Multifamily and homeownership\(^1\) Stage 2 Applications are now being solicited by the Department of Commerce (Commerce) for new affordable housing projects seeking capital funding from the Washington State Housing Trust Fund and the Federal HOME or National Housing Trust Fund programs in the 2018 funding round.

This Notice of Funding Availability and Solicitation for Stage 2 Applications (“this NOFA”) is primarily intended for applicants seeking to create new affordable housing units, or to otherwise undertake activities which would result in an increase of the affordable housing stock in Washington State. The awarded projects will be expected to start construction in 2019.

Projects involving rehabilitation of housing stock currently in the HTF portfolio should pursue funding through the Rehabilitation Program (at http://www.commerce.wa.gov/building-infrastructure/housing/housing-preservation-program/).

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\(^1\) Homeownership applications will only be accepted for projects benefitting people/households displaced by a Governor declared natural disaster. See details below.
I. FUNDS AVAILABLE

Washington State Housing Trust Fund: $10 Million (approx.)

The Washington Legislature passed the 2017-2019 Capital Budget on January 18, 2018, which was enacted by Governor Inslee on January 19, 2018, and which gives Commerce the authority to award funds under the HTF program. The HTF was appropriated a total of $110.8 million, of which $67,783,000 was made available for awards to new HTF projects on a competitive basis during the 2017-2019 biennium. The Legislature appropriated these funds for the following specific population categories:

<table>
<thead>
<tr>
<th>Benefitting Population Category</th>
<th>Biennial Available Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons with chronic mental illness, case-managed supportive housing</td>
<td>$24,370,000</td>
</tr>
<tr>
<td>Veterans</td>
<td>$4,341,300</td>
</tr>
<tr>
<td>People with developmental disabilities</td>
<td>$2,170,650</td>
</tr>
<tr>
<td>First-time homebuyers (homeownership projects)</td>
<td>$4,341,300</td>
</tr>
<tr>
<td>Low-income and special needs populations in need of housing, including homeless families with children, homeless youth, farmworkers, and seniors</td>
<td>$32,559,750</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$67,783,000</strong></td>
</tr>
</tbody>
</table>

Commerce awarded approximately $58 million of the $67,783,000 competitive funds in the 2017 Funding Round, which concluded on March 22, 2018.

The remaining approximately $10 million is available to be awarded to multifamily rental projects, in response to this NOFA.

To date, HTF has not met the $24.37 million set-aside for people with chronic mental illness. This 2018 funding round will prioritize the creation of new units that will benefit people with chronic mental illness, families with children, and people affected by homelessness.

Federal Funds – HOME Program: $3.4 Million (approx.)

Approximately $3.4 million is expected to be available in federal HOME funding. Commerce reserves the right to make HOME awards separately or in any allowable combination with state HTF or other federal funds. Given that any application for HOME funds will constitute a Federal Application Nexus (24 CFR 58.30(b)), U.S. Department of Housing and Urban Development’s (HUD) restrictions regarding project activities post-submittal of applications must be observed—in particular, the prohibition on Choice Limiting Actions, per 24 CFR 58.22(a). In brief, the purchase of land or land/buildings, as well as construction activities or the letting of contracts, are all considered to be Choice Limiting Actions. Such actions cannot be undertaken in the period between the application nexus and the issuance of a Release of Funds by HUD following the successful completion of an Environmental Review. Should such actions be undertaken before Commerce receives a Release of Funds from HUD, Commerce would be required to rescind any award of HOME funds that had been made.

HOME funds will only be awarded to new construction multifamily rental projects.
Projects seeking HOME funds must declare their intent to receive HOME funds in their application by checking the appropriate checkbox on the HTF Addendum. Projects not so indicating will not be considered eligible for HOME funds.

**HOME CHDO Reserve**

Commerce will also be seeking to award, to at least one project, its HOME CHDO reserve (approx. $600,000). HUD regulations at 24 CFR 92.300(a)(1) require allocation to projects for which the sponsor has been certified as a Community Housing Development Organization (CHDO).

If the applicant can accept HOME funds AND if the applicant indicates its intent to seek certification for the purposes of the project as a Community Housing Development Organization (CHDO) in their Stage 2 Application (Section 9, Question 20), the applicant MUST fill out and submit a CHDO application to Commerce along with their Stage 2 application materials. The CHDO requirements and application form are found here: [http://www.commerce.wa.gov/wp-content/uploads/2016/06/hfu-chdo-certification-application-2014.docx](http://www.commerce.wa.gov/wp-content/uploads/2016/06/hfu-chdo-certification-application-2014.docx). Per HUD regulations, CHDO certifications are now made at the project level, not at the organization level, hence having been certified as a CHDO for a prior application is NOT sufficient. Also, CHDO certifications from other jurisdictions (i.e., local governments) are not a substitution for the state’s CHDO certification.

**Federal Funds - National Housing Trust Fund: $4.6 Million (approx.)**

Approximately $4.6 million is expected to be available from the National Housing Trust Fund (NHTF). As with HOME funds, Commerce reserves the right to make NHTF awards separately or in combination with state HTF funds. Although NHTF funds are technically not HUD funds (i.e., they are formula-based, not subject to Congressional appropriation, and are derived from GSE volume), the regulations adopted to govern NHTF funds are generally very similar to those covering HOME funds. The NHTF interim rule can also be found at [FR-5246-I-03](https://www.federalregister.gov/documents/2017/07/03/fr-5246-i-03) and at 24 CFR Parts 91 and 93. The same prohibition on Choice Limiting Actions which applies to HOME funds applies to NHTF funds.

NHTF funds will only be awarded to new construction multifamily rental projects.

Only projects or units serving people/households at or below 30 percent of the Area Median Income are eligible for NHTF funds. These awards may be accompanied by operating and maintenance (O&M) assistance, if needed and as funds are available. The O&M funds so awarded would be in addition to the capital investment award – applicants must identify their O&M needs and provide the required information in the HTF Addendum. Any awarded O&M funds will be in the form of an upfront reserve to help cover eligible O&M costs for NHTF-assisted units only, to ensure financial feasibility for their entire affordability period, i.e., spreading the O&M funds over the NHTF minimum 30-year period. More details about how Commerce plans to allocate its NHTF funds can be found at [http://www.commerce.wa.gov/building-infrastructure/housing/national-housing-trust-fund/](http://www.commerce.wa.gov/building-infrastructure/housing/national-housing-trust-fund/).

Projects seeking NHTF funds must declare their intent to receive NHTF funds in their application by checking the appropriate checkbox on the HTF Addendum. Projects not so indicating will not be considered eligible for NHTF funds.
Disaster Displacement Funds: $5 million

The Disaster Displacement funding is a new $5,000,000 set-aside that was appropriated by the 2018 Legislature to the HTF program. These funds will solely be awarded to housing projects that benefit people at or below 80 percent of the area median income who have been displaced by a natural disaster declared by the Governor within the last two biennia, i.e., starting on July 1, 2013. Commerce is interpreting this appropriation to mean that funds are available for projects initiated in response to natural disasters formally recognized by Governor’s proclamations on or after July 1, 2013, and that project applicants must identify which proclamation (and hence disaster) they are associated with. A searchable list of Governor’s proclamations is available at https://www.governor.wa.gov/office-governor/official-actions/proclamations.

Both multifamily rental and single-family homeownership projects will be considered eligible for the Disaster Displacement funds.

See Appendix B for additional details.

