

RESOLUTION 25 - 2018

**A RESOLUTION ADOPTING A PLAN FOR THE EXPENDITURE OF
PROCEEDS OF A ONE-HALF OF ONE PERCENT REAL ESTATE
EXCISE TAX FOR AFFORDABLE HOUSING**

WHEREAS, the Washington State Legislature adopted RCW 82.46.075 allowing the imposition of an excise tax in support of affordable housing by the county legislative authority after an election approving such a tax; and

WHEREAS, RCW 82.46.075 provides that the tax may only be adopted by counties which have imposed a tax under RCW 82.46.070 at the maximum rate on or before January 1, 2003; and

WHEREAS, San Juan County imposed a real estate excise tax at the maximum amount under RCW 82.46.070 prior to January 1, 2003; and

WHEREAS, RCW 82.46.074(4) authorizes the County Council to adopt a Resolution proposing an excise tax in support of affordable housing prior to action by the voters; and

WHEREAS, the imposition of a real estate excise tax pursuant to RCW 82.46.075 must be approved by a vote of the people at a general election after the filing of a petition proposing the action with the County auditor or by resolution of the County Council; and

WHEREAS, the County Council adopted Resolution 24 - 2018 to submit the additional one-half of one percent excise tax to the voters of San Juan County for approval at a general election; and

WHEREAS, RCW 82.46.075(6) requires the County Council to adopt a plan for the expenditure of the proceeds of the tax at least sixty days before the election is held and to consult with the Town of Friday Harbor and hold at least one public hearing before the adoption of an expenditure plan; and

WHEREAS, the County has consulted with the Mayor and the Town Council of Friday Harbor as required by statute; and

WHEREAS, the County Council held a public hearing on MAY 22 - 2018 to consider the adoption of this resolution for the expenditure of the tax proceeds; and

WHEREAS, all tax funds raised pursuant to RCW 82.46.075 shall be spent in accordance with this resolution, state law and federal law.

NOW THEREFORE BE IT RESOLVED by the County Council of San Juan County, State of Washington, that:

1. The San Juan County 2018 Housing Real Estate Excise Tax Administrative & Financial plan attached as Appendix A is hereby adopted.

ADOPTED this 22ND day of MAY 2018.

ATTEST: Clerk of the Council

COUNTY COUNCIL
SAN JUAN COUNTY, WASHINGTON

Ingrid Gabriel 5.22.2018
Ingrid Gabriel, Clerk Date

Bill Watson
Bill Watson, Chair
District 1

REVIEWED BY COUNTY MANAGER

Michael J. Thomas 5/22/18
Michael J. Thomas Date

Jamie Stephens
Jamie Stephens, Vice-Chair
District 3

RANDALL K. GAYLORD
APPROVED AS TO FORM ONLY

By: [Signature] 5/22/18
Date

Rick Hughes
Rick Hughes, Member
District 2

San Juan County

2018 Housing Real Estate Excise Tax

Administrative & Financial Plan

Program years: 2019-2030

Prepared by San Juan County Health & Community Services Department

Note: Program may be considered by voters in November 2018

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INTRODUCTION

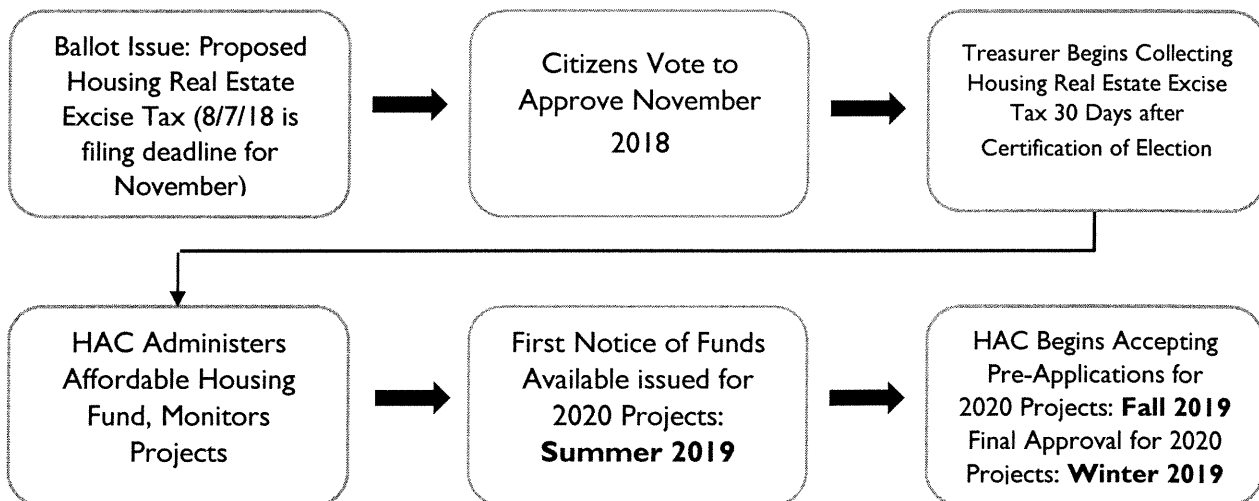
If approved by voters in November 2018, the 2018 San Juan County Housing Real Estate Excise Tax (REET) is projected to generate \$15.2 million over a 12-year period to develop, produce, and/or preserve affordable housing in San Juan County. The Housing REET will be used exclusively for the development of affordable housing including acquisition, building, rehabilitation, and maintenance of housing for very low, low, and moderate-income persons and those with special needs.

