

Tacoma 2021
Notice of Funding Availability (NOFA)
for
Affordable Housing Development and Preservation
Application Information and Instructions

In conformance with established City policies and procedures, the City of Tacoma and its public development authority, Tacoma Community Redevelopment Authority (TCRA), are accepting applications from private and non-profit developers seeking financing to construct or rehabilitate affordable housing in Tacoma.

Available funds are derived from the U.S. Department of Housing & Urban Development's (HUD) HOME Investment Partnerships Program (HOME) and the City's Affordable Housing Fund and are being made available via a competitive NOFA process, which is described herein. This Application Information and Instructions document provides relevant information about the NOFA and outlines the process by which applicants can apply for funds to be used for the development or preservation of affordable housing in Tacoma.

NOFA Information

Issue Date: Monday, May 17, 2021

Closing Date: Friday, June 25, 2021

Contact

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Application Deadline

Submit applications by Friday, June 25, 2021 at 4pm.

Applicants should upload Word and Excel format application documents to an external file sharing platform of your choice. A working link to the files should be shared in the body of an email which must be received by June 25, 2021 at 4pm. The following documents should be uploaded to the file sharing platform in complete form:

- CFA Application Forms
- CFA Application Sections
- CFA Checklist and Affidavits
- City Addendum

Send the email with link to documents to: cedhousingdivision@cityoftacoma.org with the subject line: "<Insert name of sponsor organization> 2021 Affordable Housing NOFA Application".

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I. PURPOSE OF FUNDS

The primary objective of the available funding is to expand opportunities for safe, healthy and affordable housing for low-income individuals and households.

II. PUBLIC NOTICE OF FUNDING AVAILABILITY

In addition to providing required notification in The News Tribune, the City will provide notification to all known interested parties and to other organizations and individuals currently on the Housing Division's Interested Parties e-mail distribution list. Any individual or organization wishing to be added to the distribution list in order to receive future notices of funding opportunities can make such a request by contacting Heidi Burbidge at hburbidge@cityoftacoma.org. A copy of this Notice of Funding Availability (NOFA) will be posted to the City of Tacoma Housing Division's website at the [Funding Opportunities & Requests for Proposals page](#). Failure of the City to notify any interested party or parties directly regarding the availability of these funds shall not void or otherwise invalidate the NOFA process.

III. ACCESS TO REFERENCED MATERIALS

This document contains active hyperlinks. Prospective applicants who are unable to access the materials may request copies of the materials referenced in these instructions and the application by contacting Heidi Burbidge at (253) 591-5221, or by sending an e-mail to hburbidge@cityoftacoma.org.

IV. FUNDING AVAILABILITY & DESCRIPTION OF FUNDING SOURCES

A. Funding Levels

Funding is subject to the City of Tacoma being awarded HOME funding from HUD in the 2021 program-year. Anticipated funding available is as follows:

Fund Source	Amount
HOME	
Competitive HOME	\$559,061
CHDO Set-aside	\$211,523
Affordable Housing Fund	
General Fund	\$2,150,000
HB 1406	\$831,088
Total:	\$3,751,672

DISCLAIMER: The City and TCRA reserve the right to not award all available funds if submitted applications do not meet the program specific eligibility criteria and/or if city management identifies emerging and urgent uses for the funding. Additionally, federal guidelines and regulations for commitment and expenditure of HOME funds may require reallocation of funding if an applicant is awarded funding through this NOFA but the implementation of the applicant's project is significantly delayed.

The City and TCRA also reserve the right to consider applications to this NOFA for reprogramming unspent HOME and CDBG allocations and for additional funding sources that may come available during the year.

B. Description of Funding Sources

Affordable Housing Fund

The Affordable Housing Fund is comprised of local funding sources derived from a portion of sales tax remitted to the City by the state pursuant to HB 1406 (HB 1406) for the purpose of affordable housing, and from an allocation of general funds. The Affordable Housing Fund can be used to build new affordable housing and acquire existing affordable housing.

HOME Investment Partnerships Program (HOME)

The HOME program is a federal formula block grant to states and local governments and is designed exclusively to create decent and safe affordable housing for low-income households. Funding is provided to the City of Tacoma by the U.S. Department of Housing and Urban Development (HUD).

HOME funds may be used to build new affordable housing; acquire existing affordable housing; rehabilitate existing affordable housing; assist low-income, first-time homebuyers to purchase a home, or to perform a combination of acquisition and rehabilitation activities. HOME program regulations can be found at [Title 24, Part 92 of the Code of Federal Regulations](#).

NOTE: Emergency, Transitional and some Special Needs housing projects are not generally eligible for HOME funds. An exception is transitional housing that meets the HOME lease and rental requirements (i.e. a 1-year lease is required).

City staff will evaluate each eligible application to determine which funding sources are most appropriate for each proposed project.

C. Form in Which Funding is Provided

All Funds: Funding made available through this NOFA is typically made available in the form of a low-interest loan. Funding is generally accompanied by an affordability covenant intended to maintain the affordability of the project on a long-term basis.

The specific loan terms and conditions will be determined by the TCRA based on a financial review of the project. Projects awarded funds will be required to execute

loan documents to include a Deed of Trust, Loan Agreement, Promissory Note and Affordability Covenant.

HOME: All HOME funding under this NOFA is provided as permanent financing. The TCRA will not provide bridge or temporary financing with HOME funds. However, HOME funds may be used to pay off bridge or construction loans in the following circumstances:

- All costs are HOME eligible
- All costs were incurred after the application for federal assistance was received
- The applicant did not take any choice limiting actions and violate the environmental review requirements prior to completion of the environmental review.

D. Conditions for Release of Funds

Under no circumstances will funding be released until all funding commitments needed to complete the project are secured, and written commitment letters provided. Funds will be released in accordance with the approved budget agreed to by the Applicant and the TCRA. All conditions of release of funds will be stipulated in the written agreements and loan documents.

V. ELIGIBLE ACTIVITIES

A. Eligible Activities

Funding is made available for housing development and preservation activities that benefit low-income Tacoma households. Activities that will be considered eligible for funding are as follows:

Multi-Family Rental

- Construction of new multi-family rental housing made available to tenants earning 80% or less of the Area Median Income, adjusted for household size;
- Rehabilitation of existing multi-family rental housing made available to tenants earning 80% or less of the Area Median Income, adjusted for household size;
- Acquisition of existing multi-family rental housing which will be rehabilitated and made available to tenants earning 80% or less of Area Median Income, adjusted for household size;

Single-Family Homeownership

- Construction of new single-family housing which will be sold at an affordable price to first-time homebuyers earning 80% or less of the Area Median Income, adjusted for household size;

- Homebuyer assistance (i.e. second mortgage or closing cost assistance) to first-time homebuyers earning 80% or less of Area Median Income, adjusted for household size.

B. Ineligible Activities

Activities generally not eligible for financing include, but are not limited to, the following:

- Pre-development financing;
- Refinancing of existing debt;
- Financing of non-residential properties or project components;
- Financing of residential property that does not serve low-income households;
- Privately-owned special needs housing;
- Non-licensed special needs housing;
- New construction, rehabilitation or acquisition of emergency or transitional housing;
- Projects in which housing is not the primary focus, such as alcohol and chemical dependency treatment facilities, correction facilities, medical treatment facilities, nursing homes, student housing and private foster care housing;
- Infrastructure improvements that are unrelated to the provision of affordable housing;
- Infrastructure improvements that do not take place in the public right-of-way.

VI. OTHER ELIGIBILITY CRITERIA

A. Geographic Location

Activities must take place within the Tacoma city boundaries to be eligible for funding. A map of Tacoma city boundaries, including census tracts can be found at the [City of Tacoma's GeoHub portal](#) on the following page: [Tacoma Census Tracts 2010](#).

B. Population Served

Funding must support housing for low-income households. The U.S. Department of Housing and Urban Development (HUD) defines low-income household as meaning a single person, family or unrelated persons living together whose adjusted gross annual income is eighty percent (80%) or less of the area median household income (AMI), adjusted for household size. Local funding sources require serving lower AMI households. HB1406 funds and General Fund contributions within the Affordable Housing Fund must serve 50% AMI and lower.