II. TIMELINE

<table>
<thead>
<tr>
<th>Event/Deadline</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Applications Solicited (this NOFA)</td>
<td>June 27, 2018</td>
</tr>
<tr>
<td>Application Clarifying Questions and Answers</td>
<td>June 28 – September 12, 2018</td>
</tr>
<tr>
<td>Deadline for Submittal of Waivers</td>
<td>September 12, 2018</td>
</tr>
<tr>
<td>Project Applications Due to Commerce</td>
<td>September 26, 2018, by 5:00 p.m. (PST)</td>
</tr>
<tr>
<td>Applications must be actually received by Commerce, not simply mailed, by this deadline.</td>
<td></td>
</tr>
<tr>
<td>List of Project Applications Received Published on Commerce’s HTF Website</td>
<td>October 10, 2018</td>
</tr>
<tr>
<td>Final Funding Decisions and Awards</td>
<td>December 20, 2018 (approximate date)</td>
</tr>
</tbody>
</table>

Commerce reserves the right to revise the above timeline at its discretion.

III. CONDITIONS OF THIS NOFA

Commerce published a Stage 1 Solicitation for Application in January 2017, in which it solicited Stage 1 applications for both the 2017 and 2018 funding rounds. A Stage 1 application, however, is NOT required for an applicant to submit a Stage 2 application in response to this NOFA. Any eligible organization may submit a Stage 2 application at this time.

In order to be reviewed and evaluated for funding, all project applications must conform to all of the requirements and conditions listed in this NOFA, including the specific evaluation criteria identified in Appendices A and B, as applicable to the project and funding types. If some of the requirements in this
NOFA may appear to be in conflict or supersede the requirements or conditions laid out in the HTF Handbook or in any other HTF documents or materials, the requirements in this NOFA prevail. If in doubt, applicants should contact HTF staff for clarification prior to the September 12, 2018, deadline for questions and answers. Contact information can be found below.

Pre-development and Application Preparation Costs

Completion of a competitive Stage 2 application often requires significant time and expense. Commerce recognizes that applicants may incur costs for preparing for and submitting their Stage 2 applications. While some capital project pre-development costs may be eligible for retroactive reimbursement once a project is awarded and under contract (see Section 202.5 in the HTF Handbook), all Stage 2 applicants should be aware that Commerce cannot be held responsible for pre-development or application preparation costs in response to this NOFA, regardless of whether funding is awarded.

Evaluation Process for Multifamily and Disaster Displacement Applications

Commerce will use similar criteria but different methodologies in reviewing and evaluating the Stage 2 applications, as follows:

- **HTF, HOME, or NHTF**: Multifamily rental projects applying for HTF, HOME, or NHTF will be assessed and priority will be assigned utilizing the framework and evaluation criteria described in Appendix A of this NOFA.

- **Disaster Displacement**: Multifamily rental and homeownership projects applying for Disaster Displacement funds will be assessed utilizing the framework described in Appendix B of this NOFA.

**NOTE**: Homeownership projects will only be accepted for Disaster Displacement fund in this 2018 funding round.

Projects Serving Persons with Chronic Mental Illness

HTF will place a high priority on projects providing case-managed supportive housing that will serve people with chronic mental illness in this 2018 round. Evaluation details are found in Appendix A.

Per RCW 43.185.070 (6), Commerce “may only approve applications for projects for persons with mental illness that are consistent with a behavioral health organization six-year capital and operating plan.”

In addition, the 2017-2019 Capital Budget has additional requirements for any CMI housing funded by the HTF, as follows:

$24,370,000 is provided solely for housing projects that provide supportive housing and case-management services to persons with chronic mental illness. The department must prioritize low-income supportive housing unit proposals that provide services or include a partner community behavioral health treatment provider;

As a result, CMI units funded under this NOFA must include supportive housing and case-management services for residents. Commerce will prioritize low-income supportive housing unit proposals that provide services or include a partner community behavioral health treatment provider.
Applicants for CMI projects will need to provide documentation of the service provision arrangements as follows:

- If the services can and are to be provided by the applicant organization in and of itself, a committed service plan must be provided as an attachment to Section 10 of the application.
- If the services are to be provided by a partnering community behavioral health treatment provider, documentation of the committed partnership must be provided, along with a service plan. Both must be submitted as Attachments to Section 10 of the application.

Projects Serving People with Developmental Disabilities

Applicants who propose to serve persons with developmental disabilities MUST include with their Stage 2 application a letter from the relevant Department of Social and Health Services (DSHS) Regional Office approving the proposed project.

Formal referral agreements with DSHS are preferred but not required at this time. However, they will need to be in place BEFORE contract execution, should a project be awarded funds. More details can be found in the HTF Handbook (Chapter 2, Section 205.7).

Direct Appropriations

In both the case of multifamily and homeownership projects, line item allocations to projects in the State Capital Budget (aka, direct appropriations) will not be counted against the HTF funding limit. Such line items will, however, be counted as HTF funds for the purpose of calculating leverage and HTF Cost per Unit if they are for affordable housing and/or are included in the HTF appropriation (i.e., are not allocated to the project through another Commerce program).

Waivers

In order for applications to be considered for funding, they must meet all of the thresholds identified in the review criteria identified in Appendices A and B. Commerce will exercise its discretion and issue threshold waivers only in rare and extraordinary circumstances. Applicants should note that waivers are the exception, rather than the rule, and consult the HTF Handbook Sections 207.8 and 301.2.1 prior to requesting a waiver. All waiver approvals will be made public.

Waiver requests may be emailed to Corina.Grigoras@commerce.wa.gov no later than September 12, 2018.

IV. GEOGRAPHIC DETERMINATION

The geographic location of a project is important to Commerce, in terms of the HTF statutory requirements for statewide distribution and commitment of 30 percent of funds to rural areas, as well as in terms of which Evergreen Sustainable Development Standard (ESDS) criteria apply to a project. Applicants should consult the definition of “Rural” in the HTF Handbook Glossary to determine which region a project site is located in. If it is not clear whether a project site would be considered Rural or Urban, please contact Commerce for assistance (contact information is provided below).
V. APPLICATION DOCUMENTS AND INSTRUCTIONS

Project Application documents for both homeownership and multifamily projects can be downloaded from Commerce’s Applying to the Housing Trust Fund webpage. The 2018 Project Application materials have been minimally revised for both homeownership and multifamily projects. Applicants should NOT use earlier versions. All applicants, regardless of the funding sources identified above (i.e., State HTF, National HTF, HOME, Disaster Displacement), must use the 2018 HTF Project Application forms.

Please read this NOFA and ALL of the instructions carefully, answer all of the questions in the application forms, and submit all materials as required for your project and its components. Submitting a complete and timely application is a threshold that needs to be met in order for an application to be reviewed and evaluated for funding.

Submittal Requirements

- ONLY electronic submissions of the Application forms and materials will be accepted. To support sustainability in our business practices, hardcopies of the application or materials WILL NOT be accepted by Commerce.
- Applicants must submit all of the application materials electronically on a USB flash drive, CD, or DVD.
- File sharing sites (e.g. Box, Dropbox) are an acceptable alternate method of submittal, however if Commerce cannot access the files uploaded to the site by the deadline, the project will be considered to have not been submitted.
- Application documents are typically too large to be attached to an email, hence it is not recommended applicants attempt to submit their documents via email.

Instructions for file naming and application assembly are provided below. Applications must be submitted per these instructions.

Deliver or mail your completed application to the following address. All applications must be actually received, not simply mailed, by the application deadline in order to be considered.