If approved by voters, the Housing REET will be authorized for twelve years, from December 2018 through 2030. This REET is enabled by RCW 82.46.075. The Housing REET is not a property tax but rather an additional excise tax on the purchase and sale of real property in the county at the rate of one-half of one percent (0.5%) of the selling price.

Revenues from the REET will be deposited into the Affordable Housing Fund, and the San Juan County Department of Health & Community Services, with oversight, input and direction provided by the County Council, will administer the two programs funded by the REET:

1. The Production and Preservation of Homes Program
2. The Acquisition and Opportunity Bridge Loans Program

Funding applications for these programs will be reviewed by Health & Community Services staff, who will create proposals and recommendations to the Housing Advisory Committee (HAC). The Housing Advisory Committee will review staff proposals and then make recommendations to the County Council. The County Council will then accept or reject Housing Advisory Committee recommendations and award funding to accepted projects. The County Council has final decision-making authority and reserves the right to reject any and/or all proposals.



Ordinance _____, passed by County Council on _____, placed the Real Estate Excise Tax proposition on the November ballot. San Juan County Health & Community Services staff were directed to prepare a REET Administrative and Financial Plan (A & F Plan) covering the period beginning in January 2019 through 2030. The A & F Plan includes the funding plan for the REET and policies governing administration of REET programs, and serves as the expenditure plan referenced in San Juan County Code 2.27.080.

The Housing REET A & F Plan must be approved by County Council, with such modifications as the County Council may require. The A & F Plan was developed by Health & Community Services with the input and assistance of working groups including the Housing Advisory Committee (formerly the Housing Bank Commission), Department of Community Development, the County Manager's office, housing provider representatives, and other interested community members.

Program Funding Plan

All revenues collected from the REET will be deposited in to the Affordable Housing Fund. All tax revenues shall be administered by San Juan County as part of the Affordable Housing Fund, and spent in accordance with RCW 82.46.075 and as authorized by an approved budget ordinance. Expenditures shall not exceed receipt of REET revenue nor will the County award funds based on expected revenues. The cost of administering the Affordable Housing Fund shall be minimized as much as possible. Yearly administration costs shall not exceed ten percent (10%) of revenue.

REET revenues in the Affordable Housing Fund shall be disbursed through a competitive grant and loan process to eligible recipients as defined in RCW 82.46.075. All grants and loans funded by the Housing REET revenue shall be used to support the development of affordable housing for individuals with very low, low, and moderate incomes as defined by San Juan County Code 2.27 and those with special needs.

Reporting

The Housing Program Coordinator, on behalf of the Housing Advisory Committee, will present an annual program progress and performance report to the County Council. Draft and final reports will be widely circulated to citizens and stakeholders interested in housing and use of the housing REET revenue. The Annual Report will include, but not be limited to, the following:

- Accomplishments/production, including actual unit production compared to goals;
 - Production & Preservation of Homes -- units funded and funding reserved for those units, location of funded projects; income targets and length of affordability ensured; units completed and occupied;
 - Acquisition & Opportunity Loans – loans approved along with loan amounts and due dates, loans repaid, and projected units assisted.

- Financial information -- funding received and committed; loans approved, including terms and anticipated revenues; grants approved; financial leverage for the current period and cumulatively;
- Demographic and income characteristics of households and persons benefitted from each REET program, including affordability levels served that identifies actual accomplishments with annual goals and REET funding requirements;
- High Resolution photos documenting each project funded;
- Any additional information that the Housing Advisory Committee or County Council requests to be included.

Affordable Housing Fund Priorities

Implementing the Affordable Housing Fund requires an ability to have effective priorities and goals, but also requires an understanding that there are preferences when it comes time for resource allocation. The County shall seek to provide a wide variety of housing types and tenancy options, as well as balancing housing needs among various islands based on their population, demographics and needs.

In developing programs, the County shall place a high priority on programs and projects that benefit full time residents of the County, with an emphasis on providing housing for households who will help diversify the County's economic base and provide a more balanced, year-round economy.