C. Affordability Requirements

All projects awarded funding will be subject to affordability requirements intended to keep the supported housing units affordable for low-income Tacoma households for a period of 5 to 50 years, depending on the level of funds requested and the type of project the funds will support.

Multi-Family Rental Projects

- Eligible tenants: All tenants residing in rental housing units assisted with funds made available through this NOFA must have a gross annual household income at or below 80 percent (80%) of Area Median Income at initial occupancy for HOME-assisted units or 50% of Area Median Income for AHF-assisted units, depending on the funding source. Tenant income shall be verified annually thereafter.
- Maximum allowable rents: The rents charged to tenants in units assisted with funds made available through this NOFA cannot exceed the applicable program rents less the utility allowances. The rent limit requirements for the HOME program are outlined below under subtitle F. Rent Limits and Affordability.
- Tenant leases: Tenants must have a lease with the owner of the property. All leases, regardless of the capital funding source, must comply with HOME program requirements in addition to Washington State Landlord Tenant Law.
- Ongoing affordability: Owners must lease the affordable units assisted with funds made available through this NOFA to eligible tenants for the relevant period of affordability. The period of affordability requirements are outlined in Section XVII: TCRA Terms and Conditions.

Single-Family Homeownership Projects

- Eligible homebuyers: All homebuyers purchasing homes assisted with funds provided through this NOFA must have a gross annual household income at or below eighty percent (80%) of Area Median Income.
- Maximum sales price: The maximum sales price for single family homes assisted with funds made available through this NOFA is based on ninety-five percent (95%) of median sales price for homes in Tacoma. Currently those limits are:
 - For existing housing, the sales price cannot exceed \$342,000.
 - For newly constructed housing the sales price cannot exceed \$423,000.
- Principal residence: Homebuyers who purchase homes assisted with funds made available through this NOFA must reside in the home as their primary residence for the relevant minimum period of affordability. The period of affordability Requirements for HOME projects are outlined in Section XVII: TCRA Terms and Conditions.

D. Household Income Calculation

Household income shall be calculated in accordance with [24 CFR Part 5](#), commonly referred to as Section 8 regulations for income and asset determinations.

E. Income Limits and Definitions

In no instance can the household income of tenants living in HOME supported units or single-family homebuyers provided homebuyer assistance with HOME funding exceed 80% of area median household income. For City of Tacoma AHF, household income must be below 50% of area median income.

Income Definitions:

- AMI: Area Median Income for Tacoma/Pierce County Metro Area.
- Extremely Low Income: Household whose gross annual income is less than thirty percent (30%) of AMI.
- Very Low Income: Households whose gross annual income is less than fifty percent (50%) of AMI.
- Low Income: Households whose gross annual income is less than eighty percent (80%) of AMI.

Maximum income limits, by household size, are as follows:

HOME Income Limits: Effective June 1, 2021 ([source](#))

Household Size	30% of Area Median Income Limit (Extremely Low Income)	50% of Area Median Income Limit (Very Low Income)	60% of Area Median Income Limit	80% of Area Median Income Limit (Low Income)
1	\$19,100	\$31,800	\$38,160	\$50,900
2	\$21,800	\$36,350	\$43,620	\$58,150
3	\$24,550	\$40,900	\$49,080	\$65,400
4	\$27,250	\$45,400	\$54,480	\$72,650
5	\$29,450	\$49,050	\$58,860	\$78,500
6	\$31,650	\$52,700	\$63,240	\$84,300
7	\$33,800	\$56,300	\$67,560	\$90,100
8	\$36,000	\$59,950	\$71,940	\$95,900

F. Rent Limits and Affordability

Housing is generally considered affordable if no more than 30% of a household's income

is dedicated to the rent or mortgage. Rent amounts for multi-family rental units supported by funds awarded through this NOFA must comply with the HOME rent limits.

Rent Definitions:

- **Low HOME Rent:** Maximum rent less the cost of utilities for HOME units rented to households earning less than fifty percent (50%) of AMI.
- **High HOME Rent:** Maximum rent less the cost of utilities for HOME units rented to households earning less than eighty percent (80%) of AMI.

HOME Rent Limits: Effective June 1, 2021 ([source](#))

	0- BR	1- BR	2- BR	3- BR	4- BR	5- BR
Low HOME	\$795	\$851	\$1,022	\$1,180	\$1,317	\$1,453
High HOME	\$1,011	\$1,086	\$1,306	\$1,500	\$1,654	\$1,807
Fair Market Rent	\$1,011	\$1,126	\$1,461	\$2,091	\$2,530	\$2,910

G. Property Standards

New construction projects must meet the following standards:

- State and local residential building codes, ordinances, site and neighborhood standards and zoning requirements;
- Accessibility requirements under Section 504 and the Federal Fair Housing Act;
- Mitigate disaster impact as applicable per State and local codes and ordinances;
- Provide a Capital Needs Assessment prepared by an independent third party;
- Provide an appraisal of the property;
- Provide a Phase I Environmental Review

Rehabilitation projects must meet the following standards:

- State and local building codes and ordinances;
- Accessibility requirements under Section 504 and the Federal Fair Housing Act;
- HUD and State lead safe housing rules;
- Be free of deficiencies in accordance with the County’s written rehabilitation standards;
- Provide a Capital Needs Assessment prepared by an independent third (3rd) party;
- The rehabilitation work must be completed in accordance with the State’s written rehabilitation standards;
- The rehabilitation work must address the useful life of major systems, and upon completion of rehabilitation all major systems should have five (5) years remaining life;
- Provide an appraisal of the property;
- Provide a Phase I Environmental Review.

Acquisition only projects must meet the following standards:

- The property must be free of deficiencies in accordance HUD Uniform Physical Conditions (UPCS) standards and local written rehabilitation standards; and

- The property must be free of Lead Based Paint hazards.

Local standards: Please consult with City of Tacoma’s Planning and Development Services for questions regarding local codes, ordinances, site and neighborhood standards, disaster standards and local zoning requirements.

State Public Work requirements: Applicants awarded capital funds from this NOFA are responsible for meeting the state RCW’s related to public work requirements (Chapter 39.12 RCW). This includes the payment of prevailing wage on projects involving construction, alteration or improvements.

H. Timeliness Requirements

All projects awarded funding through this NOFA must comply with the following development timeliness requirements.

Acquisition/New Construction projects must be completed within three years from the date of the funding award and meet the following milestones:

- Applicant must have site control at the time of application and will have one year from the date of funding award to acquire the property.
- All necessary funding commitments shall be secured within one year of funding award.
- Construction must commence no later than one year from the date of funding award.
- Rental properties will be leased up within six months of project completion. Homeowner properties will be required to be sold within six months of project completion.

Acquisition/Rehabilitation projects must be completed within three years from the date of the funding award and meet the following milestones:

- Applicant must have site control at the time of application and will have one year from the date of funding award to acquire the property.
- All necessary funding commitments shall be secured within one year of funding award.
- Rehabilitation shall commence no later than one year from the date of the funding award. Once the rehabilitation starts it must be completed within one year.
- Rental properties will be required to be leased up within six months of project completion. Homeowner properties will be required to be sold within six months of project completion.

Acquisition only projects must be completed within one year from the date of the funding award and meet the following milestones:

- Applicant must have site control at the time of application and verify that no rehabilitation is needed. The property must be acquired within one year from the date of award.
- All necessary funding commitments shall be secured within one year of funding

- award.
- Rental properties will be leased up within six months of project completion.

Homeownership Assistance projects must be constructed within two years of the date of the funding award and meet the following milestones:

- The home must be under a ratified sales contract within nine months of construction/rehabilitation completion.
- Homeownership properties not under contract within nine months will be converted to a rental unit or subject to repayment of funds to TCRA.

Rehabilitation only rental projects must be completed within 18 months from the date of the funding award and meet the following milestones:

- Applicant must have fee simple title to the property at the time of application.
- All necessary funding commitments shall be secured within six months of funding award.
- Rehabilitation shall commence within six months of the date of the funding award. Once the rehabilitation starts construction must be completed in one year.
- Rental properties will be required to be leased up within six months of project completion.