Department of Commerce
Housing Trust Fund
1011 Plum Street SE
P.O. Box 42525
Olympia, WA 98504-2525

Submittal Deadline

The application and all required supplemental documentation listed in the 2018 edition of the Combined Funders Application (CFA) Table of Contents - HTF Version file must be actually received by Commerce, not simply mailed, by 5 p.m. (PST) on September 26, 2018.

- Applications found to be substantially incomplete will not be reviewed.
- In the case of file sharing websites being used to submit applications, only documents date stamped as having been uploaded prior to the application deadline will be downloaded and reviewed.
• Applications found during review to have omitted key documentation may be afforded the opportunity to submit the documentation, per the process delineated in Chapter 3, Section 303.4 of the HTF Handbook.

Applicants will receive an email confirmation of receipt by 5 p.m. on September 27, 2017. If confirmation is not received within this period, it is the applicant’s responsibility to follow up with HTF staff by emailing Sean Harrington at sean.harrington@commerce.wa.gov. In the event Commerce is not in actual receipt of an application by the deadline, if the applicant can provide proof of a good faith, commercially reasonable attempt to timely submit the application (e.g., a certified mail receipt three or more days prior to deadline), the Application will be accepted. Otherwise, the Application will be determined not timely and will not be reviewed. Please note: this receipt should not be construed as definitive confirmation that all materials have been received. Should Commerce staff find at any point during review that an application appears to have omitted required materials, the process for Omitted Documentation and Missing Information laid out in the HTF Handbook at Chapter 3, Section 303.4 will be followed.

Multifamily Rental Application Components and Assembly

Multifamily rental applications in response to this NOFA must be made using the Combined Funders Application materials specific for multifamily projects.

The multifamily application has five parts, all of which must be submitted for an application to be reviewed by Commerce. Please download the application documents from the HTF 2018 Multifamily Application Documents folder:

1. **Combined Funders Application (CFA) Table of Contents - HTF Version**
   This document contains a comprehensive list of all the narrative sections, Microsoft Excel forms, and attachments required for the Application, as well as affidavits required for Commerce to accept the application.
   Name this file “[PROJECT NAME] – Table of Contents”

2. **2018 CFA Sections (Microsoft Word)**
   This document contains the narrative questions portion of the application. The narrative questions are divided into “Sections.” For example, Section 1 is “Project Summary.”
   Name this file “[PROJECT NAME] – CFA Sections”

3. **2018 CFA Forms (Microsoft Excel)**
   This document contains the non-narrative, numerical data portion of the application. Formulas have been written into the document to calculate necessary values, to reduce the amount of repetitive entry, and to provide consistency checks where hand entry is necessary. To protect these formulas from inadvertent editing, and to maintain a standard layout to facilitate comparative review, the document has been locked.
   Name this file “[PROJECT NAME] – CFA Forms”

4. **HTF Addendum to the Combined Funders Application (Microsoft Word)**
   The HTF is subject to requirements established by the Legislature when considering projects which are not necessarily required by the other funders. The HTF also has established program requirements which may differ from those of other public funders. Please consult with any other
funders from whom you are requesting funds to establish whether they also require the HTF Addendum.
Name this file “[PROJECT NAME] – HTF Addendum”

5. Attachments
All supplemental documents listed in the Combined Funders Application (CFA) Table of Contents - HTF Version document, as appropriate to the project

Observe the following naming and file conventions for attachments:
- Create a separate folder for each part of the application that requires attachments, and name the folder “Tab [1-9] Attachments” as appropriate
- Within each folder, name each attachment file with the name of the document as described on the relevant Table of Contents file.
- 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.
- PDFs should be searchable whenever possible, and should not be submitted “locked.” If this requirement conflicts with the policies of contracted consulting firms (e.g., those engaged to complete Market Studies), please contact Commerce staff directly. Otherwise you may be required to resubmit materials.
- Please create a sub-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.

Homeownership Application Components and Assembly (for Disaster Displacement funds only)

Homeownership applications will be accepted only for the Disaster Displacement funding. These applications must be submitted using the Combined Funders Application specific for homeownership materials.

The homeownership application has five parts, all of which must be completely and timely submitted for an application to be reviewed. Please download the application documents from the HTF 2018 Homeownership Application Documents folder:

1. Combined Funders Homeownership Application (CFA-H) Table of Contents – HTF Version (Microsoft Word)
   This document contains a comprehensive list of all the narrative sections, Microsoft Excel forms, and attachments required for the Application, as well as affidavits required for Commerce to accept the application.
   Name this file “H - [PROJECT NAME] – Table of Contents”

2. 2018 CFA-H Sections (Microsoft Word)
   This document contains the narrative questions portion of the application. The narrative questions are divided into “Sections.” For example, Section 1 is “Project Summary.”
   Name this file “H – [PROJECT NAME] – Sections”
3. CFA-H HTF Addendum (Microsoft Word)
   The HTF is subject to requirements established by the Legislature when considering projects which are not necessarily required by the other funders. The HTF also has established program requirements which may differ from those of other public funders. Please consult with any other funders from whom you are requesting funds to establish whether they also require the HTF Addendum.
   Name this file “H – [PROJECT NAME] – HTF Addendum”

4. 2018 CFA-H Forms (Microsoft Excel)
   This document contains the non-narrative, numerical data portion of the application. Formulas have been written into the document to calculate necessary values, to reduce the amount of repetitive entry, and to provide consistency checks where hand entry is necessary. To protect these formulas from inadvertent editing, and to maintain a standard layout to facilitate comparative review, the document has been locked
   Name this file “H – [PROJECT NAME] – Forms”.

5. Attachments
   All supplemental documents listed in the Combined Funders Homeownership Application (CFA-H) Table of Contents – HTF Version document, as appropriate to the project.

   Observe the following naming and file conventions for attachments:
   - Create a separate folder for each part of the application that requires attachments, and name the folder “Tab [1-9] Attachments” as appropriate
   - Within each folder, name each attachment file with the name of the document as described on the relevant Table of Contents file.
   - 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.
   - PDFs should be searchable whenever possible, and should not be submitted “locked.” If this requirement conflicts with the policies of contracted consulting firms (e.g., those engaged to complete Market Studies), please contact Commerce staff directly. Otherwise you may be required to resubmit materials.
   - Please create a sub-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.

VI. AWARD TERMS

As described in the HTF Handbook (Section 201.4), RCW 43.185.010 directs that the HTF be established as a continuously renewable resource, that the needs of very low-income citizens be given priority, and that, whenever feasible, HTF assistance be provided in the form of loans. RCW 43.185.120 and RCW 43.185A.060 further direct that the state’s interest be protected upon either the sale or change of use of HTF-financed projects. This includes: “(1) requiring a share of the appreciation in the project in proportion to the state’s contribution to the project; (2) requiring a lump-sum repayment of the loan or
grant upon the sale or change of use of the project; or (3) requiring a deferred payment of principal or principal and interest on loans after a specified time period.”

If awarded funds, applicants should be aware that Commerce reserves the right to structure the award as a 1-3% interest amortized or cash-flow loan, or a recoverable grant, or a loan/grant combination. The typical term of an award will be 40 years for projects outside of King County. Projects located within King County, including the City of Seattle, will generally receive awards with a term of 50 years. Commerce also may award federal funds, state funds, or a combination of both federal/state funds to projects (provided the project is eligible for the respective funding sources).