In order to maximize the effectiveness of projects funded by the Housing REET, projects shall be given priority that (in no particular order):

- Meet the standards and goals identified in the Notice of Funds Available (NOFA);
- Provide durable housing that is cost effective and financially viable;
- Are sponsored by a nonprofit organization(s) that have demonstrated ability, stability and resources to implement project and steward affordability in the future;
- Provide perpetual affordability as defined in San Juan County Code 2.27;
- Leverage support from other sources, including private donations, private investments and other grants and/or loans. In order to leverage the limited funding available from the Housing REET and to achieve the greatest possible overall impact in meeting the County's Housing needs, funds awarded for any project shall generally constitute a minority share of proposed total project costs;
- Promote the development of a continuing local capability to construct and maintain affordable housing by using local developer, builders, subcontractors, suppliers and workers; and
- Contribute to countywide efforts to end homelessness by providing housing that serves individuals and families who are homeless or at risk of homelessness.

The San Juan County Affordable Housing Strategic Action Plan was adopted by the San Juan County Council in Resolution 13-2017 on March 21, 2017. That document identified specific housing priorities for San Juan County. These priorities shall be reviewed annually by the County Council and updated as needed with recommendations from the Housing Advisory Committee. The six priorities identified in the Strategic Action Plan were:

- Long-term Rentals; Serving individuals making between \$15 - \$20/hour; Rent Range \$680 - \$940/month;
- Long-term Rentals (studios & one-bedroom units); Serving individuals with limited or fixed incomes; Rent Range \$0 - \$680/month;
- Long-term Rentals; Serving Individuals making over \$20/hour; Rent Range \$940 - \$2,000;
- Short-term, Reduced Amenity Housing (e.g. dorms, studios, shared occupancy); Serving Seasonal Temporary Worker; Rent Range \$400 - \$500/month;
- Homeownership; Price Range \$80,000 - \$275,000; and
- Housing with Supportive Services (e.g. Transitional or Group Housing).

Production and Preservation of Homes Program

The Production and Preservation of Homes Program would fund the development and preservation of affordable rental and ownership housing in San Juan County. Projects must comply with the County's Comprehensive Plan including sub-area plans, and maintain affordability restrictions for a minimum of 30 years with the highest preference given to projects that are perpetually affordable as defined by County code.

The Housing Advisory Committee may consider proposals for ownership, cooperative, leasehold, rental and other forms of home tenancy. The Commission may consider proposals for apartments, condominiums, duplexes, modular and manufactured housing, mobile homes, congregate care housing, single-family detached housing, tiny homes and other types of housing suitable to meet local needs. In accordance with the County's Comprehensive Plan, the County will not directly develop, own or operate housing units. However, this will in no way prevent the County from developing public/private partnerships to utilize County assets (land, etc...) to develop affordable housing.

The following objectives will guide the Production and Preservation of Homes Program:

- Provide a mix of affordable rental and ownership housing, consistent with Affordable Housing Fund affordability policies, promoting housing opportunity and choice throughout the County;
- Work collaboratively with other funders of affordable housing, and ensure that the greatest number of quality affordable housing units are preserved or produced each funding round;

- Promote cost-effective sustainable design, construction, and rehabilitation of affordable housing;
- Promote the development of housing that is sited in Urban Growth Areas and close to basic services;
- Promote the development and preservation of housing that is energy efficient, resulting in the reduction of resources and costs to low-income households;
- Promote preservation of affordable housing, and prevent displacement of low-income residents, through purchase and rehabilitation of existing housing;
- Promote the production and preservation of owner and renter-occupied housing with an emphasis on allowing seniors to age in place, the disabled to improve mobility and accessibility, and islanders to stay in their homes; and
- Promote development that advances the Goals of the Housing Element in the County Comprehensive Plan.

Program Policies

A. Affordability Requirements

All construction or acquisition projects funded by the Affordable Housing Fund must demonstrate site control to maintain affordability restrictions for a minimum of 30 years. Projects that maintain perpetual affordability as defined by San Juan County Code 2.27 will be given the highest preference.

B. Eligible and Ineligible Activities and Costs

Program funds shall be used exclusively for the development of affordable housing including acquisition of land or existing housing, new development and production, rehabilitation, and maintenance of housing for very low, low, and moderate-income persons and those with special needs. Funds may be used to finance entire developments, individual units, or residential portions of a development.