VII. ELIGIBLE COSTS

A. Eligible Costs

Development related costs must be reasonable and supported by a third party construction cost estimate. Costs that are eligible for funding include the following:

- Accounting / audit expenses during the development period
- Appraisal
- Architectural and engineering costs
- Boundary and topographic survey
- Closing, title and recording fees
- Construction and rehabilitation costs
- Construction contingency
- Construction loan fees
- Developer's fees. Fee must be reasonable and consistent with requirements of other funding sources
- Environmental site assessment(s)
- Hazardous abatement and monitoring
- Impact / mitigation fees
- Insurance costs, including bond premiums, during the development period
- Landscaping
- Legal fees

- Low Income Housing Tax Credit (LIHTC) fees
- Other loan fees (Impact Capital, State HTF, etc.)
- Permits, fees and hook-ups
- Project management. Property management fee must be reasonable
- Property acquisition
- Purchase & Sale or Purchase Option extension payments
- Relocation expenses
- Sales taxes
- Technical assistance
- Utilities costs during development

B. Ineligible Costs

Ineligible costs *generally* include, but are not limited to:

- Administrative expenses
- Computers
- Furniture
- Office equipment
- Reserves (Operating, Capital and/or Replacement)
- Pre-award expenses
- Marketing and lease-up expenses
- Carrying costs at rent-up

C. Predevelopment Financing is available for nonprofit applicants through Impact Capital. Applicants that are considering a project which fits any of the following criteria are strongly encouraged to work with Impact Capital to receive pre-development assistance *prior to* applying for funding from TCRA: project results in a substantial increase over applicant's current property portfolio; project is a large or complex project; project is the first or among the first housing development projects proposed by the applicant. Impact Capital may be reached at (206) 587-3200.

VIII. FUNDING PRIORITIES

A. Funding Priorities

While all projects which are found to meet the eligibility criteria will be considered for funding, priority will be given to projects as follows:

- Projects that will use funds to acquire property within a 12 month timeframe, with the construction or rehabilitation of units to be completed within 24 months of an award;
- Projects which are targeted at low-income households earning at or below 50% or less of Area Median Income. (not applicable for homeownership)

IX. APPLICATION MATERIALS

The 2021 Affordable Housing NOFA includes two separate applications (one for Multi-Family Rental Projects and one for Homeownership Projects). Each application is composed of multiple components. Tacoma utilizes the Combined Funders Application published by Washington State Department of Commerce and also requires a City Addendum which must be completed and included for both application types. All application materials can be found on the City of Tacoma Housing Division's website on the [Funding Opportunities & Requests for Proposals page](#).

A. Multi-Family Rental Projects Application Components

The 2021 affordable housing application for multi-family rental projects includes the following components. Please note that the WA State Department of Commerce's Housing Trust Fund Combined Funders Application (CFA) materials for multi-family rental projects are utilized. To be considered for funding a complete application must be submitted. A complete application will include all of the following components. Please note that incomplete applications may not be reviewed or considered for funding.

- ***Application Requirements Checklist & Affidavits***
Microsoft Word document.
- ***CFA- MF_Sections***
Microsoft Word document with numbered narrative sections. This narrative part of the application is used by all combined funders.
- ***CFA- MF_Forms***
Microsoft Excel workbook. This excel workbook is used by all combined funders. Complete each of the forms in the workbook.
- ***Attachments***
Original format. Necessary attachments are listed on the Application Requirements Checklist. Attachments are required by all combined funders.
- ***City Addendum to the Combined Funders Application***
Microsoft Word document with numbered narrative sections.

B. Homeownership Projects

The 2021 Tacoma affordable housing application for homeownership projects includes the following components. Please note that the WA State Department of Commerce's Housing Trust Fund Combined Funders Application materials for homebuyer activities are utilized.

- ***CFA Application Requirements Checklist & Affidavits***
Microsoft Word document.
- ***CFA- HO_Sections***
Microsoft Word document with numbered narrative sections. This narrative part of the application is used by all combined funders.
- ***CFA- HO_Forms***
Microsoft Excel workbook. This excel workbook is used by all combined funders.
- ***Attachments***
Original format. Necessary attachments are listed on the Application Requirements Checklist. Attachments are required by all combined funders.
- ***City Addendum to the Combined Funders Application***
Microsoft Word document with numbered narrative sections.

X. FREQUENTLY ASKED QUESTIONS AND RESPONSES

Questions regarding the 2021 NOFA must be submitted no later than June 2, 2021 at 12pm. Staff will make its best effort to answer questions received after this date but cannot guarantee an answer. Questions may be submitted electronically to Heidi Burbidge hburbridge@cityoftacoma.org. All questions will be answered as they are received. A complete list of all questions and answers will be posted on the city's website no later than June 7, 2021.

XI. APPLICATION DEADLINE, FORMATTING AND SUBMITTAL INSTRUCTIONS

A. Application Materials


You **MUST** complete an application using the Combined Funders Application materials and the City Addendum listed in Section IX: Application Materials. Application materials can be obtained on the City of Tacoma Housing Division's website at the [Funding Opportunities & Requests for Proposals page](#).

B. Application Deadline

A working link to your application documents should be sent by email to cedhousingdivision@cityoftacoma.org and **MUST** be received by **Friday, June 25th at 4pm**. Only applications that include all materials indicated as necessary under Section IX: Application Materials of these instructions will be considered complete and will be considered for funding. No applications submitted by mail or in person will be accepted.

C. Application Formatting





Applicants should submit all application documents as electronic files saved to a file sharing platform (BOX, dropbox, sharepoint, etc). All components of the application must be present, including checklist, forms, narrative sections, addendums, affidavits and attachments. Application documents should be organized in folders as indicated here. The following is a visual guide for file organization:

-  Tab 1 Attachments
-  Tab 2 Attachments
-  Tab 3 Attachments
-  Tab 4 Attachments
-  Tab 5 Attachments
-  Tab 6 Attachments
-  Tab 7 Attachments
-  Tab 8 Attachments
-  Tab 9 Attachments
-  Tab 10 Attachments
-  Tab 11 Attachments
-  City Addendum
-  Other Combined Funders Addenda
-  CFA - Application Checklist & Affidavits.docx
-  CFA - Forms.xlsx
-  CFA - Sections.docx

Naming and File Conventions Within Tab Attachment Folders

- Within each tab folder, name each attachment file with the project name and the name of the document as described on the Application Requirements Checklist.
- All files should be submitted in their original format; **do not** convert electronic documents to PDF format.
- Scanned copies of paper documents must be legible with reasonably-sized font and, when applicable, clear signatures and dates.
- PDF's should be searchable whenever possible, and should not be submitted "locked."
- Create a folder if there are multiple files addressing a single checklist item.
- If an item is not applicable to your project, simply do not include it; do not create placeholder files for "n/a" items.

Please refer to the following visual as a guide for filing attachments: The Tab 3 Attachments folder may include some or all of the following:

-  ExampleProjectName Gap Analysis of behavioral health service needs.docx
-  ExampleProjectName Letter of Consistency with Con Plan.docx
-  ExampleProjectName Letter of Consistency with Plan to End Homelessness.docx
-  ExampleProjectName Market Study.docx

XII: OWNERSHIP OF MATERIALS

Responses, applications, and other materials submitted in response to this request become the property of the City, are documents of public record, and will not be returned. By applying, applicants acknowledge and agree that they and/or their organization claim no proprietary rights to the ideas or approaches contained in the application(s).

XIII. UNACCEPTABLE SUBMISSIONS

Applications submitted that are not responsive to the requirements listed above are unacceptable and shall not be considered. Unacceptable applications are those which are subject to at least one of the following shortcomings:

1. Does not meet the deadline for submission;
2. Does not include:
 - The signed original affidavits;
 - All narrative sections;
 - All forms, with each worksheet fully completed;
 - All applicable attachments;
 - Tacoma’s City addendum;
3. Application is for an ineligible activity;
4. Application demonstrates that the applicant does not understand the requirements of the NOFA.