The financing structure of each project will depend on the project type, population served, and the financial underwriting and structure of the project. Underwriting will include a review of the operating pro forma provided with the application and any subsequent updates. At least one update will be required prior to executing the contract, and any significant discrepancies between the application pro forma and later pro formas will need to be explained. The requirements of other funding sources, such as the Low-Income Housing Tax Credit program, may need to be taken into account, as well. In most cases, Commerce will structure awards as loans. Applicants should be prepared to make some payments to HTF. Depending on the project’s pro forma, payments can be amortized principal and interest, cash-flow, or interest-only. When making loans, HTF will negotiate the payment terms, but it is unlikely payments will be fully deferred for the entire term of the loan.

The Disaster Displacement Fund awards will be in the form of recoverable grants, unless otherwise requested by the successful applicants.

The State’s interest in the property will be secured by appropriate collateral and documentation, such as a Deed of Trust, Low Income Housing Covenant (for a minimum of 40 years), and a Promissory Note.

V. QUESTIONS

For questions and additional information about this NOFA or the application materials, please contact Sean Harrington by phone at (360) 725-2995 or by email at Sean.Harrington@commerce.wa.gov. As part of the application process under this NOFA, questions must be submitted no later than September 12, 2017. Note that this also constitutes the deadline for all requests for waivers of any criteria, including waivers of per project and per year funding caps. Commerce will publish, and update as necessary, a questions and answers document on the HTF website at: https://deptofcommerce.box.com/s/pybvyw2wtv89zzb9fy9j7dyt8xz8z4mc
Appendix A:
2018 Multifamily Rental Application Evaluation Criteria

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OVERVIEW AND CONCEPT

The following process and criteria will be used by Commerce to evaluate all Stage 2 multifamily rental applications seeking funds from the Washington State Housing Trust Fund, HOME, or National Housing Trust Fund. **Applications for Disaster Displacement housing (for both multifamily and homeownership projects) will be evaluated using the criteria in Appendix B.**

This evaluation tool is being continuously reviewed and modified by HTF staff to ensure that no unintended consequences negatively or unfairly affect the scoring and ranking of project. The information below details the latest version of the evaluation tool.

The project review process will be broken into three main phases or decision points:

- **Decision Point #1** – Pass Thresholds
- **Decision Point #2** – Set Priorities
- **Decision Point #3** – Assess Project Viability & Coordinate with Funding Partners

Applications fulfilling all thresholds in Decision Point #1, which constitute basic completeness, eligibility and organizational capacity requirements, will be further assessed according to established Priorities in Decision Point #2. Note that it is possible for a project to be discovered not to have passed a Threshold during project review. Should this occur, HTF staff may decide not to further review the application.

Priorities are scored and projects are then separated and ranked in three geographic pools depending on their physical locations—King County, Other Urban, and Rural—so that projects only compete against other projects in their geographic pool. “Rural” and “Urban” are defined in the Glossary of the HTF Handbook. The intent of scoring and ranking is to establish in the most objective way currently available which projects most closely align with HTF’s purposes and priorities. The projects achieving appropriately high scores will then be subjected to Decision Point #3, wherein Commerce will make final decisions after taking into account input from other public funders involved in each project (city, county, and the Housing Finance Commission), and accounting for requirements set out by particular funding sources (e.g., federal funds, including HOME Program and National Housing Trust Fund) or other legislative mandates.

If some of the requirements or criteria below may appear to be in conflict or supersede the requirements or conditions laid out in the HTF Handbook, the requirements in this NOFA prevail. If in doubt, applicants should contact HTF staff for clarification no later than Wednesday, September 12, 2018.

DECISION POINT #1 – PASS THRESHOLDS

In order for applications to be considered for funding, they must meet ALL of the thresholds identified below and in this NOFA.

Commerce will exercise its discretion in issuing threshold waivers only in rare and extraordinary circumstances. Applicants should note that waivers are the exception, rather than the rule, and consult the HTF Handbook (Section 301.2.1) prior to requesting a waiver. All waiver approvals will be made public.
T-1. Timely & Complete Application Submittal

Applications must be submitted by the deadline indicated in this NOFA and must be complete, i.e., the applicant must fill out all applicable sections and attach any required attachments or additional documents at the time of application submittal. Additional information or corrections WILL NOT BE ACCEPTED after the submittal deadline, unless specifically requested by HTF staff (such as clarification on an entry, missing attachment, etc.).

Should an application be found to be incomplete during the review process, review of that application may be suspended. Commerce review staff may then engage the Process for Omissions and Corrections described in Chapter 3, Section 303.4 of the HTF Handbook. Per that process, projects for which requested documents are not forthcoming will be considered “withdrawn” from the funding round.

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

The project must only include activities that are eligible under the HTF legislation and per HTF stated policies (aka the HTF Handbook). Applicants are responsible for ensuring that their application meets this criterion by becoming familiar with Sections 202.2 and 202.5 of Chapter 2 of the HTF Handbook and RCW 43.185.050 and RCW 43.185A.030.

T-3. Eligible Applicant

a. **Eligible:** The applicant must be an eligible applicant per RCW 43.185A.040: “Organizations that may receive assistance from the department under this chapter are local governments, local housing authorities, nonprofit community or neighborhood-based organizations, federally recognized Indian tribes in the state of Washington, and regional or statewide nonprofit housing assistance organizations. Eligibility for assistance from the department under this chapter also requires compliance with the revenue and taxation laws, as applicable to the recipient, at the time the grant is made.”

b. **Experience:** The applicant must have recent and relevant housing development experience OR partner with a developer that has recent and relevant housing development experience. See Chapter 2, Section 206.2 of the HTF Handbook.

c. **Good standing:** The applicant organization must be in good standing with the HTF and Commerce and must be fiscally sound. The HTF asset management team will make this determination based on the applicant’s history with HTF and Commerce (per Chapter 2, Section 206.1.1 of the HTF Handbook). Applicants that DO NOT have a history with HTF or Commerce MUST attach letters of “good standing” from local public funders (city, county) to their Stage 2 submittal, regardless of their organization’s partnering with an experienced housing developer.

d. **Capacity:** The applicant organization must demonstrate financial capacity to perform the proposed activities—both during the completion of development and ongoing operations of the project. The HTF asset management team will make this determination based on the applicant’s audited financial statements and proposed sources and uses statement. See Chapter 2, Section 206.1.2 of the HTF Handbook.
T-4. Amount Requested Per Project/Applicant/Biennium

a. **Per project:** Per Chapter 2, Section 201.3 of the [HTF Handbook](#), the maximum award per a project is $3 million for multifamily rental projects.

b. **Per applicant:** The maximum award per applicant is $3 million per year and $6 million per biennium. For example, if an applicant received $4 million in the 2017 round, it can only apply for $2 million in the 2018 round. Commerce views organizations that share common by-laws, board members (more than 50 percent), and service area as the same organization within their common service area. ([HTF Handbook](#) Chapter 2, Section 201.3).

c. **Funding limit waivers:** Organizations can request a waiver of the per-project and annual per-applicant limit; however, they cannot receive a waiver of the biennial per-applicant limit. Requests must be submitted in writing by the deadline identified in this NOFA. ([HTF Handbook](#) Chapter 2, Section 201.3)

   *Note* that funds allocated directly to a project by the Legislature are not counted against this limit, but will be otherwise factored in to HTF funding decisions.

