fee.

Proposed Change: The Commission will set the developer fee at the time of the Equity Closing based on the project's final budget after construction bids have been accepted and final sources and uses have been balanced. This will allow certainty to the developer as to the exact amount of their fee and will remove the incentive to spend excess contingency or savings. It is expected than a project with excess funds will return those funds to one or more of the public funders involved.

18. Fully Funded – Rural Development Projects – Chapter 5

Issue: Current policy requires projects involving USDA RD financing to submit an RD issued Letter of Conditions in order to be considered fully funded. However, Rural Development is unable to issue the Letter of Conditions until all of the funding including the housing credit is committed.

Proposed Change: To reconcile the requirements of two federal programs, the Tax Credit program will allow rehab projects using USDA RD financing to compete as Fully Funded provided they submit a letter from the State RD office indicating that a complete application has been submitted for each property. Within 120 days of executing the RAC, the sponsor must submit evidence to the Commission that final financing approval has been received from the USDA National Office or the RAC will expire and the credit will be deemed returned.

Rental Assistance Demonstration
Public Comment Meeting
October 9, 2012, Yakima Housing Authority Office

YHA Staff present:
Lowel Krueger, Executive Director
Elsa Mendez, Compliance Officer (Provided Spanish Translation)
Ariana Gutierrez, Housing Facilitator

The meeting opened at 5:16PM

- Elsa asked everyone to sign in, and distributed the RAD Fact Sheet.
- E.D. Krueger welcomed the group and thanked them for coming.
- He explained that he would be going over the Q&A sheet, & questions would be taken at the end.
- There were residents in attendance that were at the meetings held last year on the Section 18 Disposition.
- The RAD program is similar to the Section 18 Disposition, with slight differences.

Q & A Sheet:

- **What is RAD?**
  - Basically a program HUD designed so that HA's can convert Public Housing programs to Section 8 project-based rental assistance.
  - As previously stated, the program is similar to the Section 18 Disposition.
  - The reason for participating in the RAD program is to rehabilitate the Public Housing units.
  - The initial aspect of RAD is a competitive application process; YHA will submit an application & the due date is October 24th, 2012.
  - YHA should find out by the end of November 2012 if it is selected to participate.

- **Why is YHA considering conversion of their Public Housing units?**
  - The primary reason is to complete a variety of renovations to the Public Housing units.
  - After November 2012, if YHA is selected to participate, an application will be submitted for low income tax credits.
  - The low income tax credits will allow YHA to bring in private equity.

Q. Would Residents continue to receive assistance with rents?
A: Yes, they would under Section 8 Project Based rental Assistance, instead of Section 9 Public Housing. The transition would automatically take place as part of the process.

Q. Would eligible Residents be able to remain in their current units?
A: Yes. All eligible Residents would be able to remain. One thing to remember is that during the renovations, people may be temporarily relocated.

Q. Which Public Housing properties would be included?
A. All 150 of the Public Housing units would be included.

Q: What is the extent of the renovations to the Public Housing properties?
A. This will be determined site by site. Primarily, it is expected to include siding, roofing, flooring, cabinets, air conditioning, deck repair, painting, paving & sidewalk repairs.

Q. When will the work take place?
A. Late 2013 & throughout 2014; YHA will provide updates to the Residents of any changes to the timeline.

Lowel opened the floor for questions:

Resident Keith Brower stated he lives at Cornerstone apartments, & asked if the tax credit program would be State or Federal?
Lowel explained that the tax credits are awarded by the Federal government to each state. The U.S. Treasury is a federal department, & low income housing tax credits are allocated according to population, to each state. Additionally, the tax credit application process is very competitive as well. Initially, looking at scoring, YHA will be very competitive.

Resident Alicia Alvarez asked if everything will stay the same?
Lowel said that for the most part, yes, everything would stay the same.

Resident Raul Regla asked if 2013 is the minimum time frame for starting the work?
Lowel said that the renovation schedule is driven by the date of the award; work is required to be completed within two years of award. In the application process, typically the application is submitted at the end of the calendar year; tentatively November or December, scoring is done in January, and the award is announced in May.

Resident Raul Regla said that he wants to preserve a stable home life for his family; if they are relocated, he would like his children to remain in the same school.
Lowel said Residents will be relocated within their own site if possible to minimize disruption to the families. If that is not possible, relocation will be done as close to their site as possible, and at the end of the work, Residents will be able to return to their original unit.