XIV. NOFA TIMELINE

July 1st of each year marks the beginning of the City of Tacoma’s Annual Action Plan program year. Following the start of each program year, the City and TCRA release a Notice of Funding Availability (NOFA). The NOFA schedule follows:

NOFA announcement made and application materials released	May 17, 2021
Questions on application materials accepted	May 17 through June 2, 2021 at 12pm
Application Workshop	May 26, 2021 at 11am via Zoom
Applications due	June 25, 2021 at 4pm

Funding eligibility threshold review	June 28 to July 9, 2021
Applicants made aware of whether their project is eligible for funding	July 9, 2021
30-day public comment period on eligible projects and applicants	July 12-August 11, 2021
Eligible applications are reviewed by Housing Division staff	July 12-August 11, 2021
Eligible applicants orally present projects to TCRA	July 29, 2021 at 7:30am via Zoom
Funding recommendations made at regularly scheduled TCRA Meeting	August 26, 2021
Funding awards announced	August 27, 2021
Preliminary pre-commitment award letters delivered	As necessary starting September 2021

A. NOFA Application Workshop

The application workshop will be held virtually on the Zoom platform on Wednesday, May 26, 2021 at 11am. The link to access the meeting is below. While this Workshop is not mandatory it is highly encouraged. If your organization will be submitting an application please plan to have at least one representative attend the workshop.

Topic: 2021 Tacoma Affordable Housing NOFA Information Session
Time: May 26, 2021 11:00 AM Pacific Time (US and Canada)
<https://us02web.zoom.us/j/82515078117?pwd=TGZWTIZFMjBRRlVVSnNJSWVJTkRlZz09>
Meeting ID: 825 1507 8117
Passcode: 679271
Dial by your location
+1 253 215 8782 US (Tacoma)

B. TCRA Presentation and Awards

Please note that if your project is found eligible for funding you will be asked to provide a short oral presentation on the project to the TCRA board at 7:30am July 29, 2021 at the board’s regularly scheduled meeting. The TCRA board will ultimately make funding recommendations and the oral presentation is an opportunity for you to present your project to the board and for the board to inquire about your project. Every effort will be made to adhere to this schedule; however, the schedule may change due to unforeseeable circumstances. Staff will be in contact in as needed to provide more details about the oral presentation format.

Please make note of the TCRA presentation date and make it a priority to attend the TCRA meeting. Due to the detailed timeline of the NOFA process, staff cannot guarantee another opportunity will be available to present to the board if you’re unable to make the oral presentation date:

TCRA approval of funding may be subject to a 30-day public notification amending the

City's *Annual Action Plan*. If required awarded funds cannot be disbursed prior to receipt of HUD's approval of that plan.

XV. FUNDING AWARD CRITERIA

In addition to the project selection criteria listed below, projects must comply with the Housing and Community Development Act of 1974, as amended, the National Affordable Housing Act of 1990, Washington State laws and City of Tacoma ordinances and resolutions. Projects must meet the following criteria to be considered for funding:

- 1) Project must serve an eligible population, as defined above in Section VI: Other Eligibility Criteria;
- 2) Project activity must meet application priorities and eligibility requirements, as defined above in Sections V: Eligible Activities and Section VI: Other Eligibility Criteria;
- 3) Project need must be documented;
- 4) The applicant must demonstrate the ability, capacity and resources to implement and complete the project in a timely manner;
- 5) Project must be consistent with the City's *Generalized Land Use Plan and the Affordable Housing Action Strategy*;
- 6) Project must demonstrate cost effectiveness;
- 7) Projects must be able to raise or leverage other private and/or public funds to ensure project completion;
- 8) Project must document community acceptance and/or involvement. We emphasize the importance of documenting community involvement, acceptance and the provision of letters of support, if available;
- 9) Project must be properly zoned, or document the likelihood of being re-zoned, including any variances or special permits required;
- 10) Project must be designed in a manner that is compatible with the existing manmade and natural environment;
- 11) Project must not negatively impact historic properties or districts;
- 12) Applicant must have site control. An option to purchase is acceptable as site control;

- 13) Project must have completed or show timeline for completion of a Phase I Environmental Study (Development projects of 4 or fewer units are exempt);
- 14) Project must demonstrate the ability to have, within 1 year of the application due date, the following items: all pre-development work completed; environmental review(s) conducted; plans, specifications and bids prepared; construction timeline identified; zoning changes completed, including variances; and all financing in place;
- 15) Project must demonstrate the ability to have all bids, permits and notices to proceed within 18 months of funding approval;
- 16) Project must not depend upon allocations from the City's General Fund to meet operating or maintenance expenses.
- 17) Project must not have violated any HOME program or federal cross-cutting regulations (i.e. Uniform Relocation Act must be abided by and choice limiting activities must be avoided).

XVI. FUNDING AWARD CONSIDERATIONS

A. Project Review and Underwriting

Applications will be evaluated and underwritten based upon the thoroughness of the application materials, including, but not limited to, how the project meets the needs of the target population, project design, financial feasibility, and organizational capacity.

For applicants previously awarded funding, an agency's past performance and experience working with TCRA will be a factor in determining organizational capacity. **NOTE:** TCRA has a policy of not awarding additional funds to applicants who are currently out of compliance on TCRA-funded projects. The following area of performance will be considered:

- Prior projects completed on scheduled
- Prior projects completed within budget
- Proper and timely submission of legal documents
- Timely response to TCRA requests for information and/or action
- Accurate, complete and timely submission of annual reports
- Proper maintenance on previously funded TCRA projects. This includes not only ensuring that the housing stock continues to meet minimum Uniform Physical Conditions Standards, but also maintaining adequate records regarding tenants income and recertification of income
- Changes in use or ownership of property that violate the affordability covenant.

Projects must meet sound financial underwriting standards. The following financial elements will be considered to ensure project feasibility:

- Construction Cost Estimate
- Replacement and Operating Reserves
- Proposed Loan Terms
- Debt Coverage Ratio
- Income and Rent Restriction
- Operating and Development budget
- Vacancy Allowance
- Appraisal
- Construction Contingency
- Inflation Factor
- Capital Needs Assessment

B. Leveraging

Successful applicants will obtain the majority of their financing from other sources. Tacoma funds are intended to fill the gap between the total financing needed and funding that is committed or proposed by other funders. Projects should be able to demonstrate the ability to leverage Tacoma funds at no less than a 4:1 ratio. Funding generally will not, however, be denied based solely on a developer's inability to meet the leveraging ratio. Funding may be denied if the developer cannot demonstrate that the project is fully financed within 12 months of the pre-commitment of funding.

C. Environmental Review Record

Per [Title 24 of the Code of Federal Regulations Part 58](#), City staff must conduct an Environmental Review under the National Environmental Policy Act (NEPA) prior to any commitment or expenditure of HUD funds. The environmental review record is intended to evaluate and, if necessary, mitigate the potential health and safety impacts of the project on the natural and human environment. Although the City may pre-award funds prior to completion of an environmental review record, commitment of HUD (HOME) funds and expenditure of HUD and non-HUD funds are subject to completion of the environmental review record. No HUD funds will be formally committed nor expended until City staff has completed the environmental review record. Tacoma has the right to choose not to commit funds if the applicant performs any choice limiting activities or proceeds with the project before an environmental review record is complete.

Choice limiting activities include any activity that commits the applicant to the project. This may include fully executing a Purchase & Sale Agreement or entering into contract with a contractor or sub-contractor to perform work on the project.

The environmental review requires, at a minimum, a Phase I Environmental Study be completed on behalf of the applicant. Environmental studies are to be obtained by the applicant agency. These should be attached as part of the application, if possible. If the

completed reports are not available, include an estimate of when they will become available.

At the time in which Tacoma is completing an environmental review for the project, the City will require the applicant to supply a biological assessment assessing the project's impact on threatened and endangered species. This assessment must take into consideration HUD standards found in Table A of the HUD's Washington Endangered Species Environmental Assessment Checklist. Similarly, the applicant must provide an analysis of noise impacts to the project's residents consistent with HUD's Noise Abatement and Control Environmental Assessment Checklist. The noise assessment must calculate Day-Night Average sound level (DNL). A copy of the environmental review record will be retained by Tacoma staff and made available to the public for comment.

If public notice is required under the environmental regulations, the proper notice will be published by the City of Tacoma. Additionally, lead-based paint testing is required on all properties built prior to 1978. Treatment of any lead-hazards will be required in accordance with federal regulations. *You are strongly encouraged to consult with City staff concerning potential NEPA requirements and lead testing requirements as early in the project planning phase as possible.* Questions regarding the environmental review process should be directed to Jason Mejia at (253) 594-7933.