T-5. Readiness

Applicants should note that awards will be conditional upon construction starting in 2019.

a. **Site:** The project site must be under the control of the applicant, or the applicant must provide evidence in their application that site control can be secured before contract closing, should the project receive HTF funding. Site control is required for all multifamily projects and single-family subdivision developments, but not required for those sites in scattered-site projects that specifically involve acquisition and rehabilitation but not new construction. See Chapter 2, Section 205.3 of the [HTF Handbook](#).

b. **Zoning:** Zoning must be appropriate for the proposed project, or the applicant must provide evidence that appropriate zoning will be achieved before contract closing, should the project receive HTF funding. See Chapter 2, Section 205.11 of the [HTF Handbook](#). This requirement applies to all new construction projects and to scattered-site projects with a new construction element.

c. **Services:** If applicable to the project, a detailed plan for services – including a funding plan that will effectively support the services long-term - must be submitted with the project application. Funding sources need not be Committed, but intended sources must be identified. If the applicant does not provide the services, documentation of a formal partnership (e.g., a *signed* MOU or similar instrument) with a qualified and experienced service provider must be included (see Section 205.7 of Chapter 2 of the [HTF Handbook](#)).

d. **Environmental:** The project site (including buildings for rehabilitation projects) must either have been determined by the required Phase I Environmental Site Assessment (“Phase I”) to have no Recognized Environmental Concerns (RECs) and to not pose an undue risk the health and safety of future residents, OR documentation of a plan for remediation of any RECs must be included. The funds required for remediation must be evident in the project’s Development Budget. Projects involving one or more single-family homes (e.g., single-family homes to be renovated to serve as group homes or adult family homes) are exempt from this Threshold item.

   For projects involving rehabilitation, limited surveys for Mold, Lead Based Paint, and Asbestos must be included as part of the Phase I. If documented to be present, or if presence is determined to be highly
probable, plans must be included (with the Stage 2 application submittal) for the mitigation of each issue.

T-6. Evergreen Sustainable Development Standard (ESDS)

a. **Experience:** The applicant must have prior experience with ESDS OR partner with an experienced party as their ESDS coordinator. In either case, a specific person must be designated and identified in the application as the project’s Evergreen Coordinator, per Chapter 2, Section 207.4 of the HTF Handbook. The person so identified need not be permanently attached to the project.

b. **Minimum standard:** The project must meet the ESDS minimum score, as applicable to the project type. See the ESDS guide. (HTF Handbook, Chapter 2, Section 207.2)

**DECISION POINT #2 – SET PRIORITIES**

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

The Total Project Score a project receives will be based on the ratio of the number of points awarded as detailed below to the maximum number of points applicable to that project. Projects will be ranked only against other projects in the same geographic region category (King, Urban—not King, Rural). Note that HTF is required under RCW 43.185 to strive for a statewide geographic distribution of competitive funds and to allocate 30 percent to rural projects. As such, the highest-scoring (and potentially funded) Rural project may score lower than the lowest-scoring (and potentially not funded) King County project.

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Score Range</th>
<th>Max Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Populations Served</td>
<td>0 to 40</td>
<td>40</td>
</tr>
<tr>
<td>2. Privately Owned Housing Stock</td>
<td>0, 5, or 10</td>
<td>10</td>
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<tr>
<td>3. Need &amp; Local Priority</td>
<td>0 to 15</td>
<td>15</td>
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<tr>
<td>4. Development Costs</td>
<td>0 to 5</td>
<td>5</td>
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<tr>
<td>5. Level of HTF Investment</td>
<td>0 to 15</td>
<td>15</td>
</tr>
<tr>
<td>6. Project Scope &amp; Housing Model (including the homeless service model if applicable)</td>
<td>0 to 15</td>
<td>15</td>
</tr>
<tr>
<td>7. Opportunity Rich Communities</td>
<td>-2.5 to 0</td>
<td>0</td>
</tr>
<tr>
<td>8. ESDS Bonus</td>
<td>0 to 2</td>
<td>2</td>
</tr>
</tbody>
</table>

**Total Maximum Score (if all elements apply)** 102

**P-1. Populations Served: 0 to 40 Points**

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

   - For SIZE: the total number of affordable units (up to 80% AMI) in a project will be compared to the project with the greatest number of affordable units in the overall application pool (i.e. all
of the Stage 2 applications received). Note that beds-only and seasonal farmworker projects are excluded here, and are only compared among themselves.

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

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

**b. 0 to 15 points: Target Populations:** Projects are evaluated according to their target populations in both their size (number of targeted units) and focus (percentage of units targeted). The same “Size” and “Focus” concept (as above) is applied here. The number of targeted units (i.e., all units targeted for a population other than “General”) in a project will be compared to the project with the largest number of units for the target populations in the overall pool (except in the case of Seasonal Farmworker and beds-only projects, as above), as well as the proportion of targeted units within the project.

  - For SIZE: the total number of units for target populations in a project, including those specifically noted by the Legislature in the enacted Budget, will be compared to the project with the greatest number of units so targeted in the overall application pool (i.e., all of the Stage 2 applications received for Multifamily projects). Again note that beds-only and seasonal farmworker projects are excluded here, and are only compared among themselves.

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

    i. HTF has established five population groups, for which each unit present in a project will receive a weighted factor, in the following order from high to low:

      1. People with chronic mental illness
      2. Families with children
      3. People with developmental disability
      4. Other non-general and non-seasonal farmworker populations (e.g., seniors, domestic violence survivors, unaccompanied youth)
      5. General low-income populations
      6. Seasonal farmworker

    ii. The total points allocated in this way will then be compared to the highest score the project could receive based on its total number of Low Income units.

**c. 0 to 10 points: Priority for Chronical Mental Illness and Homeless:**
- A maximum of 5 points will be allocated by giving preference to projects serving people with chronic mental illness (due to the Capital Budget focus\(^1\)). Points will be awarded based on the proportion of low-income units in the project which are targeted to CMI individuals/households.
- A maximum of 5 points will be allocated by giving preference to projects serving people who are homeless at entry\(^2\) (reflecting the State’s priority to reduce homelessness). Points will be awarded based on the proportion of low income units in the project which are targeted to homeless individuals/households.

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

In accordance with [RCW 43.185.070](https://app.leg.wa.gov/billsummary/38/RS/2018/10358/) (4), priority will be given first to projects that are creating new affordable units, or projects that will increase the affordable housing stock in Washington state by bringing existing market-rate stock into the affordable market. Second priority will be accorded to projects that utilize or preserve housing stock currently under a regulatory covenant, and third to projects that utilize or preserve housing stock that is already in the HTF portfolio, as follows:

a. **10 points**: new construction, private property acquisition.

   OR

b. **10 points**: privately-owned housing stock including purchased by a PHA/PDA.

   OR

c. **5 points**: other existing publicly owned housing stock (e.g., preservation of units under a current regulatory agreement/covenant).

   OR

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

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

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

   Any special circumstances, such as evidence of an underserved community, or an urgent situation (e.g., expiring USDA RD project), will be taken into consideration when scoring the need, and may if well substantiated result in an upward adjustment of the points awarded under this criterion. Note that this adjustment will never increase the score for this element beyond 12 points.

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

   • **1 point** if a letter of support from the local public body (i.e., city or county) with jurisdiction over the project’s location is provided with the application.

---

\(^1\) As the various populations have been allocated different dollar values in the Capital Budget appropriation, HTF is interpreting relative dollar amounts as connoting priority established by the Legislature, with the largest focus being placed on people with chronic mental illness.

\(^2\) Homeless at entry is defined as an individual or household moving into the provided housing from an immediately prior status considered as “homeless” under HUD categories 1,3 or 4.
• **1 point** if the applicant demonstrates the project meets a currently defined local priority (e.g., consistent with the comprehensive plan, local resolution, ordinance, etc.).

• **1 point** if, at the time of the application, local public funds (capital and/or services) are already committed/allocated to the project.

