



## INTRODUCTION AND PURPOSE

The Cities of Beaux Arts Village, Bellevue, Bothell, Clyde Hill, Hunt's Point, Issaquah, Kenmore, Kirkland, Medina, Mercer Island, Newcastle, Redmond, Sammamish, Woodinville, Yarrow Point, and King County have entered into an interlocal agreement to cooperatively plan for and provide affordable housing on the Eastside through an organization called ARCH (A Regional Coalition for Housing). To accomplish this, ARCH member cities provide funding to affordable housing projects through the ARCH Housing Trust Fund.

At least once a year, ARCH holds a competitive application round for Housing Trust Fund (HTF) resources, in coordination with the State Department of Commerce, King County and the Washington State Housing Finance Commission. The general purpose of the Housing Trust Fund is to create and preserve affordable housing that meets the needs of low-income households earning up to 50% of median income. In special circumstances (for example, to promote affordable homeownership or to leverage another program's funding such as 4% Low Income Housing Tax Credits), moderate-income households earning up to 80% of median income may also be assisted.

## AVAILABLE FUNDING

Due to significant impacts to local revenues and other unanticipated demands for local resources, applicants should be aware that **there may be a decrease in the amount of available funding this year**. As of June 2020, an estimated \$2 million in local funds may be available for projects in the 2020 application round, in addition to approximately \$415,000 in Community Development Block Grant (CDBG) funds. However, available funding could be significantly reduced during the year as ARCH member cities revise their annual budgets.

Interested applicants should also note that ARCH expects projects that received partial commitments in the 2019 Funding Round are likely to re-apply this round for additional funding. Applicants should consult with ARCH staff for the most up to date information.

Please note that CDBG funds are generally restricted to acquisition, rehabilitation, and construction of infrastructure for affordable housing projects, and carry significant federal requirements (including timeliness of expenditure, environmental review, Davis-Bacon labor standards, relocation requirements, etc.). If you believe your project would qualify for CDBG, we strongly encourage you to meet with ARCH staff and review King County's [CDBG Reference Materials](#) to determine if the project is a good fit for this funding.

## POPULATION TARGETS

ARCH has set the following long-term goals for use of housing resources (including the Housing Trust Fund). Based on actual investment awarded to date, projects that provide or include senior and special needs housing remain under investment targets.

Population	Target (%)	Actual % Awarded
Family	56%	61%
Senior	19%	15%
Homeless	13%	18%
Special Needs	12%	6%

## FUNDING PRIORITIES

ARCH has established the following priorities for the Housing Trust Fund in 2020:

- **Target Populations.** The Housing Trust Fund is targeted to the populations described in the section above. Senior and special needs housing are long-term priorities, particularly when sponsors have identified funds for ongoing operations and supportive services for the intended residents.
- **Leveraging Private Investment.** ARCH encourages project sponsors to pursue private investment that provides maximum leverage of local resources. Use of the Low Income Housing Tax Credit and tax exempt bond programs are highly encouraged, together with other creative financing structures.
- **Transit-Oriented Development.** Multifamily projects, especially those near transit centers or high frequency transit<sup>1</sup>, are encouraged. A number of ARCH cities have adopted local plans and policies to support residential density near current and planned transit infrastructure. TOD development is designed to support dense, walkable communities that increase access to employment, services and other opportunities.
- **Homeless Shelter and Housing Capacity.** ARCH continues to support the All Home Strategic Plan and East King County Plan to End Homelessness. ARCH encourages proposals that include housing for individuals and families seeking to move out of homelessness into stable, permanent housing, particularly from experienced providers with a track record of thoughtfully and successfully integrating housing projects into the fabric of existing communities. Providers considering such proposals should work with ARCH and King County to ensure that adequate funding for operations and supportive services is available.
- **Preservation.** Projects that preserve housing at risk of conversion to market-rate are a high priority, particularly when existing low-income residents are likely to be displaced.

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<sup>1</sup> For a map of current and future planned transit, visit Metro's Long Range Transit Map at <http://www.kcmetrovision.org/plan/service-map/>.

Preservation projects will be particularly competitive when they can demonstrate an efficient use of resources relative to new construction projects. ARCH will accept applications at any time for such projects and will work to expedite the review process when there is a demonstrated urgency.