1. Eligible costs

Eligible costs may include, but are not limited to:

- Appraisals
- Architectural/engineering/environmental/geotechnical fees
- Capitalized Operating Reserves
- Capitalized Replacement Reserves
- Closing costs
- Construction, including sales tax
- Contingency (budget only, must be supported by eligible costs)
- Developer and Public Funder fees with a capped allowed percentage
- Environmental Assessment
- Financing fees

- Hazardous materials abatement
- Impact Fees
- Inspections
- Insurance
- Interest
- Option costs
- Permits
- Professional Fees
- Project Funding Sign
- Purchase price
- Reimbursement of authorized pre-development costs
- Relocation
- Street Frontage Improvements
- Surveys
- Title insurance
- Utility Hook Ups

2. Residential spaces

Program funds may be used to fund housing units, residential spaces, and common areas to the extent they serve the very low, low, or moderate-income housing and not other uses. Examples where program funds could be used include:

- Areas for cooking, eating, bathing
- Building Lobby
- Areas for resident use such as television or reading rooms
- Corridors, stairwells, storage areas
- Management and service office space that is accessory to the housing
- Spaces used for on-site social services

Examples of where program funds cannot be used include:

- Lawns or landscaping, except as needed to repair or establish grounds following construction or re-habilitation
- Fireplaces and/or wood stoves
- Furniture
- Detached greenhouses
- Central vacuum systems
- Hot tubs or spas
- Portable appliances

C. Non-residential portions of mixed-income or mixed-use developments

Program funds can be used for projects that combine affordable rental housing with market-rate units and/or commercial spaces. However, costs associated with market-rate units or commercial spaces are not eligible for Program funding.

Recipients must document that Program funding is attributable to eligible residential spaces and that costs of other parts of the project are paid by funds eligible for that purpose. Where it is impractical to segregate costs between Program-funded units and other portions of a mixed-use project, the Housing Program Coordinator or designee may permit such costs to be pro-rated between Program funding and other funding sources based on a reasonable formula.

In order to facilitate development of the eligible residential spaces, the Housing Advisory Committee may allow Program funds to be disbursed for the full amount of a shared cost item if:

1. Documentation is provided prior to expenditure of Program funds that assures sufficient funding from other sources will be provided prior to project completion equal to the full amount allocable to such space; and
2. The final cost certification confirms the allocation of appropriate non-Rental Housing Program funds for such spaces.

Project Requirements

A. Eligible Recipients of Grants and Loans

Through the Housing Advisory Committee selection process, priority will be given to applicants that have demonstrated ability to develop, own, and/or manage affordable housing. Applicants that do not have previous experience in these areas will be expected to propose an appropriate relationship with an entity that does have this experience. The Housing Advisory Committee will evaluate the experience of an applicant's development team, management team, Executive Director, staff, and Board of Directors to determine there is sufficient capacity to develop, own and operate housing on a long-term basis.

RCW 82.46.075 establishes who are the eligible recipients of grants and loans from the Affordable Housing Fund: "Eligible recipients of grants and loans from the account shall be private nonprofit, affordable housing providers, the housing authority for the county, or other housing programs conducted or funded by a public agency, or by a public agency in partnership with a private nonprofit entity."

Eligible Recipients are:

1. Nonprofit agencies: Eligible nonprofits must have a charitable purpose. The Housing Advisory Committee's preference is to provide funding to nonprofit recipients that have established housing as a primary mission. Private nonprofit agencies will be required to submit articles of incorporation and an IRS letter as proof of nonprofit status.
2. Housing Authorities.
3. Private for-profit affordable housing providers: Eligible for-profits must have experience developing, owning, and managing multifamily rental housing. Private for-profit firms may include partnerships between one or more firms, such as a building contractor and a property manager. Private for-profit firms may also partner with nonprofit or public agencies as needed to provide sufficient capacity to develop, own and operate housing on a perpetually affordable basis.
4. Public Agencies: Housing programs conducted or funded by a public agency including San Juan County, or a public agency in partnership with a private nonprofit entity.

B. Cost-effective long-term investments

Proposals for quality affordable housing must demonstrate a cost effective, sustainable investment of public funding. Following are minimum requirements:

1. Land acquisition costs must be justified and represent a competitive market price and land must either be held in trust or be otherwise deed restricted for the length of the proposed affordability requirements for the project.
2. Design must clearly promote efficient use of space and utilities.
3. Per-square foot and per-unit costs should reflect current market trends or below for the type of housing being produced.
4. Low per-square-foot land acquisition costs should not be sought at the expense of considerable site work challenges.
5. Fees for contractors and professional services must be competitive and consistent with any applicable prevailing wage laws.
6. Unnecessary costs are avoided.
7. Projects that utilize renewable energy will be given priority.

C. Maximizing production and preservation

The County strives to leverage non-county resources for capital, operating, and supportive services to the greatest extent possible. Health & Community Services staff works collaboratively with other funders of affordable housing including, but not limited to: the Washington State Housing Trust Fund, the Washington State Housing Finance Commission, and private lenders. Health & Community Services and grant funding recipients are expected to maximize these capital resources to ensure that the greatest number of quality affordable housing units are preserved or

produced by the public funders each funding round, consistent with adopted priorities and affordability requirements for the Affordable Housing Fund and other housing fund sources.

