

## Tacoma Affordable Housing Developer Application 2016 Frequently Asked Questions

### 1.

- Q) Is it safe to assume that the letter from DSHS is more geared toward projects serving the developmentally disabled?
- A) Yes, a letter from the Department of Social and Health Services must accompany all applications for rental projects that serve the developmentally disabled or other special needs populations. This letter is only needed if your project is being built or rehabilitated with the intention to serve these populations.

### 2.

- Q) What kind of approval is needed to comply with the requirement for an “approval letter from the DSHS regional office” and how should the letter relate to the project?
- A) This letter is only needed for projects that are built or rehabilitated with the intention to serve developmentally disabled or special needs residents. The letter should indicate that the regional DSHS office has approved the proposed project and executed a referral agreement. The agreement demonstrates that DSHS has ensured that the project’s residents will meet the eligibility requirements of the DSHS programs for the developmentally disabled or the special population being served by the project.

### 3.

- Q) What is the DSHS regional office? Who would produce the approval letter?
- A) The DSHS regional office refers to the Department of Social and Health Services regional office. This is the organization that would provide the DSHS letter needed for projects that will serve developmentally disabled or special needs residents. Tacoma is located in Region 3. The regional office is located at 1305 Tacoma Ave. S., Suite 300.

### 4.

- Q) What are you looking for on the requirement for the “services licensing documentation”?
- A) Some projects may include services offered to the developmentally disabled or other special needs populations. When such services are included in the project and when local or federal regulations call for the service provider to be licensed, documentation of that licensing must be submitted with the application.

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### 5.

- Q) What does the RSN stand for and who do I contact about it?
- A) The reference to the Residential Services Network (RSN) is outdated and was mistakenly included in the NOFA instructions. The NOFA should have referenced the Tacoma/Lakewood/Pierce County Continuum of Care and the Continuum's Plan to End Homelessness. Pierce County's Community Connections department may be contacted for more information on the Continuum and the Plan.

### 6.

- Q) The yellow colored cells in the Tacoma Addendum titled "Site Information Form" appear to be linked back to a 'Combined Funders Forms 2015.xlsx' workbook. Is the addendum file supposed to be linked to the 'Combined Funders Application-Forms.xlsx' workbook instead? Or, can we just input the project information into the addendum file?
- A) The Tacoma addendum titled "Site Information Form" is not intended to be linked to any other documents, including the 2016 Combined Funders Application- Forms workbook made available in the current application process. The project information should be inputted into the addendum, which is a stand-alone document.

### 7.

- Q) Our projected timeline for financing, based on our initial pre-pre-development work was to go in for stage 1 Housing Trust Funds (HTF) next year, and Low Income Housing Tax Credit in January of 2018. One of the consultants we were working with suggested we apply for TCRA funding in this application round, since the timing of this application isn't such that if we applied next year we would be able to show the commitment of match for the 2017 HTF of local funds until after the HTF application is due. However, the selection criteria states that the "project must document community acceptance and/or involvement," which we have a plan for but have not implemented this early. And, "project must demonstrate the ability to have completed within 1 year...all financing in place" which we clearly will not.

Given our projected timeline for these various financing streams, but also the need for match for HTF, is it reasonable to apply now, or are these parameters that are stated ones that would make an application from us at this time ineligible? It is a complicated enough process that we do not want to devote the large amount of time and resource it takes to do this if we aren't even eligible in the first place.

- A) Tacoma awards its affordable housing funds using a competitive application process. The funds we use to finance affordable housing projects are primarily HOME funds, which require that we commit and disburse the funds within a certain timeframe. Federal regulations prohibit TCRA from committing its funds via a legally binding written agreement until the project can demonstrate it has secured all its financing for all phases (acquisition, construction, permanent financing) and has completed pre-development work, environmental reviews, bid preparations a construction timeline, etc. Because TCRA risks losing our HOME funds if we cannot follow the

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commitment and disbursement timeline we tend to award funds to projects that will have all their financing in place within 12 months. A project that will not meet the commitment and disbursement timeline will not fare well in Tacoma's competitive application process.

The City and TCRA acknowledge that affordable housing developers have expressed a desire to see Tacoma's application released earlier in the year so as to increase chances of being awarded HTF monies and tax credits. TCRA expects to release its 2017 application for affordable housing funds earlier in the year in an attempt to be responsive to the affordable housing community's needs. It has not yet been determined exactly when the application will be released.

### 8.

- Q) My evidence of site control is a warranty deed. Is an appraisal going to be required for this application?
- A) If a current appraisal (within 6 months) providing the project's value after construction or proposed rehabilitation is available it should be submitted with the application. This is the preferable option. If a current appraisal is not available it will be required prior to closing on the loan. The bank (construction lender) will also require that an appraisal is provided and there may be an opportunity for TCRA to use the same appraisal supplied to the construction lender. In this type of situation TCRA has the ability to make a conditional award subject to receipt of an appraisal ordered by the construction lender.

### 9.

- Q) How does the project demonstrate it is consistent with the City's Generalized Land Use Plan (See Section VIII(5) of the NOFA)?
- A) Projects should be consistent with the City's existing land use regulations and with One Tacoma, the City's Comprehensive Plan. The comprehensive plan guides Tacoma's development over the long term. The plan can be found [here](#). More information about land use in Tacoma is provided on the City of Tacoma's [Planning and Development Services web page](#).