- **Geographic Equity.** The Housing Trust Fund has a long-term objective of producing housing across ARCH member city jurisdictions. ARCH looks to create broad distribution in the location of all types of affordable housing over time to maximize choice for individuals and families seeking affordable homes. A map of existing Housing Trust Fund projects is available on the ARCH [website](#).
- **Cost-Effective Development Approaches.** ARCH encourages project sponsors to propose cost-effective approaches to development that will minimize requests to the Housing Trust Fund. This includes approaches such as utilizing free or discounted property, utilizing in-kind support, redeveloping underutilized property already owned by the sponsor, working with cities to minimize structured parking by demonstrating reduced demand, and creating small/efficient unit layouts (e.g., SROs, co-housing, etc.) that still meet the needs of the proposed population.

#### **OTHER RESOURCES – PROJECT BASED SECTION 8 VOUCHERS**

King County Housing Authority (KCHA) may have capacity to provide certain types of project-based Section 8 Vouchers to projects in East King County, including special purpose vouchers for particular populations (e.g., VASH, FUP, and NED vouchers). ARCH will work with KCHA and the King County Housing Finance Program to determine which projects would be a good fit for available vouchers. KCHA reserves the right to modify the total number and type of project-based vouchers awarded through this NOFA.

Project-based vouchers trigger several federal requirements codified in 24 CFR 983. This includes but is not limited to environmental review procedures, Davis Bacon wage rates (for projects that receive more than eight vouchers), and subsidy layering reviews. Bidders are encouraged to review the project-based regulations on the HUD website for additional regulatory detail.

Applicants who are interested in requesting Section 8 should express this interest as early as possible and meet with KCHA and ARCH prior to submitting their application to discuss assumptions that may impact the application. If applicants remain interested after such consultation, then applications should clearly indicate the number of vouchers requested by unit and household type.

## **SCHEDULE**

The following schedule is anticipated for the 2020 Housing Trust Fund application round:

June 17, 2020	Application package available
No later than August 14, 2020	Pre-application Conference, see below*
September 10, 2020	Applications due to ARCH by 5:00 pm
December 2020	Executive Board makes funding recommendation to cities CDBG recommendations referred to King County Joint Recommendations Committee
January - March 2021	ARCH recommendations reviewed by City Councils

### PRE-APPLICATION CONFERENCES

Applicants are required to schedule a Pre-Application Conference to identify and discuss potential issues no later than August 14, 2020. First-time applicants will benefit from meeting early and often with ARCH. Applicants should be prepared to provide a project description identifying the population to be served, approximate number of units, income and affordability, type of construction (rehab or new), neighborhood issues, whether relocation or displacement will be required, team members (developer, architect, property manager, if known), and likely funding sources. Applicants are also welcome to solicit early input from ARCH on site or project concept when considering acquisition of a site or building.

## **ELIGIBLE APPLICANTS**

Housing Trust Funds may be applied for by housing developers or sponsors that are:

- non-profit organizations
- private for-profit organizations
- public housing authorities
- public development authorities
- units of local government

Partnerships involving combinations of the above groups are encouraged, especially in the case where a private for-profit organization applies for funding. Partnerships are seen as opportunities to produce the greatest number of units for the most reasonable investment of HTF funds with the longest duration of benefit to low- and moderate-income people.

## **ELIGIBLE BENEFICIARIES**

The general purpose of the Housing Trust Fund is to create and preserve affordable housing that meets the needs of low-income households earning up to 50% of median income. In special circumstances (for example, to promote affordable homeownership or to leverage another program's funding such as 4% Low Income Housing Tax Credits), moderate-income households earning up to 80% of median income may also be assisted. Income and rent limits for the Housing Trust Fund are available on the ARCH [website](#).

## **ELIGIBLE ACTIVITIES**

ARCH and other public funders have prepared a [matrix](#) which defines activities which are eligible or ineligible for particular funding sources. ARCH funds may be used for the following activities:

- Acquisition, and related costs such as appraisals, financing costs, and transaction costs
- Predevelopment, including architectural and engineering design, permits and fees
- Rehabilitation and new construction costs
- Site development
- Off-site development only when necessary to assure utility service to the project site
- Short term direct tenant assistance programs aimed at homeless prevention, e.g., rent "buy-downs" or loan programs for payment of security deposits and last-month rent deposits.
- Mixed-income projects so long as HTF dollars assist only low- and moderate-income units

In limited cases, ARCH may award a portion of the HTF funds to support early technical assistance to priority projects. Applicants with projects in very preliminary stages are encouraged to consult with ARCH staff to determine if an application for HTF funds is appropriate at this time. Another option available to projects in the preliminary stages is to apply to Impact Capital for predevelopment funding.