Affordable Housing Fund dollars should not be used to replace housing for low and moderate-income households that is to be demolished as part of a housing project, unless the Housing Advisory Committee determines the housing is nearing the end of its useful life and would be more cost effective to replace than to renovate, or replacement facilitates a net gain in the number of low-income housing units.

D. Construction Requirements

Health & Community Services staff strives to ensure fair contracting methods and competitive pricing in the construction of affordable housing.

Health & Community Services staff reserves the right to review and approve all bid documents. Recipients remain responsible for the compliance of all documents, plans and procedures with all applicable laws, regulations, codes, contracts and funding requirements.

Recipients shall meet the following minimum construction requirements:

1. Competitive selection of contractors

Recipients must competitively select their contractors unless recipient serves as their own contractor. If the recipient is not serving as their own contractor, recipients must propose a competitive process and the recipient shall submit a summary of their proposed competitive selection process. Health & Community Services staff reserves the right to review and approve the process prior to implementation.

2. Contracting types & project delivery methods

Recipients may propose to use a Cost Plus a Fee with a Guaranteed Maximum Price, a Stipulated Sum contract, or an alternative contract type to the County in their applications. Health & Community Services staff reserves the right to review and approve contract type and construction delivery methods. If requested by Health & Community Services staff, the construction contract with the general contractor and any amendments to the contract shall also be submitted to Health & Community Services staff prior to execution.

3. Construction management

Applicants shall provide adequate in-house or contracted construction management. Applicants proposing to manage their own construction projects must demonstrate sufficient capacity to the County. Such applicants must have prior experience managing a construction project and have staff available to coordinate necessary work. In addition, the scope of work should appropriately match the agency's construction management experience and staff expertise.

4. Wages

State Residential Prevailing Wage Rates shall be the minimum rates applicable to all non-exempt projects funded by the Production and Preservation of Homes Program, unless a higher minimum rate applies or an exception is made under this section. When federal funds require prevailing wages determined under the Davis-Bacon Act in a project, the higher of either the State Residential Prevailing Wage Rates (unless modified as stated below) or Davis-Bacon wage rates will apply to each job classification, unless applicable law requires otherwise. In cases where Davis Bacon wages are triggered, Davis Bacon monitoring procedures are followed instead of County monitoring procedures.

5. Apprenticeship programs

Recipients are encouraged to require contractors to participate in State-approved apprenticeship or intern programs.

6. Project labor agreements

Applicants who demonstrate to the County's satisfaction that use of a project labor agreement would be beneficial for project development may require a project labor agreement.

7. Washington State Evergreen Sustainability requirements

All County-funded Production and Preservation of Homes Program projects must follow the Washington State requirements for Evergreen Sustainable Development Standards, where applicable. Details are available through the Washington State Department of Commerce(<http://www.commerce.wa.gov/Programs/housing/TrustFund/Pages/EvergreenSustainableDevelopment.aspx>).

Project Selection

A. Notice of Funds Available

At least once every two years, Health & Community Services will issue a Notice of Funds Available (NOFA) for the Production and Preservation of Homes Program. The NOFA will provide application requirements, details on specific fund sources available, application forms, and deadlines. Minor deficiencies and clarifications may be corrected during the review process. Incomplete applications will be withdrawn from consideration.

B. Application components

Applications will follow the Washington State Combined Funders format. Applications will, at a minimum, contain the following:

1. Project description: location, number of units, rent levels, need, and special characteristics.
2. Recipient capacity in the development, ownership, and management of affordable housing and capacity to serve the focus population.
3. Tenant profile: a description of proposed and existing tenants and their needs, household size, and estimate and source of tenant income.
4. Evidence of site control: In addition to fee simple ownership, site control could be achieved with an option to purchase, an earnest money agreement, or a lease (or option to lease) with a minimum term of 30 years. The County will consider projects where the underlying ownership is through a real estate contract if the contract holder subordinates his/her interest to the County loan or if there is adequate provision for the applicant to discharge the underlying contract and obtain fee title. The County may consider proposals and reserve funding for projects prior to site control, but evidence of site control must be established prior to County funding of any activities.
5. Appraisal: If the project involves acquisition, an appraised value based on the highest and best use at the time of site control will be used to assess whether or not a fair price is paid for land, including any structures. Project applicants should make acquisition offers subject to verification by appraisals acceptable to the County.
6. Construction description: Proposed contractor selection plan; scope of work; outline specifications; cost estimates; contract type and project delivery method; plan to satisfy Evergreen standards; reports and evidence of pre-permit meeting from the County's Community Development Department.
7. Project schedule
8. Land use: Evidence that the Land use designation will permit the proposed project at the time of application.
9. Phase I site assessment including asbestos/lead paint/hazardous materials survey—a survey to identify the presence and amount of asbestos/lead paint and/or any other hazardous materials or underground tanks within the building or elsewhere on site and a description of proposed abatement measures. A Phase II assessment will be required if recommended in the Phase I.
10. Development budget and proposed sources
11. Relocation Plan, if applicable
12. Operating Pro Forma (for rental housing only), including 15 year operating Pro Forma with proposed rents and required rental assistance or operating subsidy; taxes, insurance, utilities, salaries, management fees, replacement and operating reserves, maintenance supplies and services.
13. Support services: budget and support services plan, if applicable.
14. Community Notification: description of a community notification process and any results at time of application and plans for additional notification activities. Proposal must describe how community issues or concerns raised will be addressed.