### 10.

- Q) Phase 1 Environmental Study (pg. 8): If an ESA Phase 1 study is not included in the application, how soon would one have to be completed?
- A) The TCRA prefers to receive the Phase 1 Environmental Study with the application. If that is not possible the project must provide a timeline for receiving a Phase 1 Environmental Study. Proof of this study is needed before TCRA can perform an Environmental Analysis (EA), which typically takes 60-90 days to complete. While the TCRA can provide an award subject to the completion of a Phase 1 and subsequently an EA, it will not commit any funds to the project until both reviews are completed. *\* Please note a Phase 1 is required for multi-family projects that consist of four or more units and subdivision developments.*

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### 11.

- Q) Interest Rate and Payment(s): Does TCRA have a preference for funds repayment? Also, what will be the interest rate charged? Or is repayment left up to negotiations with the City on a deal-by-deal basis?
- A) TCRA provides funding for affordable housing projects in the form of a loan. The term and interest rate of the loan will vary from project to project and is largely influenced by cash flow of the project. In general, an affordable housing loan does not typically have an interest rate exceeding 3%.

### 12.

- Q) Tenant Notifications (pg. 11): We have site control, but do not own the property. NOFA requests a Rent Roll from 6 months prior to application. Is this needed and must it be included with the application? I suppose we can provide to the extent we can obtain from the current owner?
- A) If any residential or commercial tenants are located at the site, appropriate tenant notification must be given before an application will be considered for funding. Projects that include acquisition and rehabilitation are strongly encouraged to submit with the application a current rent roll detailing the occupants of the property in the six months prior to the project's application. TCRA encourages you to contact the current owner and request this information.

### 13.

- Q) Other Federal Requirements (pg. 12): Will we be required to meet Davis-Bacon requirements?
- A) It's difficult to say for sure without knowing more about the number and type of units of the project and without performing a subsidy layering review. In general, Davis Bacon prevailing wage requirements are triggered when a project consists of 12 or more HOME assisted units.

### 14.

- Q) Construction Lending, including Contingency (pg. 13): We typically budget a 10% contingency for our rehab. projects and this has been acceptable to both our lenders and investors. Is a waiver possible to lower the rehabilitation contingency rate from 15% to 10%?
- A) You may include a 10% contingency rather than a 15% contingency if the reason for the lower contingency rate is explained within the application. One area to explain the lower contingency is on form 8D: Operating Pro Forma in the Additional Comments section. *\*Please note TCRA calls for a 15% minimum contingency for rehabilitation projects only. New construction projects call for a 10% minimum contingency.*

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### 15.

- Q) Operating Reserves (pg. 14): Typically, tax credit investor will require that we fund a 6 month reserve. NOFA requests a 3 month reserve AND annual funding of the reserve to maintain a 3 month reserve as expenses increase over time. Since we are showing a 6 month reserve, can we forego showing the annual deposits as the Operating Reserve will be funded at a level twice the TCRA requirement?
- A) Yes, the project can forego showing an annual reserve deposit as long as the project illustrates it will maintain at least a 3 month reserve for the life of the project and the reserve will grow in direct relation to the operating expenses. *\*Please note operating reserves do not apply to homeownership projects.*

### 16.

- Q) Replacement Reserves (pg. 14): If the CNA produces a per unit deposit less than \$350/unit for new construction projects will that be acceptable, given that the new construction minimum replacement reserve is \$350 per unit per year?
- A) Yes, that is acceptable. We acknowledge that the Capital Needs Assessment will provide an expert opinion on the project. *\*Please note replacement reserves do not apply to homeownership projects.*

### 17.

- Q) Management Plan (pg. 18): We have a question on the following statement: *“The Plan must include a three-year operating budget for the applicant.”* Does this apply to the operating budget for 1) the property, 2) Management Agent, or 3) Sponsor?
- A) The three-year operating budget is a component of the management plan. The management plan should take into consideration the tenant selection plan, on and off-site management, facility maintenance and other basic elements of a management plan. As such, a three-year operating budget should be provided for all parties that will be involved in the ongoing operations of the project. *\*A management plan is not required for homeownership applicants.*

### 18.

- Q) Management Plan (pg. 18): We have a question on the following statement: *“The Plan must include evidence of insurance for the applicant.”* Does this apply to 1) the property, 2) Management Agent, or 3) Sponsor?
- A) Evidence of insurance should be provided for all parties who are included in the management plan and expected to play a role in the ongoing management of the project. *\*A management plan is not required for homeownership applicants.*

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### 19.

Q) Our project consists of new construction, but we do not yet have a management plan in place. Where should this be address in the application?

A) This should be noted in the Combined Funders Application- Section document under the Property Management header that starts at page 13 and where applicable on Tab 9 Forms.

### 20.

Q) Construction Cost Estimate (pg. 18): Can the Construction Cost Estimate be provided by the Capital Needs Assessment provider?

A) Yes.

### 21.

Q) Based on the Combined Funders Application, we will need an ESA Phase I and a market study?

A) Yes, this is correct if your project is a multi-family project consisting of four or more units or development of a subdivision.

### 22.

Q) We are trying to get a market study scheduled now that we have site control. Per the NOFA it appears the market study is a threshold item. Is that correct or could the market study be submitted at a later date?

A) If the project consists of new construction a market study must be provided with the application. If the project is a rehabilitation project and the site is currently occupied a market study is needed before the TCRA will commit funds.