ARCH member cities understand that certain County, State and Federal housing programs require some level of matching by local resources. The ARCH HTF may be, and is encouraged to be, used as the local match for these programs.

## **INELIGIBLE ACTIVITIES**

HTF funds may not be used for:

- The development of any non-residential use. HTF funds may be used in a mixed use development only for that portion of the development that is specific to the residential use. This restriction also applies to site development and off-site development costs.
- The cost of any program operating expenses
- The cost of any political or lobbying activities or materials.
- Rehabilitation of single family units in a manner that would duplicate Bellevue's Home Repair Assistance and King County's Home Repair Programs
- Uses that are Public Capital Facilities such as correctional facilities or inpatient treatment facilities

## **ARCH TRUST FUND REQUESTS FOR PREVIOUSLY FUNDED PROJECTS**

Application for funding by previously funded projects will only be accepted after careful evaluation of other strategies have been fully considered. See the "Long Term Sustainability Monitoring Section" on ARCH website for the range of strategies. This is not a role that the Trust Fund was been historically used for, however, there may be limited circumstances where such a role may be appropriate. Prior to a previously funded project submitting an application to the Trust Fund, applicants must address the following:

- Complete a sustainability monitoring evaluation, including meetings with funders to evaluate all potentially applicable strategies to address long term sustainability.
- Implement other strategies identified through the evaluation process.
- Monitor the impact of implemented strategies, and account for such impacts in any application for funding.
- Document a long-term plan that would allow the property to be sustainable without additional funding support in the future.

## **PRESERVATION AND LAND OPPORTUNITY ACQUISITIONS**

ARCH may elect to accept applications "out of cycle" for preservation projects or opportunity acquisitions. Applicants should consult with ARCH prior to submission to determine if alternative financing sources (such as those listed under Predevelopment and Other Loan Funds) would be more appropriate. Additional criteria for "out of cycle" requests may be found below under Evaluation Criteria.

## **LOAN AND REGULATORY TERMS**

Housing Trust Fund dollars will be made available as either secured grants or loans. ARCH offers flexible terms designed to accommodate a range of projects. Applicants should indicate in their application whether they are applying for a grant or loan, and what loan terms are proposed for the project. ARCH will evaluate the proposed terms, and Cities will make the final determination of which form of assistance will be offered to successful applicants. Loans will be offered whenever feasible without sacrificing initial or long-term affordability. Loan applicants will not receive

priority over grant applicants.

In general, ARCH expects that projects will commit to providing long-term affordability in the form of a 50-year regulatory agreement. If the project is converted to an alternative use or becomes non-affordable at any time during the project's agreed-to term of affordability, the HTF contribution to the project will be subject to immediate repayment, and potentially a proportionate share of appreciation.

## **OTHER AWARD TERMS/REPORTING REQUIREMENTS**

Additional funding conditions will be spelled out in an award letter to successful applicants. At a minimum, the following reporting requirements shall apply during development and occupancy:

### *Quarterly Status Reports*

Quarterly status reports are required from all HTF funded projects during the development stage (from the time funds are awarded until completion and occupancy of the project). The quarterly reports will include, at a minimum, the status of funds expended and progress to date. A final budget must be prepared and submitted at the time of construction start and project completion. ARCH will rely on the reports to determine if satisfactory progress is being made on the project. Additionally, ARCH staff will inspect the project site at least once during this period.

### *Ongoing Monitoring*

After occupancy, the project sponsor or manager will submit to ARCH annually a report summarizing the number of project beneficiaries, housing expenses for the target population, and the proportion of those beneficiaries that are low- and/or moderate-income, and that meet other eligibility criteria established in the ARCH regulatory agreement. In addition, for projects with loan payments, financial information must be reported annually which will be used for assessing contingent loan payments and project health. All projects will also be evaluated periodically for long term sustainability. See the "Long Term Sustainability Monitoring" section on the ARCH website. The annual reports will be required for the full duration of affordability.