15. Consistency with Comprehensive Plan: demonstration for how the project meets the needs, priorities, goals, strategies and outcomes in the San Juan County Comprehensive Plan.

16. Mechanism to maintain affordability: copy of lease or deed restriction.

The County shall model its required applications to resemble the Washington State Housing Trust Fund application. Examples of the Housing Trust Fund application can be found here:

<http://www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/applying-to-the-housing-trust-fund/>

A specific application will be developed for programs that provide rehabilitation and/or weatherization for eligible projects.

C. Proposal review

Funding applications will be reviewed and evaluated in detail by Health & Community Services staff based on the Affordable Housing Fund Priorities, Production and Preservation of Homes Program objectives, San Juan County Code 2.27.130, and additional criteria published in the NOFA. Health & Community Services staff will work closely with any other public funders that have been requested to fund each project. San Juan County may collaborate with other public funders on proposal evaluations and financing strategies that meet the requirements of each fund source to maximize the number of affordable housing units that may be produced and/or preserved each funding round.

A project application will be evaluated in the following manner:

1. Health & Community Services staff will evaluate eligibility and prepare initial recommendations based on the merits of the proposed projects, whether the project meets the priorities, goals and strategies of the County's Comprehensive Plan, this A & F Plan and the NOFA, and the overall mix of projects funded by the County.
2. Housing Advisory Committee will review staff proposals and present their recommendations to the County Council.
3. County Council will decide whether or not to award funding after considering the HAC recommendations. The County Council has final decision-making authority and reserves the right to reject any and/or all proposals.
4. County Council shall award funding and enter or authorize contracts or agreements to be executed as needed.

D. Fund reservation

The Housing Program Coordinator reserves funds for each project selected by the County Council after the applicant provides information about fund source requirements, funding levels, and conditions that must be met prior to closing. Fund reservations are not binding on the County until contract documents are negotiated and signed by both the County Council and the applicant.

After fund reservations are announced, the Housing Program Coordinator may reduce or revoke funding to any project based on a decrease in costs from the preliminary cost estimate submitted in the application or a failure to meet funding conditions such as:

- Failure of the applicant to obtain other funding;
- Noncompliance by the applicant with County policies;
- Determination of inaccuracies in the information submitted;
- Increased costs or other factors affecting feasibility;
- Results of environmental or other reviews; or
- Failure of the applicant to agree to grant or loan conditions.

If a project continues to be eligible for Affordable Housing Fund funding throughout the development process, the County will take into account, in considering any reduction in a funding award, whether it would eliminate the project's ability to utilize another critical funding source. The County Council may also increase funds to a project after initial funding decisions are made if reasonably necessary to assure success of the project or maximum public benefit, based on new information not available at the time of the initial decision.

Management and Operations

Good management is critical to the overall success of projects. Grant recipients will be required to submit a management plan to the County for approval.

A. Management plan

Management plans should include the following:

1. Occupancy standard (# of persons per unit) that is consistent with Federal, State or County Fair Housing standards;
2. Rent standard (household income and rents) that complies with contract restrictions.
3. A management philosophy that is appropriate for the target population;
5. Roles and Responsibilities of key staff and contracted management;
6. Maintenance Plan including a schedule of routine and preventative maintenance; a schedule of inspections; and the long-term maintenance plan;
7. A Capital Needs Assessment (CNA) that includes a 20 year schedule of major replacements with a corresponding schedule of replacement reserve account deposits;
8. Budget: Annual projection of income, expenses, capital improvements, and reserve accounts; and
9. Operating Policies and Procedures for the following management functions, at a minimum:
 - a. Leasing: referrals, screening criteria, selection, income qualification, and a copy of the lease or program agreement;

- b. Rent: Rent collection, deposits, late payments, addressing damage to units, rent increases;
- c. Management of tenant files and records;
- d. Work order and repair process;
- e. Unit turnaround: filling vacancies;
- f. Building security and emergency plan;
- g. Community education and involvement plan for addressing complaints or issues raised by tenants and neighbors about the building or tenants; and
- h. Long-term affordability or stewardship plan.