D. Public Notification

Following an eligibility review, the City will notify the public of the eligible projects which have applied for funding. The published notice will be made at least 30 days prior to any funding recommendations being made. The notice will include the following:

- Applicant's name
- Amount of funding requested
- Number of housing units proposed
- Type of units proposed
- General location of project (ie: Eastside, Southend, etc.)
- Name and location of a public hearing where citizens may comment on the proposed project

Public comments made in response to the 30-day comment period will be considered when determining funding awards.

E. Application Scoring

Projects that are determined by City staff to be eligible for funding will be ranked for the purposes of presenting funding recommendations to the TCRA board. Only those projects which meet the eligibility criteria (Sections V and VI), funding award criteria (Section XV) and demonstrate an ability to meet the TCRA Terms and Conditions listed in Section XVII will be forwarded to the TCRA board for consideration for an award of

funding.

F. Funding Authority

Funding Authority for funds available under this NOFA is with the TCRA board to decide which projects will receive funding awards and how much those awards will be.

G. Appeal

Applicants may request reconsideration of a denial of funding for projects. An appeal request must be submitted to the Director of the Community and Economic Development Department, Jeff Robinson, within 10 business days of the denial notice. A copy of the letter must be forwarded to the Housing Division Manager, Felicia Medlen, in the City's Community and Economic Development Department. TCRA's response to an appeal request shall be provided within 30 days of the Housing Division Manager's receipt of the appeal request.

XVII. TCRA TERMS AND CONDITIONS

A. Affordability

Affordable housing means residential housing for rental occupancy which requires payment of monthly housing costs, including utilities other than telephone, of no more than thirty percent (30%) of the household's income.

Affordable housing for homeownership requires that payment of monthly housing costs, including taxes, insurance and mortgage insurance, does not exceed thirty-five percent (35%) of the household's income. All applicants receiving HOME funding will be required to execute a HOME Regulatory Agreement outlining the number of HOME assisted units and the number of years the units must be provided at affordable rents.

B. Length of Affordability Commitment

To ensure that housing financed by TCRA will remain affordable to low-income households for a maximum amount of time, projects providing rental housing must commit to serving the project's target population for the duration of the federal affordability period plus any additional period imposed by the TCRA. For new construction, the federal affordability period is 20-years from the placed-in-service date. For acquisition and/or rehabilitation projects, the federal affordability period is based on the amount of HOME-funds invested into each HOME-assisted unit and will range from 5 to 15 years. For tax credit financed projects or projects with multiple public funders, the term of affordability may be substantially longer. All commitments will be secured by a Deed of Trust on the project property and a Regulatory Agreement tied to the project.

Homeownership project affordability requirements will be determined in accordance with

federal guidelines and based upon each household's subsidy amount. If the homeowner sells or fails to occupy the home as a primary residence during the affordability term, the recapture of any federal funding will be required.

C. Interest Rate, Payment(s) & Underwriting

Permanent affordable housing loans made by TCRA will carry an interest rate which will be negotiated with the applicant prior to the closing of the project's financing and determined through an underwriting process consistent with the HOME program guidelines.

Repayment may be through an amortized schedule, based on residual receipts or a shared cash flow. All loans will be due and payable upon the earlier of (1) maturity, (2) sale or transfer of property, or (3) refinance of property.

Early or pre-payment of the loan will not release the HOME Regulatory Agreement. This agreement will remain with the property for the period of federal affordability plus any additional period imposed by the TCRA.

Tacoma will need a **minimum of two months to underwrite the project** and bring a suggested financing structure to the TCRA board for approval. Please plan accordingly. The TCRA and City do not take responsibility for any project that does not meet its intended finance closing date with senior lenders due to the applicant failing to provide complete and accurate information needed to underwrite the project in a timely manner.

D. Loan Fees and Costs

All out-of-pocket loan closing costs will be paid by the applicant.

E. Relocation

All projects with federal funding must comply with the federal Uniform Relocation Act (URA) and the Section 104(d) requirements, including early notification to both sellers and tenants of the pending project. Relocation assistance must be provided to all tenants who are permanently or temporarily displaced as a result of the proposed project. Any proposal with tenant(s) currently residing at the location must submit a detailed relocation plan and a description of how relocation benefits will be funded. **A copy of your relocation plan and the required notification to sellers is required with your site control documentation. Please note that notification is required to any seller, including sellers of vacant land. Failure to provide appropriate notification to the seller may result in the project becoming ineligible for Tacoma funding.**

Tenant Notification: At the time of your application, a General Information Notice (GIN) is required for any tenant(s) in the project. Documentation is required within 30 days of your application. A copy of the rent roll (1) current at the time of application and (2) six months prior to the application due date should be included with your application.

Applicable projects that do not comply with the Uniform Relocation Act may be determined ineligible to receive funding.

You may download the current regulations, sample letters and other information on relocation at: <http://www.hud.gov/relocation>. If you need more information, contact Drena Sellers at dsellers@cityoftacoma.org or at (253) 591-5743.

NOTE: CED staff will not recommend TCRA fund any applicant that has not complied with URA, for both seller and tenants, as noted above.

F. Project Location and Consistency with City Plans

Projects assisted with TCRA financing must comply with applicable local comprehensive plans and the City of Tacoma's *Consolidated Plan* in addition to meeting all zoning and building code requirements. Again, we emphasize the importance of community acceptance of a project. Documentation of community involvement, acceptance and the provision of letters of support is required.

Projects accessible to services, jobs, transportation and amenities are strongly encouraged.

G. Section 3 Hiring Requirements

Projects receiving federal funds over \$100,000 are subject to Section 3 of the Housing & Urban Development Act of 1968. Section 3 requires that, to the greatest extent feasible, opportunities for training and employment arising from HOME and other selected federal programs will be provided to low-income persons residing in the program service area. It also requests, to the greatest extent feasible, contracts for work (all types) to be performed in connection with the HOME program will be awarded to business concerns that are located in or owned by persons residing in the program service area.

H. Other Federal Requirements

Projects receiving HOME funds will be expected to adhere to the following federal requirements, if applicable:

- Fair Housing and Equal Opportunity
 - Title VI of the Civil Rights Act of 1964, as Amended
 - Fair Housing Act
 - Equal Opportunity in Housing (Executive Order 11063, as Amended)
 - Age Discrimination Act of 1974, as Amended
- Affirmative Marketing
- Handicapped Accessibility
 - Americans with Disabilities Act

- Fair Housing Act
- Section 504 of the Rehabilitation Act of 1973
- Equal Opportunity in Employment and Contracting
 - Equal Employment Opportunity, Executive Order 11246, as Amended
 - Section 3 of the Housing & Urban Development Act of 1968
 - Minority/Women’s Business Enterprises, Executive Orders 11625, 12432 and 12138
- Labor Requirements
 - Davis-Bacon and Related Acts (42 USC 276(A)-7)
 - Contract Work Hours and Safety Standards Act, as Amended (40 USC 327-333)
 - Copeland (anti-Kickback) Act (40 USC 276c)
 - Fair Labor Standards Act of 1938, as Amended (29 USC 201, et. seq.)
- Contracting and Procurement
 - 2 CFR 200.320
 - Conflict of Interest
 - Debarred or Suspended contractor or subcontractors. Registration in System for Award Management
- National Environmental Protection Act
- Site and Neighborhood Standards
 - New construction must meet the site and neighborhood standards at 24 CFR 983.6(b)
- Lead-based Paint

XVIII. PROJECT FINANCIAL GUIDELINES

During review of applications and when contemplating funding awards, staff and TCRA board members will consider the following financial guidelines as acceptable. Projects which do not meet these guidelines may not be funded or areas of contention may be negotiated during the underwriting stage.

A. Construction Lending, including Contingency

Projects will budget a minimum of ten percent (10%) for new construction and fifteen percent (15%) for rehabilitation to cover construction contingencies. Exceptions to the contingency requirements will be considered on a case-by-case basis. If a contingency is not used, it may be applied to unforeseen costs or for additional project development expenses with prior approval of TCRA. If there are no additional costs or expenses to apply any remaining contingency amount to, the funds will return to TCRA for redistribution.

Regular inspections and progress reports will be required. If TCRA is providing construction financing, these inspections will be part of the draw request process. If TCRA is not directly providing construction financing, the inspections will occur on a monthly basis and may be incorporated into any draw or inspection process instituted by the construction lender. The TCRA inspections will be completed by an independent third party at TCRA's request. The inspector will bill TCRA directly for the inspection costs and will not result a direct project cost to the borrower.