## APPLICATION CONTENTS

ARCH uses the Combined Funders Application forms that the State of Washington, King County, the City of Seattle and other local jurisdictions have agreed to use for the convenience of applicants. The current year's application forms may be downloaded from ARCH's website:  
<http://www.archhousing.org/developers/housing-trust-fund.html>

**In addition to the application forms on ARCH's website, applicants proposing Low Income Housing Tax Credits must obtain and submit a tax credit scoring form from the Washington State Housing Finance Commission (WSHFC).** In addition, ARCH requires a copy of any supplemental application materials submitted to other funders.

The following materials are to be submitted for each application:

- One original hard copy of the application, tabbed and bound, including all attachments other than financial statements (which shall be included in the electronic application).
- A CD or thumb drive that includes one complete electronic application (with Combined Funders Application, HTF Supplemental Application and King County Supplemental Application) that meets the following:
  - CD or thumb drive is clearly labeled with the applicant and project name.
  - Attachments under each Tab should be placed in a separate folder labeled with the Tab number.
  - The Project Workbook must be in Excel format with linked sheets unlocked and formulas visible.
  - Narrative responses must be in Word format.
  - Attachments must be in PDF format.

Complete applications are to be submitted by **5 pm on September 10, 2020** to:

ARCH  
Together Center  
16225 NE 87<sup>th</sup> Street, Suite A-3  
Redmond, WA 98052

**If delivering in person, please reach out to ARCH staff in advance to confirm a time for application delivery.**

NOTE: If you have already received funding through ARCH in a previous funding round and are applying for any other public funds (e.g. King County, Washington Dept of Commerce, Washington State Housing Finance Commission), you must provide ARCH with an electronic copy of the application submitted to other funders.

If you have any questions about application requirements, please contact Klaas Nijhuis at (425) 861-3677 or email at [knijhuis@bellevuewa.gov](mailto:knijhuis@bellevuewa.gov).



## **REVIEW PROCESS**

Proposals will be reviewed using the following process:

Step 1. An initial screening will be conducted by ARCH staff in cooperation with City staff to determine the completeness of each application. Staff reserves the right to deny applications that are incomplete.

Step 2. ARCH will evaluate the applications and develop a recommendation to the respective City Councils. ARCH's recommendation will be made by its Citizen Advisory Board and approved by its Executive Board.

Step 3. The City Councils will confirm the recommendation submitted by ARCH, or will return the recommendation, with comments, for further investigation before a final decision is made.

## **EVALUATION CRITERIA**

### General

Evaluation of applications will focus on the following key areas:

- (1) Feasibility and cost effectiveness (i.e., HTF award per unit/SF, total development cost per unit/SF, reasonableness of budgets and proforma, adequacy of resources and ongoing sustainability, and site control).
- (2) Relevance of the project to local housing needs, including the extent to which the project is consistent with the local plans (e.g., Consolidated Plan, Housing Element, or area plans), and the extent to which housing need will be met and help to achieve the HTF's Population Targets.
- (3) Experience of the project sponsor and development team, adequacy of management plans, duration of affordability, ongoing sustainability, adequacy of support services, and firmness of financial commitments or likelihood of receiving those commitments.

### Specific

The following specific information areas will be evaluated for data to support the key focus areas described above.

#### A. Development and Operating Budgets

Projects will be evaluated for cost effectiveness on a per unit and per square foot basis. Higher up-front development costs may be justified to create long-term operational efficiencies (e.g., through use of high-efficiency building systems), provided that those increased costs have a relatively short payback period. ARCH may use third party reviewers

to evaluate estimated construction costs.

Development and operating budget forms should provide detailed explanation to support estimated expenses. If support services will be provided on-site, a detailed services budget must also be submitted.

Proposed financing will be evaluated for feasibility based on expressed interest from lenders and investors, applicant experience in obtaining financing, and other competitive criteria (e.g., estimated tax credit score if LIHTC equity is proposed).

B. Project Readiness

Projects will be evaluated for their readiness to proceed. Applicants should demonstrate full site control, and have initiated the intake process with the local permitting authority. Projects that propose significant fundraising should demonstrate steps taken to prepare for and implement a capital campaign plan. Projects that will rely on public funding to cover the costs of ongoing operations or services should identify and describe the availability of such funding, and report on the project's competitiveness for such funds based on discussions with likely funders.