Resident Raul Regla asked if he would have to move into a house on Section 8? He doesn't want to move to a different area.
Lowel said no, the apartment they are in will be converted to Section 8.

Resident Maria Perez said when the Public Housing changes to Section 8, will current Residents have to reapply?
Lowel said no, current residents will automatically remain that way, but the program name will change.

Resident Laura Ortiz asked if she would be able to rent a house under Section 8?
Lowel said the Section 8 assistance remains with the unit, not with the tenant. Under the Housing Choice Voucher (HCV) program, the assistance goes with the Resident, & they are able to apply for that program as well. The RAD program allows for mobility after a period of time.

Resident Martha Zamora asked why certain types of dish television were not allowed on YHA sites.
Lowel explained that certain cable companies drilled holes in the siding, which voids the warranty.

Resident Martha Zamora asked if the cable were installed differently could they have it then?
Lowel said that YHA had reached out to these companies, in an attempt to work with them so the YHA Residents could have more options for cable. Unfortunately, the companies did not want to work with YHA to provide installations that would not damage YHA property.

Resident Martha Zamora asked if the renovations would take place inside or outside.
Lowel explained that the renovations would be done both inside and outside, according to the greatest need.

Lowel said that written questions or comments on the RAD program will be accepted by YHA through October 17th.

Meeting closed at 5:49PM

Respectfully submitted on behalf of Lowel Krueger,

Sally J Shelton

**Rental Assistance Demonstration
Public Comment Meeting
October 10, 2012, Southeast Community Center**

YHA Staff present:
Lowel Krueger, Executive Director
Elsa Mendez, Compliance Officer
Becky Mares, Housing Facilitator (Provided Spanish Translation)

The meeting opened at 5:17PM

- E.D. Krueger welcomed the group and thanked them for coming.
- HUD has a program that is virtually identical to the Section 18 disposition, called the Rental Assistance Demonstration Program (RAD), which will allow YHA to get the same results.

Q & A Sheet:

- **What is RAD?**
  - RAD is a program that will allow housing authorities to convert their Public Housing in a way that will permit improvements by bringing in investors.
  - The first phase of the program is competitive, & as the application process goes in, it will be scored.
  - YHA will not find out if it is selected until November.

- **Why is YHA considering conversion of their Public Housing units?**
  - The primary reason is to complete much needed renovations to the Public Housing units, and place them on more secure financial footing.
  - The funding would be provided by the low income tax credit program, which is very competitive.
  - Lowel believes that YHA would score well in the low income tax credit program, which would allow private capital to be brought in to repair the units.

Q. Would Residents continue to receive assistance with rents?
A: Yes. The current Public Housing program is Section 9, and it would move to Section 8, so the rental assistance stays with the unit. The rules are very similar, and there should be minimal disruption to the Residents.

Q. Would eligible Residents be able to remain in their current units?
A: Yes. But the Residents might need to be temporarily relocated while the renovations are going on. However, much of the renovations are on the exterior, (roofing, siding), depending upon the site.

Q. Which Public Housing properties would be included?
A. All 150 of the Public Housing units would be included.

Q: What is the extent of the renovations to the Public Housing properties?
A. A physical needs assessment will be done for each Public Housing site to determine where the need lies. It is anticipated that the renovations will be roofing, flooring, siding, air conditioning, deck repair, exterior painting, sidewalk & paving repairs and cabinets.

Q. When will the work take place?
A. It is anticipated that the work will begin in the fall of next year. YHA needs to go through many steps to garner the necessary funding, & the work will continue on through the summer of 2014. Renovations will last approximately 18 months.

Lowel opened the floor for questions:

Q. Is the competitive process for YHA or for the Residents to complete:
A. YHA.

Q. If the conversion to Section 8 goes through, will Residents have to pay the bills for water/sewer/garbage?
A. No.

Q. If the rent is changed over to Section 8, will the cost to the Resident be based on 30% of income or exceed $604?
A. Section 8 has slightly different rules, but HUD wants to change the funding mechanism in a way that doesn't encumber the Residents.