B. Operating Expenses (Not applicable to Homeownership programs)

TCRA does not provide a list of allowable cost range(s) or cost per unit range(s). All applications must include an operating expense budget prepared by the proposed management entity with a detailed justification supporting the proposed budget. Projects may be allowed to use cash flow to pay for services that may be needed by the project's residents, subject to staff review and approval. Detailed information on the type and amount of services will be required in the application.

HOME funds do not allow for services to be a required component of housing. Projects applying for HOME funds must be able to demonstrate that the services are optional and are not a component of the lease.

Operating costs will be subject to review every year and are part of the annual review.

C. Vacancy Rates (Not applicable to Homeownership Programs)

Applicants will use a minimum residential vacancy rate of 5 percent (5%) when preparing their operating pro forma(s). Non-residential vacancy rate must be no less than ten percent (10%). Any variation to the vacancy rate must be documented and explained.

D. Operating Reserves (Not applicable to Homeownership Programs)

Operating reserves are intended to provide a project operating funds during periods when occupancy rates are lower than expected and operating income is not sufficient to pay the fixed costs of operating the project. Fixed costs include, but are not limited to, utility payments, debt service payments and staff salaries.

All projects must demonstrate in their operating pro forma the ability to capitalize a three-month operating reserve by the end of the second full year of project operation. The minimum operating reserve will consist of three months of the project's first year operating expenses. The operating reserve should continue to be funded for the life of the project. As actual operating expenses increase, it is expected that the reserve balance will also be increased.

E. Replacement Reserves (Not applicable to Homeownership Programs)

Replacement reserves are intended to accumulate and provide funds when needed to replace or maintain major systems of the building. The per unit reserves are reflected in the development budget if they are capitalized or they are reflected in the operating pro forma if they are to be deposited out of the operating income. All new construction projects shall fund a replacement reserve of at least \$350 per unit/per year. Minimum reserves for rehabilitation projects shall be determined by a capital needs assessment and approval of TCRA staff. Reserve balances will be monitored as part of the annual reporting process.

F. Project Design Elements

The application must contain a complete description of the proposed site and site plan, the scope and type of any proposed rehabilitation or new construction, the size of the project, the target group and the type of housing.

The application must document (a) why specific design elements were chosen, (b) if they are responsive to and/or contribute to the housing needs of the target population, (c) the sustainability of the design and material specifications, (d) the impact of the design decision on the need or operating and replacement reserves.

G. Developer Fees

TCRA does not limit the total amount of a reasonable developer fee for a project. TCRA does, however, limit the portion of TCRA financing which may be used toward a developer fee. TCRA allows for up to ten percent (10%) of its financing to be used in payment of a developer fee. The TCRA portion of the developer fee will be disbursed based on satisfactory project completion and compliance with all requirements, terms and conditions of the award.

H. Subordination / Call Provision

TCRA will subordinate to a private lender for debt that is fully amortized with a competitive fixed rate. TCRA does allow private lenders to include a call provision, although no call provision is preferred. TCRA will subordinate to other public lenders when their investment in a project is greater than TCRA's.

I. Debt Coverage Ratio (Not applicable to Homeownership Programs)

Projects must have an overall Debt Coverage Ratio (DCR) that provides a cushion against risk that may result from unforeseen circumstances, including higher than anticipated vacancy rates. Projects with private, first mortgage debt must have a DCR that is consistent with commercial lenders' standards and an overall DCR that is agreeable to the TCRA.

Deferred loans will not be considered in the DCR calculation during the deferral period, but will be considered when they become due and payable. The annual contributions to

operating and replacement reserves must be included in the operating expenses before calculating the DCR.

Projects should have an overall DCR of no less than 1.10:1 when factoring in private, first mortgage debt. The applicant must justify an overall DCR that is greater than 1.3:1.

J. Funding Commitments / Leverage

TCRA strongly encourages its dollars be leveraged with other public and private resources to support low-income housing throughout Tacoma. Applicants must document funding commitments and leverage. Applicants will need to submit a capital campaign plan if applicable. In addition, applicants will disclose other funding requested and the status of that request.

All funds necessary for the development of a project must be committed within 12 months of TCRA's award. TCRA will not execute documents until all funding commitments are confirmed.

K. Subsidy Layering Review

Federal funds are intended to encourage and further housing development costs. They cannot be utilized to supplant other federal funding or replace private funding in projects where sufficient cash flow exists to carry debt. They also cannot be utilized to provide an unreasonable return on investment or developer / management income. Projects with a DCR in excess of 1.3 will be considered to provide an unreasonable return on investment and be subject to further review or negotiations between the applicant and City staff. TCRA will conduct a review of the proposed use of federal funds in order to prevent the limited federal funds being utilized in such a manner.

L. Project Documentation Guidelines

a. Market Study (Not applicable to Homeownership Programs)

A market study is required for multi-family (5+ units) projects. The market study must:

- i. Accompany the application.
- ii. Be prepared by a professional independent analyst who is on the Washington State Housing Finance Commission's approved analyst list.
- iii. Be dated no more than 6 months prior to the application deadline; Updates to existing market studies may be accepted.
- iv. Include a detailed project description including site amenities, unit mix, comparison to market rate projects, comparison to other rent restricted projects, and a precise delineation of the market area.

- v. Include detailed data and description of the market area economy including market rate and rent restricted housing supply and demand including underserved or specialized low-income markets and vacancy rates with a conclusion about the proposed project's competitive position.
- vi. Include an analysis of the competitive rental housing market and rent gap including both market rate and rent restricted.
- vii. Include specific conclusions, supported by data, on the market need, both current and projected, the size of the pool of qualified potential residents, the demographic profile of the typical income eligible resident, absorption rate, and the viability of the proposed project as sited.

Projects serving the Developmentally Disabled (DD), Chronically Mentally Ill (CMI) or projects serving the homeless that do not contain multiple uses are exempt from providing a market study. They must, however, provide the following documentation:

- i. DD projects must have a letter from the Department of Social and Health Services (DSHS) Regional Office confirming that they have been approved for the proposed project. A referral agreement with DSHS must be executed in connection with TCRA financing. The requirement for a referral agreement cannot be waived, as it is needed to ensure each resident meets the eligibility requirements of the DSHS program(s) for the Developmentally Disabled.
- ii. CMI projects must have a letter of support from the lead person of the Residential Support Network (RSN) confirming that the project is consistent with the RSN's plan.
- iii. Homeless projects must have a letter from the lead person of the local Continuum of Care Planning Group confirming that the project is consistent with the Continuum of Care Plan.
- iv. Projects that require special licensing must provide documentation of current license. Projects applying for an initial license must provide a letter of support from the licensing agency.
- v. Letters and licensing documentation related to this section must be submitted with the application.

b. Site Control

Site control is required for multi-family projects and subdivision developments. Exceptions are allowed for projects consisting of less than 4 units.

A detailed description of the site and available site control documentation must accompany the application. Site control documentation includes the following: a deed of trust, current option agreement, current purchase and sale agreement, a current title report showing the entity hold fee simple title, or an executed lease agreement for the length of the commitment to serve low-income households. **A copy of the required Uniform Relocation Assistance notification to Seller is required with site control documentation. Under the URA, this does include notification to Sellers of vacant property.**

Single family housing projects must provide documentation identifying the pool of available single-family properties. Such documentation may include lists of properties in the proposed size, location, condition, price range and other comparable information. Any award of funding for single family housing will be contingent upon TCRA's approval of each proposed site.

c. Phase I Environmental Site Assessment

All multi-family projects (four or more units) and subdivision developments are required to complete a Phase I Environmental Site Assessment (ESA). The ESA should be submitted upon an applicant's receipt of site control. If any hazards are identified, they must be mitigated before occupancy.

A Phase I Environmental Site Assessment:

- Must accompany multi-family or subdivision application(s);
- Must be carried out according to the American Society for Testing and Materials (ASTM) E1527-2000 standard;
- May additionally include assessments of wetlands, and asbestos-containing materials;
- May include a **risk assessment** of lead-based paint hazards. The assessment must be completed by a Risk Assessor certified by the Washington State Department of Ecology and the U.S. Dept. of Housing & Urban Development;
- Must include historical use(s) and ownership of the property; and
- If environmental hazards are identified in the Phase I, then a Phase II Environmental Site Assessment is required.