10. Management plans for special needs housing and housing with support services should also include the following:

- a. Description of service support program to be provided to tenant households including funding commitments and contracts;
- b. Identification of key staff roles and responsible related to service delivery including written agreements that describe relationships with other agencies;
- c. Involvement of tenants in project governance and house rules; and
- d. Description of performance or outcome measures.

B. Tenant income and rent requirements

Tenants must be income qualified prior to move in or prior to County funding for acquisition of occupied units. A maximum restricted rent is established for each housing unit, no higher than Affordable Rent for the income eligibility category and based on the number of bedrooms.

Where an existing, occupied project is acquired or rehabilitated with Production and Preservation of Homes Program funds, the Housing Advisory Committee may waive the unit affordability restrictions for existing over-income tenants. However, the County may require as a funding condition that units occupied by such tenants will be rent-regulated under a Regulatory Agreement with the County when occupancy changes. The County will use the Washington State Housing Finance Commission schedule of maximum rents and income level served for San Juan County to establish income and rent limits. The schedule is available at:

<http://www.wshfc.org/limits/map.asp>

C. Floating units

The County may approve a "floating unit" regime that allows affordability levels in specific units to change so long as the total number of units at each affordability level in the development is maintained.

Project Monitoring

Recipients must report on the status of their projects each year by March 1st, or on an alternative date if agreed to by the county upon reasonable advance notice. Health & Community Services staff will coordinate its monitoring, site visits and inspections with other funders to help reduce administration time and disturbance to residents. Recipients will submit written reports on a combined funders' annual report form. If the project receives state or federal funds, Health & Community Services shall accept state or federal reports as part of the project monitoring. The County shall model its monitoring requirements on state monitoring guidelines.

Health & Community Services staff ensures quality management of the County's investment by evaluating the following (Project-specific requirements will be included in grant and/or loan documents.):

1. Sound fiscal health: The grant recipient and its managing member when applicable are in sound fiscal health.
2. Management Plan: The project is operated according to the agency's original or amended management plan.
3. Affordability: Recipient must comply with affordability requirements including tenant income determinations and rent levels and perpetual affordability.
4. Physical conditions: The Property is maintained in good and tenantable condition and repair that ensures safe, secure and sanitary conditions. Spaces must be used for their intended purposes (housing units, common areas, storage, accessibility etc.). The project's sustainable 'green' features are maintained and operating as designed.
5. Long-term replacement needs and capital improvements are adequately planned for and completed on schedule according to capital needs assessment (CNA) schedule of replacements. Preventive maintenance and repairs are completed according to maintenance plan and schedule.
6. Sound project fiscal management: The project is operated according to sound fiscal management practices, and all reserves, taxes, utilities and debt service including any amounts due to the County are paid on schedule and reported as required.
 - a. Revenue management: The recipient collects rents in a timely manner and in a way that ensures adequate income to the property; ensures compliance with contracts for operating subsidy and rental assistance.
 - b. Expense management: The recipient manages expenses by re-evaluating and re-procuring goods and services from time to time.
7. Community relations: The housing project is a good neighbor, which is measured by good maintenance, street appearance, and responsiveness to neighborhood concerns and complaints.

The Housing Advisory Committee will provide a performance letter each year to all recipients specific to their projects that have at least one full year of operation. The performance letter will

summarize the Commission's review of compliance and performance in the areas described above, and identify any findings or concerns that require action by the grant recipient, including a timeline for response. Recipients are expected to respond and resolve outstanding issues in order to maintain good standing.

A. Remedy for Non-Compliance

Failure to satisfy the requirements outlined in the performance letter may result in a determination by Health & Community Services that the grant recipient is not in good standing and affect future County funding awards.

Specific remedies for non-compliance shall be determined during contract negotiations; however, San Juan County reserves the right to recapture the grant award amount plus a proportional share of the appreciated value of the property in the event that a grantee is materially out of compliance with the negotiated contract during the term of commitment.

Acquisition & Opportunity Bridge Loans

Acquisition & Opportunity (A & O) Bridge Loans are made with Affordable Housing funds that are not yet needed for other Affordable Housing Fund programs. These loans are intended as only short-term uses of other program funds.

A & O Loans are intended to provide short-term funding (up to 5 years) to permit strategic acquisition of sites for low-income housing development. These loans are expected to be repaid with permanent project financing, which may be from either County or non-county funding sources. Loans are intended to facilitate development of rental or homeownership housing consistent with the objectives and priorities of the REET Production and Preservation of Homes and Homebuyer programs. The Housing Advisory Committee is encouraged to work with other funder organizations to implement the A & O Loan program.

The Housing Advisory Committee will give priority when selecting projects to receive A & O Loans to proposals that meet the following criteria:

- The applicant demonstrates that the project takes advantage of a low acquisition cost, and that short-term acquisition financing is critical to achieving cost savings, and/or;
- The project leverages or demonstrates a high likelihood of leveraging significant funding for housing development, operations, and/or services, or project-related infrastructure investments, which may be lost without the availability of short-term acquisition financing.