**Note**: This support measure is different from the level of public funding evaluation. Full project funding, including local funding commitment, is evaluated under Decision Point #3 below.

**P-4. Development Costs: 0 to 5 Points**

**0 to 5 points**: Cost reasonableness will be evaluated by comparing similar projects, according to the HTF Cost Containment policy described in Chapter 2, Section 2.1.1 of the [HTF Handbook](#). Projects will be assigned a category constructed out of the following elements:

a. **Activity Type**: New Construction (NC) or Rehabilitation (R)

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

b. **Size**: Small (1-25 units); Medium (26-100 units); Large (more than 100 units)

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

c. **Geographic/Market location**: King/Pierce/Snohomish; Other Metro; Non-Metro

   **Note** that this is different from the geographic category structure otherwise used by HTF, with the intent of reflecting the more similar cost structures found in the Greater Seattle/Puget Sound area.

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

\[
TDC_{APU} = \frac{(Total \ Development \ Cost - (Cost \ of \ Land + Capitalized \ Reserves))}{Total \ Units \ in \ Project}
\]

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

Per HTF current policy, in the event that an insufficient number of projects in a category are applied for in the Funding Round to allow for the construction of a reasonable average (this value, n, was established as a minimum of 5), data from up to three previous Funding Rounds will be added. In cases where even this is insufficient to produce a category with an acceptable n value of 5 or higher, the entire sub-section will be discarded and not scored. As a result, the overall project score will be calculated only based on the maximum possible points it could have achieved.
P-5. Level of HTF Investment: 0 to 15 Points

a. **0 to 5 points:** Other funding leveraged by a project is evaluated by comparing it to projects in the same geographic area (King, Other Urban, Rural) and on whether the project is seeking Low Income Housing Tax Credits. This establishes the following “Leverage Categories”:

   a. King County, Non Tax Credit
   b. King County, Tax Credit
   c. Urban (non King-County), Non-Tax Credit
   d. Urban (non King-County), Tax Credit
   e. Rural, Non-Tax Credit
   f. Rural, Tax Credit

Note that the geographic areas used in creating the Leverage Categories are different from those used to create the Cost Containment categories. This is intended to reflect the fact that projects in any urban area are more likely to secure other funds due to increased access to federal and municipal funds, as well as Low Income Housing Tax Credits, regardless of the actual cost to build in the area. The simple leverage of a project (i.e., HTF compared to all non-HTF funds in a project) will be divided by the maximum leverage in its geographic category, with the results multiplied by 5 points.

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

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

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

As with the Cost Containment Categories under P-4(b), in the event that an insufficient number of projects in a category are applied for in the Funding Round to allow for the construction of a reasonable average (this value, \(n\), was established as a minimum of 5), data from up to three previous Funding Rounds was added. It is not anticipated that this section’s method of grouping projects will result in the need to discard it entirely and not be scored. As a result, the overall project score will be calculated only based on the maximum possible points it could have achieved.

b. **0 to 10 points:** HTF investment per unit is evaluated by comparing it to similar projects in the application pool, using the Cost Containment categories (see #4.c. above). The project with the lowest HTF Cost Per Unit (CPU-HTF) in its category will receive 10 points. The project with the highest CPU-HTF in its category will receive 0 points. The rest of the projects in that category will fall in between, proportionally based on their closeness to the minimum CPU-HTF.
**Note:** For both P-5 criteria, the quantity “HTF Funds” will include any line item allocations in a Capital Budget (aka direct appropriations) if they are for affordable housing and/or are included in the HTF appropriation (i.e., are not allocated to the project through another Commerce program).

As with the Cost Containment Categories under P-4(b), in the event that an insufficient number of projects in a category were applied for in the Funding Round to allow for the construction of a reasonable average (this value, \( n \), was established as a minimum of 5), data from up to three previous Funding Rounds was added. In cases where even this is insufficient to produce a category with an acceptable \( n \) value, the entire sub-section will be discarded and not scored. As a result, the overall project score will be calculated only based on the maximum possible points it could have achieved.

**P-6. Project Scope & Housing Model: 0 to 15 Points**

**0 to 15 points:** Department of Commerce staff will use their best professional judgement to evaluate the proposed project’s scope of work and service model, as application to the project. This includes, but is not limited to, the following considerations:

- The degree to which the project is likely to be sustainable for the long-term (i.e., for the 40-year minimum commitment period);
- The appropriateness of the design to successfully support the needs of the population it proposes to serve (e.g., homeless populations, homeless youth, people with disabilities, people with a chronic mental illness, etc.);
- Whether any proposed services and service plans are feasible, sustainable, and aligned with state and federally recognized best practices.
- The Development Budget reflects appropriate levels of fund allocation to project contingencies, replacement reserves, profit and overhead, and developer and project management fees. Applicants are responsible for ensuring that their application meets the requirements in the HTF Handbook, or must clearly explain in their application any exceptions or special circumstances.

For projects that propose to serve homeless populations, including homeless youth, the HTF will seek feedback from the Homeless Assistance Unit and the Office of Youth Homelessness Prevention, both of which are housed at Commerce.


Note that while the policy of the state generally is to encourage the development of Low- or No-Barrier housing, if a project with a more restrictive residency policy is proposed (e.g., “clean and sober” housing), it may still receive a favorable score if the applicant can substantiate it as a necessary part of a continuum of units for persons homeless at entry.

If review staff develop a sufficiently low opinion of a project proposal to justifiably award zero points, an auxiliary review will be triggered. Additional staff members will review the project, and if the group agrees that zero points are justified, that project will be considered ineligible to receive a funding award.
P-7. Opportunity Rich Communities: -10 to 0 Points

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

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

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

c. 0 or -2.5 points (0 points if condition met OR if this does not apply to the project): Project location provides reasonable access to public transportation. For an urban project, this entails availability of bus, rail and/or ferry services within a walkable distance of the project (describe in the Stage 2 application). For a rural and/or tribal project, where standard public transportation may be unavailable or infrequent, provisions must be made (and described in the Stage 2 application) for transportation for residents without their own car beyond transportation to a work site. This may include: vehicle share program, dial-a-ride program, employer vanpool, public–private regional transportation.

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

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

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

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

Note: In future funding rounds, Commerce may penalize an applicant with “negative” points for not having achieved the approved ESDS scores in their previous HTF projects.
DECISION POINT #3 – ASSESS PROJECT VIABILITY & COORDINATE WITH FUNDING PARTNERS

This final step will act as a final threshold and help determine which projects are viable and can be funded. As described above, projects in a given category may be awarded funding even if they have lower scores than projects in another category.

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

E-1. Full Funding Threshold

a. If the project has public local (city, county) or other state (e.g., CDBG) funding, Commerce makes efforts to coordinate with the other public funders, in order to assess local funding priority for the project and to ensure that only fully funded projects move forward. This is to ensure that commitments made by HTF are not made at cross-purposes with local funding sources, nor do they serve to tie HTF funds up for unnecessarily long periods of time in projects that are not fully funded and ready for construction. Funds from other public sources must therefore be committed, awarded, or in-hand at the time of the HTF award (December 2018). HTF will work to the greatest extent possible to make awards aligning with local funding priorities.

b. Furthermore, if a tax credit project, an HTF award will be conditional on an LIHTC allocation in the current round sufficient to complete the project; otherwise, the HTF award may be withdrawn after the LIHTC awards are announced. Commerce coordinates with the Washington State Housing Finance Commission in determining the likelihood for tax credit projects to receive allocations within their respective LIHTC pools. Projects that have a low LIHTC score may be determined to be insufficiently competitive and may be determined not to be ready for HTF funding in this round. Applicants must fill out the LIHTC tab in their Stage 2 application.

c. If the project has no local or other funding (i.e., HTF is the only source), the full funding threshold may not apply. Evidence of local support should be provided in the application and is evaluated in Priority #3 above.