Q. If Residents are relocated, would it be done the same way as when the cabinets were being replaced before? She was moved to the Nueva site until her unit was finished.
A. Every effort will be made to keep Residents at their own site, or moved to a nearby site until they can be returned to their original unit.

Q. Are things like chipped bathtubs going to be replaced?
A. An independent party will evaluate what needs to be done. 75% of the units will be evaluated by an architect, & renovations will be done according to their suggestions. Siding & roofing will be included because they have issues.

Q. Financially sound footing? What does that mean?
A. Over the last couple of years, funding has been cut. Capital grants have shrunk, which prevents YHA from providing repairs such as when the cabinets were replaced recently.

Q. Will rents go up or down under Section 8?
A. Rents should not change. Typically, Section 8 shows more stability, with Landlords receiving assistance whether under project based or Housing Choice Voucher programs. Section 9 (Public Housing) has lacked stability due to differences in Congress.

Q. Could Residents then rent a house? Would the rent be lower?
A. Rental assistance is attached to the unit, & Residents would need to remain in the unit. Either way the conversion proceeds, HUD is aware that Residents may have family or job changes, so there is an initiative whereby they can receive a Housing Choice Voucher.

Q. Will Residents have to get on the Section 8 waiting list?
A. Residents involved in the RAD conversion would get moved to the front of the list. When a voucher becomes available, they would receive it.

Q. In the past, there have been incentive programs for children of YHA Residents such as movie tickets for picking up garbage etc.
A. The incentive programs were well received by the Residents and YHA staff, but after researching the use of Public Housing funding, it is illegal to use it for entertainment. Incentives are a very good program, and YHA management is looking into other ways to offer incentives that are in compliance with our funders.

Q. A Resident is living in a disabled unit, which has a coin operated laundry. She heard she would be excluded from having to pay for her laundry, due to her disability. She cannot drive to get coins.
A. The laundry equipment is coin operated to allow YHA to maintain & operate the machinery. The machines themselves are ADA compliant because they are front loaders, to accommodate people with disabilities. She could be moved into a different unit, but then she would have to provide her own washer & dryer.

Q. Would Residents have to apply for Section 8?
A. No.

Q. A Resident stated she has a metal plate in her back; her light went out in the ceiling. Maintenance came out & replaced the light, and she was charged for it. The Resident wants to know in the future what she can do to keep from being charged for it.
A. Lowel does not currently have an answer for that, it will need to be discussed by YHA management.

Q. A Resident stated she has a stove that didn't work very well. YHA Maintenance "rigged" it up to work. But it doesn't work very well. Maintenance looked at it, turned it on, and said it worked. Maintenance said she just wants a new one because it is ugly.
A. Maintenance looks at whether it operates or not, or is a safety issue.

Q. Are new appliances in the budget for renovations? A Resident has 5 children, and the YHA refrigerator/freezers are too small for her needs. She was told she could not have her own.
A. During a REAC inspection, YHA was told by the REAC inspector that there is no way to test the seals on Resident owned appliances. Failing an inspection can affect YHA's funding, & YHA has no control over it. Moving forward, YHA may gain more freedom to allow things like Resident owned freezers. This depends on the investors YHA works with. YHA will look at appliances. Lowel would like to phase out the coil burner type stoves & replace them with the ceramic cook top type, as they are more sanitary. Again this would be up to the investor. YHA must be in compliance with the regulations of the funder.

Q. A Resident saw that YHA received a grant.
A. The grant was to hire two Family Self Sufficiency Coordinators. One is for Public Housing, and one is for Section 8. This is the first time YHA has received one for Public Housing. Lowel gave an explanation of the FSS program; if income increases, the difference in rent goes into an escrow account which is saved for the Resident upon graduation from the program (5 years). Participating Residents must also complete program requirements.

Q. Which programs are FSS for?
A. Section 8 & Public Housing will each have an FSS program and coordinator.

Q. A Resident was told that YHA did not have an FSS program.
A. The program is new. A program was started in the past, requiring 25 families to keep it going. 25 families did not sign up for the program, and the funding was lost. The coordinators will be hired soon, and flyers will go out before Christmas.

Q. A Resident recalls that last year it was discussed that dishwasher would be provided for the Residents.
A. Since new cabinetry has been installed in the units it will be difficult to install dishwashers.