In addition, the program will give preference to projects that develop affordable housing through acquisition and rehabilitation of existing buildings.

Program Policies

The A & O Loans must be used for site acquisition, which includes the acquisition of improved or unimproved property, or both, to assist in the development of low-income rental or homeownership housing. Once completed, the housing development must provide affordable housing consistent with affordability and other guidelines for the Production and Preservation of Homes or Homebuyer Assistance program.

A. Notice of Funds Available

Due to the limited amount of funding available, a Notice of Funds Available (NOFA) for A & O Loans is not required. Agencies interested in an A & O Loan should contact Health & Community Services staff to identify whether funds are available. The County Council has the discretion to award funding subject to the program policies and Affordable Housing Fund requirements. A & O Loans may be made only when, in the judgment of the County Council, there is a high likelihood that permanent financing for eligible low-income housing will be available on acceptable terms before the loan maturity date.

B. Eligible Borrowers

To be eligible for an A & O loan, the borrower must meet all eligibility requirements for the County Production and Preservation of Homes including the eligibility requirements of RCW 82.46.075(2). In addition, borrower must have successfully developed and operated at least three affordable housing projects; be in good standing on any County loans; and have demonstrated capacity to secure permanent financing for the proposed project before the loan maturity date.

C. Loan Rate and Term

The interest rate on A & O Loans shall be no less than 1% simple interest. Accrued interest shall be paid in full when the loan is repaid. The Housing Advisory Committee will establish a procedure for determining A & O loan interest rates at least annually.

The maximum term of an A & O Loan shall be 5 years.

Program Definitions

In general, the following terms shall have the following meanings unless the context otherwise clearly suggests a different meaning:

"Affordable rent" means annual rent and tenant-paid utilities on an affordable unit cannot exceed 30 percent of the imputed limit under which the household would qualify. Rents are based upon the number of bedrooms in the unit and an assumption of 1.5 persons per bedroom, regardless of the number of persons renting the unit. Rents are based on the income level committed to the affordable unit and are not calculated on the actual income of the household.

The County updates rent schedules annually based on changes to the Area Median Income (AMI) as determined by HUD.

Example: An affordable unit is designed to serve households at or below 50% Area Median Income (AMI). A prospective tenant's anticipated income is 45% AMI. The maximum rent charged for the tenant's unit is based on 50% AMI, the targeted income level. This ensures the project owner that rental income will be stable and not change with the income of each new tenant.

While an Owner may charge rents lower than the maximum allowed, actual rents, including utility allowances, may never exceed the maximum allowed Affordable Rent.

"Extremely low-income" means income not exceeding 30% of AMI as defined by HUD.

"Household" means a single person, family or unrelated persons living together.

"Low-income" means income exceeding 50% of AMI, but not exceeding 80% of AMI as defined by HUD.

"Low-income housing" means housing that will serve "low-income households."

"Median income", often referred to as "Area Median Income (AMI)", means annual median family income for San Juan County, as published from time to time by the U.S. Department of Housing and Urban Development (HUD), with adjustments according to household size in a manner determined by the Director, which adjustments shall be based upon a method used by HUD to adjust income limits in subsidized housing, and which adjustments for purposes of determining affordability of rents or sale prices shall be based on the average size of household considered to correspond to the size of the housing unit (one (1) person for studio units and one and a half (1.5) persons per bedroom for other units).

"Moderate-income" means income exceeding 80% of AMI but equal to or less than 115% of AMI as defined by San Juan County Code 2.27.

"Perpetual affordability" means housing that through legal restriction is pledged to remain affordable for each purchaser for a minimum of 99 years for households earning an annual income equal to or less than 115 percent of the San Juan County median income. Legal restrictions to enforce perpetual affordability include (This definition is pending an update to San Juan County Code):

1. Continuous ownership of the land and structure by a public agency or nonprofit housing provider;
2. Continuous ownership of land by a public agency or nonprofit housing provider with a renewable land lease allowing ownership of the structure by an eligible household;

3. A deed restriction, easement, restrictive covenant, resale or rental restriction, or other contractual agreement that assures affordability as defined above. (Ord. 3-2006 § 3; Ord. 20-2002 § 3)

"Rent" means all amounts charged for the use or occupancy of the project (whether or not denominated as rent or constituting rent under state law), plus a utility allowance for heat, gas, electricity, water, sewer, and refuse collection (to the extent such items are not paid for tenants by the owner).

"Site acquisition" includes the acquisition of interests in land or in improvements to land, or both, and may include repayment of fund sources initially used for acquisition.

"Very low-income" means income exceeding 30% of AMI but not exceeding 50% of AMI as defined by HUD.