Single family projects are required to have a risk assessment of lead based paint for each property constructed pre-1978. All projects are subject to the National Environmental Protection Act (NEPA) and will require City compliance with NEPA prior to release of funds. The NEPA Environmental Review Record process takes into consideration Environmental Site Assessment(s) in addition to other project factors that could have an impact on the natural or human environment.

d. Management Plan (Not applicable to Homeownership Programs)

A comprehensive management plan is required on all projects to ensure the

responsible operating of the project for the length of commitment. The plan must include a three-year operating budget for the applicant; evidence of insurance; a description of the accounting system including procedures and safeguards; identification of the Project management team and a project management plan. The plan must include a description of the tenant selection process, on and off-site management, facility maintenance and other basic elements of a management plan.

e. Appraisal

The purchase price of the real property must be justified by a current appraisal dated no more than 6 months prior to application. Construction and rehabilitation projects must have a current appraisal to support the project value after proposed improvements. TCRA can make a conditional award subject to receipt of a satisfactory appraisal to be ordered by a construction lender.

f. Construction Cost Estimate

Unless otherwise approved by Tacoma Community & Economic Development staff, rehabilitation and new construction costs must be justified by a construction cost estimate prepared by a professional, independent third party. The cost estimate must be submitted on the professional cost estimator's letterhead. Acceptable third parties include the project architect, construction firms, engineers or professional cost estimators. The cost estimate should include an escalation factor and should be dated no more than 3 months prior to application. **Cost estimates should clearly state whether prevailing wages (state or federal) were used in completing the estimate.** The estimate must also correspond with the line items submitted in the development budget. Any differences must be documented and explained.

On new construction, the construction cost estimate must include enough detail to indicate the life cycle of the building systems. It should also specifically reflect the design features described in this application.

For rehabilitation, the construction cost estimate must be based upon a capital needs assessment and must include unit-by-unit details of estimated costs. Rehabilitation applications must clearly address issues regarding (1) lead-based paint hazards, (2) asbestos hazards, and (3) relocation needs. If the rehabilitation costs exceed by more than 25% the cost to newly construct a similar facility, a financial cost comparison is required. The comparison must include an analysis of the life cycle of the building systems, the cost of parking and other mitigating factors.

g. Capital Needs Assessment (Not applicable to Homeownership Programs)

A capital needs assessment is required for all rehabilitation projects as well as for acquisition-only of existing projects. A capital needs assessment must be submitted with this application.

A professional, independent party must complete the capital needs assessment,

including single family units. The assessment should include the inspection of all units. If less than 100% of the units are inspected, an explanation is required including any assumptions regarding the uninspected units.

The capital needs assessment must provide the scope of work from which the construction cost estimate is developed. Any difference between the assessment and cost estimate must be documented and explained.

The capital needs assessment must include a life cycle analysis of all building systems, an estimate of any capital contribution to replacement reserves if needed, and an estimate of the annual replacement reserve contribution. The estimated useful life estimates of a life cycle cost analysis must come from a nationally recognized protocol or standard.

h. Zoning and Consistency with Local Plans

Applicants shall provide evidence that the site is properly zoned. For new construction of 4 or more units, evidence may be in the form of a zoning letter from the Tacoma Planning & Development Services Department, **or** evidence of zoning from Tacoma's Zoning Map website:

<https://wspdsmap.cityoftacoma.org/website/PDS/Zoning/>. Your application should note whether additional local plan approvals are needed. If a variance, special or conditional use permit is required, the applicant must provide assurance that such approval can be obtained prior to execution of loan documents with TCRA.

Applicants shall provide documentation that the project does not conflict with the existing neighborhood, including documentation of neighborhood notification and outreach.

i. Low Income Housing Tax Credit Documents

Applicants that are also applying for Low Income Housing Tax Credits (LIHTC) will submit a copy of their LIHTC budget, credit factor calculations, period pro forma and self-scoring sheet. The information submitted must include sources and uses of funds, a calculation of project costs, the qualified tax credit basis and amount of tax credits available for the project.

XIX. APPLICANT DOCUMENTATION GUIDELINES

During review of applications and when contemplating funding awards, staff and TCRA board members will consider the following applicant documentation guidelines as acceptable. Applicants which do not meet these guidelines may not be funded or may be subject to certain contingencies during the contract development stage of the NOFA process.

A. Fiscal Soundness

Applicants will demonstrate, with a reasonable level of assurance, that the sponsoring organization is fiscally sound and has reliable systems to manage and account for public funds. The following items must be submitted or currently on file with TCRA staff:

- Audited financial statements for the past two years, including audit findings, correction action plan(s), and management letter and agency response. If the prior years' audit has not been completed, a year-end financial statement and timeline for receipt of the audit should be submitted.
- Most recent year-to-date financial statement covering the period from the last year-end through application date.
- If applicable, documentation that application has received tax-exempt status from the IRS.
- Current monitoring or other report from licensing agency, if license is required.

An applicant's past performance and experience working with TCRA will be a factor in determining organizational capacity. The following areas of performance will be considered:

- Accurate, complete and timely submission of annual reports;
- Amount of status of current projects under development;
- Prior projects completed on schedule;
- Prior projects completed within the original projected budget;
- Proper and timely submission of legal documents;
- Timely submission of loan payments.

Additional evaluation and assessment will be required for organization's that have projects in workout status, or which have previously relinquished or changed use of property without fulfillment of the affordability period.

B. Staff Skills and Experience

Applicants must demonstrate that the capacity of the organization, as well as the skills and experience of the development team and the property management team, is appropriate to the size and complexity of the project. The following documentation should be provided:

- List of key development staff and their qualifications

- List of key property management staff and their qualifications

C. Board Composition

The applicant will submit a list of Board members, addresses, occupations and length of tenure.

D. Board Resolution

A copy of the signed Board resolution or Board minutes authorizing the project and the submittal of an application to TCRA must be submitted with the application. Successful applicants will be required to submit an additional Board resolution authorizing the execution of loan documents.

XX. CONTRACT DEVELOPMENT, CONTRACT MANAGEMENT AND LOAN AGREEMENT GUIDELINES

A. Contract Development

Contract development and management starts with the issuance of a pre-commitment letter from TCRA and continues through the completion of project development. A Contract & Program Auditor will be assigned to each funded project at the time of the award. The Contract & Program Auditor is the point of contact for communication regarding all negotiations, contract development, disbursement of funds, and any other issues regarding a project.

Loan and other legal and regulatory documents will be drawn up once the project has demonstrated it has secured all permanent financing needed to complete the project and once the project has been fully underwritten by City staff. The standard loan documents contain specific terms and conditions that may be negotiated in addition to general regulatory and legal terms and conditions, which are not negotiable.

B. Contract Management and Loan Agreement

Applicants should expect financing to be provided in the form of a low-interest loan. The terms of the loan will be negotiated with the Contract & Program Auditor and will be reflected in the Loan Agreement and accompanying loan documents, such as a Promissory Note. Funds will be disbursed in the form of loan draw-downs supported by documentation that the costs were incurred. The first draw down of funds must be within 18 months of the award letter date and the project should be completed within 30 months of the contract execution date.

Back-up documentation in the form of invoices and a voucher summary showing all invoices with subtotals cross-referenced to the most current Development Budget must

accompany each draw request for reimbursement.

Site visits will be conducted at the discretion of TCRA or when requested by the applicant. If TCRA is the lender of construction or rehabilitation funding, TCRA will require construction oversight by TCRA staff or a TCRA designated entity. The Contract & Program Auditor will review and approve construction or rehabilitation draws based upon recommendations from the entity providing the construction oversight.

If a draw request for reimbursement exceeds any Development Budget line item by ten percent (10%), an updated Development Budget will be required along with detailed justification for the change. TCRA will approve any Development Budget changes prior to approving further disbursement of funds.