E-2. Other Special Requirements or Priorities

Commerce must allow some flexibility for special requirements or priorities that cannot be scored in the priorities above. Examples may include but are not limited to:

- A project may receive additional priority because it includes an early learning facility, defined as “a facility providing regularly scheduled care for a group of children one month of age through twelve years of age for periods of less than twenty-four hours,” per RCW 43.185.050(3) (amended 2017),

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

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

- A project may receive additional priority to fulfill a federal HOME or NHTF requirement.

- Other requirements that Commerce/HTF may deem necessary during the application evaluation process.
Appendix B:
2018 Disaster Displaced Housing
Application Evaluation Criteria

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OVERVIEW

The 2018 Legislature, in the Housing Trust Fund (HTF) section of the 2017-2019 Capital Budget, appropriated $5,000,000 to Commerce solely for housing projects that benefit people at or below 80 percent of the area median income who have been displaced by a natural disaster declared by the Governor within the last two biennia, i.e., starting on July 1, 2013. Commerce is interpreting this appropriation to mean that funds are available for projects initiated in response to natural disasters formally recognized by Governor’s proclamations on or after July 1, 2013, and that project applicants must identify which proclamation (and hence disaster) they are associated with. A searchable list of Governor’s proclamations is available at: https://www.governor.wa.gov/office-governor/official-actions/proclamations.

Both multifamily rental and single-family homeownership projects will be considered eligible for Disaster Displacement funds.

Conditions for Funding

Submittal requirements
Projects applying for Disaster Displacement funds must comply with all conventional HTF application requirements, unless otherwise noted in this NOFA or the HTF Addendum form. The following conditions also apply.
Displaced households

Documentation must be provided which identifies the housing lost to the declared natural disaster. Property owner names and addresses must be included. The replacement housing value funded by the award being sought should be at a level approximating 1:1.

Dollar limits

The HTF per project cap applies: $3 million for multifamily projects and $600,000 for homeownership projects. As the Disaster Displacement funds were allocated with the intent of providing special assistance, and in recognition of the limited pool of applicants operating in the areas eligible for funding, the HTF’s $6 million per applicant per biennium cap may be waived only for applicants applying for the Disaster Displacement funding. The procedure for seeking waivers described in Chapter 3 Section 301.2.1 of the HTF Handbook must still be followed.

Mutually exclusive funds

Projects applying for Disaster Displacement funds will not be considered eligible for other HTF or HTF-managed Federal funds. This means that a project can either apply to the Disaster Funding OR to any of the other three funding sources described in this NOFA (HTF, HOME, NHTF), but not both. Projects seeking Disaster Displacement funds must clearly indicate, in the relevant section of the HTF Addendum form, that this is their intent.

Award type

The Disaster Displacement Fund awards will be in the form of recoverable grants, unless otherwise requested by the successful applicants.

Retroactive Reimbursement

In observance of the fact that the funds were appropriated in support of rehousing people displaced by natural disasters declared on or after July 1, 2013, HTF will consider awarding funds in support of work that has already been completed. In the case of such retroactive reimbursement, the following conditions will apply:

- The Evergreen Sustainable Development Standard will be considered as not applicable. For this exemption to apply, the project must have received its Certificate of Occupancy (or comparable documentation of the completion of construction or rehabilitation work) prior to July 1, 2018.
- All conventional HTF requirements regarding documentation must be followed to the greatest extent feasible.
- In lieu of the normally-required third party construction cost estimate, a certified final development budget must be submitted.
- Documentation of any other disaster-related assistance received by the project’s planned residents (FEMA payments, etc.) must be provided. Commerce funds cannot be applied to costs already covered by previously disbursed assistance.

Applicants who have questions about the Disaster Displacement funds are encouraged to reach out to HTF staff early in their application process and no later than September 12, 2018 (when the questions and answers period expires). Contact information can be found in the NOFA above.
REVIEW FRAMEWORK - General

All 2018 Disaster Displacement applications for BOTH multifamily and homeownership projects will be reviewed with reference to project scope, identified funding sources, readiness of the project to proceed, completeness and reasonableness of development budgets, and organizational strength and capacity. As with non-Disaster Displacement applications to the HTF, project review will be broken conceptually into three phases or decision points:

- Thresholds
- Priorities
- Project viability and coordination with funding partners

Unlike non-Disaster Displacement applications, HTF reviewers will NOT utilize the numerical scoring tool used for the HTF multifamily projects (described in Appendix A). This decision was made in part due to the uniqueness of the funding source, and in part due to high levels of uncertainty regarding the size and nature of the pool of applications to be received. Applications will receive ratings of High, Medium, or Low based on staff’s best professional judgement and comparison with the other applications in the funding round. Commerce reserves the right to contact the applicants for clarifications, if necessary to compare and evaluate the Disaster Displacement applications.

Note that Commerce is considering the general HTF requirement under RCW 43.185 to strive for a statewide geographic distribution of funds, and specifically to allocate 30 percent to rural projects, as applying to Disaster Displacement funds as well. See the Glossary of the HTF Handbook for the definition of “Rural.” HTF will make a good-faith effort to achieve a broad geographic distribution, but the nature or volume of applications received may have the result that it is not possible to achieve such a distribution.

If some of the requirements or criteria below may appear to be in conflict or supersede the requirements or conditions laid out in the HTF Handbook or in any other HTF materials or documents, the requirements in this NOFA prevail. If in doubt, applicants should contact HTF staff for clarification no later than September 12, 2018 (when the questions and answers period expires). Contact information can be found in the NOFA above.

DECISION POINT #1 – PASS THRESHOLDS

In order for applications to be considered for funding, they must meet ALL of the thresholds identified below and in this NOFA.

Commerce will exercise its discretion in issuing threshold waivers only in rare and extraordinary circumstances. Applicants should note that waivers are the exception, rather than the rule, and consult the HTF Handbook (Section 301.2.1) prior to requesting a waiver. All waiver approvals will be made public.

Timely & Complete Application Submittal

Applications must be submitted by the deadline indicated in this NOFA and must be complete, i.e., the applicant must fill out all applicable sections and attach any required attachments or additional documents at the time of application submittal. Additional information or corrections will NOT be accepted after the deadline, unless specifically requested by HTF staff (such as clarification on an entry, missing attachment, etc.).
Should an application be found to be incomplete during the review process, review of that application will be suspended. Commerce review staff may engage the Process for Omissions and Corrections described in Chapter 3, Section 303.4 of the HTF Handbook. Per that process, projects for which requested documents are not forthcoming will be considered “withdrawn” from the funding round.

**Eligible Activities (Per RCW and HTF Handbook)**

The project must only include activities that are eligible under the HTF legislation and per HTF stated policies (the HTF Handbook). Applicants are responsible for ensuring that their application meets this criterion by becoming familiar with Sections 202.2 and 202.5 of Chapter 2 of the HTF Handbook and RCW 43.185.050 and RCW 43.185A.030.