C. Development Team Track Record

Project review takes into consideration how well the proposed development team has performed on previously funded projects. The application should identify lessons learned from those projects, where applicable, and describe how performance/actions have been modified as a result.

D. Property and Asset Management Capacity

The proposed property and asset management entities will be evaluated on their experience and performance in managing comparable developments. Successful asset managers will have a detailed understanding of the physical and financial condition of their properties, regularly updated capital needs assessments, and thoughtful policies for balancing the objective of maintaining affordable rents and planning for healthy reserves and operating income to cover current and future expenses.

If a project is in its preliminary stages, a boilerplate management plan may be submitted with the application. A final management plan will be required prior to funding. A successful management plan will include the following information:

(i) **Occupancy:** Information in the occupancy management plan must include lease information (length, tenant eligibility and selection standards, standards for termination of lease, eviction, lease renewal) and marketing strategies including local outreach.

(ii) **Facility:** The facility management plan should include provisions for both routine

and long-term building maintenance.

(iii) Supportive Services: If applicable, the applicant must describe how any supportive services identified as an integral part of the project will be provided, either directly or through linkages with an existing network of service agencies.

E. Displacement and Relocation

Any activity which would result in the displacement of existing residents, especially low- and/or moderate-income residents is discouraged. If displacement may occur, the applicant must submit, as part of the application for HTF, a plan for providing relocation assistance to the displaced residents. If relocation may occur, you are strongly encouraged to contact the King County Housing Finance Program's Relocation Officer at (206) 263-9105, immediately to discuss project details and determine the relocation plan and process appropriate for your project and funding needs. Relocation costs should be included in the project budget. Projects funded with federal dollars (e.g., CDBG funds) must meet all applicable federal relocation requirements.

F. Criteria for "Out of Cycle" Proposals

Proposals for preservation or land acquisition that are received outside of a normal funding cycle must demonstrate the necessity of obtaining timely financing from ARCH (rather than other interim sources of financing) in order to realize the project opportunity. In addition, applicants must demonstrate project feasibility and a high likelihood of the project being undertaken within five years. Greater consideration will be given to projects in high priority locations that meet multiple public objectives, as well as preservation projects where there is an imminent risk of displacement of low-income households. Applicants that have negotiated favorable acquisition terms will also be more competitive.

## PRE-DEVELOPMENT AND OTHER LOAN FUNDS

### Short Term Predevelopment Loans – Impact Capital

Impact Capital offers a variety of loan products including funds for Phase I pre-development (activities such as preparing site specific funding applications, appraisals, surveys, environmental assessments, preliminary design and legal fees) and Phase II pre-development (for projects that have a funding commitment). Impact Capital also offers funding opportunities for acquisition bridge loans, funds for commercial tenant improvements, lines of credit, construction and the preservation of affordable housing. For more information about Impact Capital's loan products, contact Marcel Neff, VP of Lending, Lending, [marcel@impactcapital.org](mailto:marcel@impactcapital.org) (206) 658-2608, or visit <http://www.impactcapital.org>.

### Acquisition and Other Bridge Financing:

ARCH has invested in the **Regional Equitable Development Initiative (REDI) Fund** and encourages use of that resource for acquisition opportunities near transit. More information can be found at: <https://www.enterprisecommunity.org/financing-and-development/community-loan-fund/redi-fund>.

The Washington State Housing Finance Commission's **Land Acquisition Program (LAP)** offers up to 8-year low-interest acquisition loans to experienced nonprofits. For information on the LAP program see: <http://www.wshfc.org/mhcf/lap/index.htm>.

King County offers low-interest loans up to five years through its **Interim Loan Program**, with priority for projects with at least 25% of the units for homeless households. Additionally, units must be affordable to households at or below 50 percent of area median income, with homeless units to be at or less than 30 percent of area median income. More information can be found at: <https://www.kingcounty.gov/depts/community-human-services/housing/services/housing-finance.aspx>.

Enterprise Community Partners offers a range of financing [products](#) for affordable housing development. The **Capital Magnets Fund** is available in Washington State and provides flexible terms for pre-development, acquisition, construction/equity bridge and mini-perm loans up to 8 years. More information is available at: <https://www.enterprisecommunity.org/financing-and-development/community-loan-fund/capital-magnet-fund>