The following documents are required to be in the project file at or prior to the first draw of the project. Depending on the scope and funding of a given project, some of these may not apply:

- Executed Loan Commitment letter
- Executed original Loan Agreement
- Executed original HOME Agreement
- Executed original Promissory Note
- Executed original Deed of Trust
- Executed original HOME Regulatory Agreement
- Executed original Uniform Commercial Code Financing Statement
- Copy of Purchase and Sale Agreement or similar document establishing ownership or control of the real property for the life of the loan
- Copy of escrow or loan closing instructions
- Copy of appraisal establishing the market value of the project
- Copy of Title commitment report
- Copy of Phase I Environmental Site Assessment report and, if needed, a Phase II report
- Copy of Lead-based Paint Risk Assessment and Clearance Reports
- Copy of Award/Commitment letter(s) for all funding
- Copy of Subordination Agreements and Assignments, Assumption and Consent Agreement, as applicable
- Proof of Hazard and Liability Insurance with TCRA listed as a loss payee
- Copies of all notices required under the Uniform Relocation Act of Section 104(d), including copies of any comparable units and payments to tenants.

In addition to these items, the following items, if applicable, must be in the file at the completion of the project:

- ALTA Extended Lender's Title Insurance Policy reflecting ownership by the applicant along with TCRA-approved exceptions of record
- Management plan (needed 60 days prior to opening)

- Copies of all inspection reports regarding construction or rehabilitation
- Copy of Certificate of Occupancy
- Final Sources and Uses Statement after acquisition, construction and/or rehabilitation is completed reflecting actual costs and expenditures.

Upon completion of the development phase of a project, TCRA will close out the project files. Completion will be represented by the issuance of a final Certificate of Occupancy. Closeout will include:

- Review of all required documentation, including fiscal, administrative and program management documents and systems to ensure the continued viability of the project.
- Review of all required documentation to ensure compliance with all applicable local, state and federal requirements.
- Review of tenant income qualification information and leases.
- Site visit by TCRA designated staff or third party to ensure the completed project meets or exceeds Uniform Physical Conditions Standards.
- Applicant and their project contractor will cooperate in all aspects of the project closeout.
- Failure by an applicant or its contractor to cooperate or complete the project close out will reflect negatively on the capacity of the organization on future awards. Failure to complete the project close out process may also be considered a breach of contract by the applicant.

XXI. CONTRACT COMPLIANCE AND PORTFOLIO MANAGEMENT GUIDELINES

All projects awarded funding will be monitored through the life of the loan and affordability period. Proper management of TCRA’s capital funded projects does require TCRA staff to evaluate the likelihood that a project or contracting organization has violated or failed to comply with contractual or regulatory requirements and that each project is free of actions that could be deemed fraud and abuse. Additionally, staff will monitor that the housing financed with TCRA funding continually meets or exceeds Uniform Physical Conditions Standards (UPCS) for the residents therein.

The City of Tacoma staff will initiate appropriate corrective action(s) when performance problems arise or are brought to light during a monitoring visit. Contracts and other written agreements will be the primary mechanism for enforcement or corrective actions in situations of noncompliance. The specific response to monitoring findings or to evidence of performance problems to be used will depend upon the specific problem(s) identified, the seriousness of the problem(s) and the finding(s).

A. Annual Report(s)

A web-based reporting format has been developed in collaboration with the Washington State Housing Finance Commission, the Washington State Department of Commerce and other public funding agencies. This form is evaluated once each year to assess its effectiveness in collecting data that is useful to the funding agencies, and to limit the amount of reporting that organizations receiving funding from more than one of the cooperating agencies is required to do.

The annual report form is due to TCRA in two parts. Part I consists of Tables 1-3 and is required to be submitted by January 31st of each year. Part II, consisting of the remaining tables, is required to be submitted no later than June 30th of each year. Reports that are completed earlier to meet the requirements of other public lenders should be submitted to TCRA at the same time as that required by the other public lenders.

B. Risk Analysis

Proper management of capital fund projects requires TCRA to evaluate the likelihood that a project or contracting organization has violated or failed to comply with contractual or regulatory requirements, or is vulnerable to fraud and abuse.

Tacoma staff will conduct a risk analysis review of housing contractors funded by TCRA. Contractors that receive high overall risk scores during a risk analysis review will be scheduled for an on-site visit prior to those with lower scores.

C. Monitoring

The primary reason for monitoring housing contractors is to verify that the business practices of the organization can support the long-term operations of the housing and /or the housing programs. There are several methods of monitoring available. The two most likely to serve the needs of TCRA are desk monitoring and site visits.

Project monitoring functions begin during the pre-development phases and continue through the affordability period. Following project development, TCRA staff will monitor projects:

- To ensure that annual recertification requirements are carried out;
- To ensure the project is meeting the standards established in the contract and any other written agreements;
- To ensure that assisted units are rented and/or sold to income-eligible households;
- To determine compliance with applicable property standards requirements; To verify information maintained by contractors or property owners concerning leases, tenant incomes, rents and utility allowances;
- To inspect assisted units in multi-family developments. Inspections may be accomplished through a randomly selected sample or an inspection of all assisted units.

Desk monitoring may include reviewing annual reports submitted by contractors reporting

their activities for the prior year. By reviewing the reported activity level, financial data, tenant data and comparing the data with the requirements of the contract, a basis level of compliance can be established. Any *self-reporting* of Uniform Physical Conditions Standards (UPCS) inspections and re-inspections conducted by the organization will also be included in the desk-monitoring analysis.

On-site project inspections of rental housing will be conducted no less than every three years. All monitoring visits will be scheduled with the organization 30-days prior to the visit. In those instances when a report of health and/or safety violations is made to a TCRA staff, a site visit will be scheduled as soon as possible. Inspections of properties and units will be conducted in accordance with the standards set by the Uniform Physical Conditions Standards (UPCS) protocol.

Site visits will also be used to verify previously provided data through the examination of documents and the testing of processes. During a site visit, the monitor should review documents, policy and procedure in order to gain an understanding of how the agency functions. Following the review of these documents, the procedures designed to implement agency policy and carry out program and contractual requirements may be tested. This may entail reviewing existing documents on file, tracing the steps taken to get the documents, or asking a staff person to demonstrate the procedures being tested.

These processes should include interview questions used by the monitor to clarify any points not readily understood. In every case, the monitoring effort must focus on verifying that required actions, such as the verification of sources of income, or calculation of income for program eligibility are properly documented, and that the documents are readily available for examination. The objective is to first verify compliance with required activities and second, to assist the agency being monitored in complying with those activity standards if they are not doing so.

Reports of deficiencies and follow-up requirements will be provided to the contractor in the form of a formal written notification. The notification will point out problem areas and recognize successes.

- The follow-up notification creates a permanent written record of the review;
- The notification identifies concerns and findings, if necessary, and set deadlines for a written response and corrective actions.

D. Project Problem Resolution

TCRA staff will initiate appropriate corrective actions when performance problems arise or are brought to light during a monitoring visit. Contracts and other written agreements will be the primary mechanism for enforcement of corrective actions in situations of noncompliance. When corrective actions must be taken, the following intervention stages may be used. The response used will depend upon the specific problem(s) identified, the seriousness of the contractor problem(s), and the finding(s). When possible, intervention will start at stage one and then move to stages two and three, as the situation requires.

E. Intervention Levels

Stage one: low-level intervention will include one or more of the following actions:

- Clearly identify problem areas and required corrective actions;
- Plan a strategy with the contractor that includes any training or technical assistance that may help to address identified problems;
- Require more frequent or more thorough reporting by the Contractor;
- Conduct more frequent contractor monitoring reviews.

Stage two: moderate-level intervention may be attempted after the stage one level and will include one or more of the actions referred to in the suspension and default actions sections of the appropriate contract.

Stage three: high-level intervention consists of the most serious actions available. These actions may be taken to put an end to noncompliance problem(s) and include, but are not limited to:

- Suspending the contractor for TCRA program eligibility;
- Termination of the agreement for the project;
- Legal action, to include foreclosure of the project property in question.

XXII. ASSISTANCE

City staff is available to provide additional information and technical assistance to applicants. Staff can also address questions concerning TCRA guidelines and procedures and provide feedback regarding project concepts. Applicants have the sole responsibility for drafting their own funding applications.

If you require assistance you are encouraged to contact the following staff member from the City of Tacoma's Community & Economic Development Department for assistance:

Heidi Burbidge (253) 594-7933 hburbridge@cityoftacoma.org