**Eligible Applicant**

a. **Eligible:** The applicant must be an eligible applicant per RCW 43.185A.040: “Organizations that may receive assistance from the department under this chapter are local governments, local housing authorities, nonprofit community or neighborhood-based organizations, federally recognized Indian tribes in the state of Washington, and regional or statewide nonprofit housing assistance organizations. Eligibility for assistance from the department under this chapter also requires compliance with the revenue and taxation laws, as applicable to the recipient, at the time the grant is made.”

b. **Experience:** The applicant must have recent and relevant housing development experience, or partner with a developer that has recent and relevant housing development experience. See Chapter 2, Section 206.2 of the HTF Handbook.

c. **Good standing:** The applicant organization must be in good standing with the HTF and Commerce and must be fiscally sound. The HTF asset management team will make this determination based on the applicant’s history with HTF and Commerce (per Chapter 2, Section 206.1.1 of the HTF Handbook). Applicants that do not have a history with HTF or Commerce must provide letters of “good standing” from other public local funders (city, county), regardless of their partnering with an experienced housing developer.

d. **Capacity:** The applicant organization must demonstrate financial capacity to perform the proposed activities—both during the completion of development and ongoing operations of the project. The HTF asset management team will make this determination based on the applicant’s audited financial statements and proposed sources and uses statement. See Chapter 2, Section 206.1.2 of the HTF Handbook. For Homeownership projects, the sponsoring organization must be able to pass the HTF Organizational Capacity Assessment (“OCA”) process described in Chapter 7, Section 702.1.1 of the HTF Handbook. HTF will use its discretion in determining the degree to which any single organization will be assessed. For organizations new to the HTF Homeownership program, an onsite assessment may need to be scheduled.

**Amount Requested Per Project/Applicant/Biennium**

a. **Per project:** Per Chapter 2, Section 201.3 of the HTF Handbook, the maximum annual award per homeownership project is $600,000 and per multifamily rental project is $3 million.

b. **Per applicant:** The maximum award per applicant is $3 million per year and $6 million per biennium. Commerce views organizations that share common by-laws, board members (more than 50 percent), and service area as the same organization within their common service area. (HTF Handbook Chapter 2,
Section 201.3). The biennial limit MAY be waived only for organizations applying for the Disaster Displacement housing funds.

c. Funding limit waivers: Organizations can request a waiver of the per-project and annual per-applicant limit; however, they cannot receive a waiver of the biennial per-applicant limit unless it is a request for Disaster Displacement funding that pushes the applicant above the per-applicant limit. Requests must be submitted in writing by the deadline identified in this NOFA. (HTF Handbook, Chapter 2, Section 201.3)

Note that funds allocated directly to a project by the Legislature are not counted against this limit, but will be otherwise factored in to HTF funding decisions.

Readiness

Applicants should note that awards will be conditional upon construction starting in 2019 (unless the project is for reimbursement of costs already incurred—see above). If the following are not applicable to the Disaster Displaced housing project, please explain in the HTF Addendum.

a. Site: The project site must be under the control of the applicant, or the applicant must provide evidence in their application that site control can be secured before contract closing, should the project receive HTF funding. Site control is required at the time of application for single-family subdivision developments, but not required for those sites in scattered-site projects that specifically involve acquisition and rehabilitation but not new construction (including Downpayment Assistance and owner-occupied rehab). See Chapter 2, Section 205.3 of the HTF Handbook.

b. Zoning: Zoning must be appropriate for the proposed project, or the applicant must provide evidence that appropriate zoning will be achieved before contract closing, should the project receive HTF funding. See Chapter 2, Section 205.11 of the HTF Handbook. This requirement applies to all New Construction projects and to scattered-site projects with a New Construction element.

Evergreen Sustainable Development Standard (ESDS) (if applicable)

If the following are not applicable to the Disaster Displaced housing project, please explain in the HTF Addendum. Note that ESDS will only be considered “not applicable” in the case of work already completed.

a. Experience: The applicant must have prior experience with ESDS or partner with an experienced party as their ESDS coordinator. In either case, a specific person must be designated and identified in the application as the project’s Evergreen Coordinator, per Chapter 2, Section 207.4 of the HTF Handbook. The person so identified need not be permanently attached to the project.

b. Minimum standard: The project must meet the ESDS minimum score, as applicable to the project type. (HTF Handbook, Chapter 2, Section 207.2)

c. NOTE: Should an applicant have established a record of delivering projects which fail to achieve the minimum required points for the projects’ types, or in the case of limited-scope projects fail to deliver the alternate point requirement agreed upon, Commerce’s rating of current applications may be negatively impacted.
DECISION POINT #2 – SET PRIORITIES

Projects passing all thresholds under Decision Point #1 above will be further evaluated according to a set of priorities derived from HTF policy. The review will be based on a system of assigning a value of High, Medium, or Low to each project, based on staff’s best professional judgement.

Populations Served

Projects must demonstrate that they will benefit people earning 80 percent or less of the area median income who have been displaced by a natural disaster declared by the Governor within the last two biennia, i.e., starting on July 1, 2013. Documentation must be provided which identifies the housing lost to the declared natural disaster. Property owner names and addresses must be included. Additionally, the HTF has an in-statute requirement to give preference to projects serving “very low income” persons (RCW 43.185.010), which is interpreted as “at or below 30% of Area Median Income.” As a result, projects serving greater numbers of households earning at or below 30% of Area Median Income (AMI) will be viewed more favorably.

Development Costs & Level of HTF Investment

Projects will be compared based on relative cost, as determined based on the pool of applications received.

Project Scope & Housing Model

The evaluation of Project Scope will include an assessment of:

- Whether the project concept is clear, rational and well thought-out.
- Whether the need for the type of housing in the identified project location(s) is well-established.
- Whether the particular model of funding delivery (Downpayment Assistance, Revolving Loan Fund) is appropriate for the identified project location(s).
- Whether the applicant has a proven track record of successfully utilizing the proposed model.

Opportunity Rich Communities

Commerce expects that projects be developed in “Opportunity Rich Communities” to the extent these measures apply to a project (e.g., partnerships with school districts would not be applicable to a senior project). If the measures are not applicable, the project will not be negatively affected in its review. When a measure is seen to be not applicable, the applicant must clearly demonstrate in their application why it does not apply to their project.

a. Project location provides access to employment centers.

b. Project provides employment and training opportunities for disadvantaged youth under a youthbuild or youthbuild-type program, as defined in RCW 50.72.020.

c. Project location provides reasonable access to public transportation.

d. Applicant demonstrates partnerships with school districts.
DECISION POINT #3 – ASSESS PROJECT VIABILITY & COORDINATE WITH FUNDING PARTNERS

This step will determine which projects are viable and can be funded. Full project funding is a last threshold applied at the end of the evaluation process.

**Full Funding Threshold**

a. If the project has public local (city, county) or other state (e.g., CDBG) funding, Commerce makes efforts to coordinate with the other public funders, in order to assess local funding priority for the project and to ensure that only fully funded projects move forward. This is to ensure that commitments made by HTF are not made at cross-purposes with local funding sources, nor do they serve to tie HTF funds up for unnecessarily long periods of time in projects that are not fully funded and ready for construction. **Funds from other public sources must therefore be committed, awarded, or in-hand at the time of the HTF award (December 2018).** HTF will work to the greatest extent possible to make awards aligning with local funding priorities.

b. If the project has no local or other funding (i.e., HTF is the only source), this full funding threshold may not apply.

**Other Special Requirements or Priorities**

Commerce must allow some flexibility for special requirements or priorities that cannot be scored in the priorities above. Examples may include but are not limited to:

- A project may receive additional priority because it includes an early learning facility, defined as “a facility providing regularly scheduled care for a group of children one month of age through twelve years of age for periods of less than twenty-four hours,” per RCW 43.185.050(3) (amended 2017),

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