Q. Why aren't Residents able to get Direct TV?
A. Some cable companies drill through the siding, which voids the warranty. Dish & Direct TV have not been open to working with YHA to avoid damage to the buildings.

Q. Charter is too expensive, if Dish & Direct TV are careful installing their equipment, would YHA allow it?
A. When the siding is replaced during the upcoming renovations, all cable connections will need to be removed temporarily. YHA can try to work out an arrangement with the companies to have the equipment mounted on posts, instead of on the buildings. The siding has a 40 year warranty, but once it is punctured, the warranty is voided. That is the difficulty YHA has had with the other companies.

Q. How does the FSS program work?
A. If your earnings increase enough to affect your rent, then the Resident pays their normal rent, but the difference is placed in an escrow account for the Resident.

Q. What is the deadline & requirements for FSS?
A. Becky said YHA will administer the program, and the Residents will be updated once the coordinators are in place.

Q. How long with renovations take?
A. 18 months. The low income tax credit program allows for two years of completion time, but there are 150 units.

Q. Has the RAD program worked for other housing authorities?
A. The RAD program is new to the State of Washington and to the whole United States. Everyone is applying. The competitive side is by region & size of the housing authority. But that actually helps YHA because they do not have to compete against larger housing authorities.

Q. If a transfer came up & the Resident was on FSS, would their FSS be affected?
A. If you transfer during the program, the FSS should not be affected.

Q. Can the Residents get deep freezers?
A. It will depend on that type of inspection YHA is under, due to funding type.

Q. Will carpet be installed in the units?
A. Most likely it won't be carpet as it's a continual expense to keep it in good repair, and costly to replace. YHA will look for durable flooring.

Q. A Resident asked if she can replace flooring out of her own pocket?
A. A large area rug would be a better solution, then she could take it with her if she moves.

Q. When renovations are done, will they get air conditioning in the upstairs units?
A. This is predicated upon the type of funding received. Out of the amount of funding YHA gets, it will need to be decided what the largest need is. YHA may have to choose roofing over air conditioning. YHA will know more once the architect reviews the units & what needs to be done.

Q. Do Residents have input as to what is done with the units?
A. The renovations are bound by funding. If roofing is a pressing need, then it will have to be addressed. Needs will be prioritized. Lowel wants the units as nice as they can make them with the funding available. In the past, people had window units, but under HUD guidelines it is not allowed.

Q. Section 8 may offer different rules? Where Residents could supply their own appliances such as freezers?
A. There are different guidelines under each program. Under REAC, which is set by HUD, the guidelines are very specific. A window air conditioner in an upstairs window could potentially fall out and hurt someone. If you look at Section 8 or HCV, they have different viewpoints, & different inspection issues. At the end of the day, YHA will be applying for the easier route of funding. Q. Where is YHA in the process?

A. YHA attempted to submit a Section 18 disposition application, but HUD would not allow it. October 24th is the submission deadline for RAD. YHA will then be notified if they can move forward. The next step will be to submit an application to the Washington State Housing Finance Commission by January 10, 2013. By February 2013, YHA should be notified if the application is approved. YHA would get the tax credit award by May, & would have to close by July or August 2013. Then construction can begin.

Q. Will the number of Residents who came to the meetings affect the outcome of the project?
A. No, by the end of November, YHA should know if they are invited back. The meetings serve to notify Residents where we are in the process. This is a lengthy process, & YHA is 2 ½ years into it.

Q. Will more Public Housing units be built?
A. Public Housing is declining as the funding source for it is getting smaller. Housing Authorities must get rid of it because there is no funding to sustain it and complete necessary repairs. It can get to be inhabitable. The Section 8 funding stream is more sound. But most likely no more Public Housing units will be built in the future.

Q. Are you turning Public Housing into Section 8?
A. Not exactly-not Housing Choice Vouchers, but that program will fund the unit under Project Based Section 8. It will work the same, but under a different funding stream.

Q. What will happen to people on the Public Housing waiting list?
A. When people leave the program, other people can get on. The list will remain and be attached to the same units.

Q. Section 8 will still exist?
A. Yes.

Lowel appreciates the Residents attending the meeting, and being involved in the process, and that written questions or comments on the RAD program will be accepted by YHA through October 17^{th}.

Meeting closed at 6:15PM

Respectfully submitted on behalf of Lowel Krueger,

Sally J Shelton