



DRAFT Affordable Housing Fund

Administrative and Financial Plan

2024 Plan adopted _____

BACKGROUND

In January 2016, following eight months of discussion by the City of Vancouver's Affordable Housing Task Force, City Council reviewed several recommendations to address Vancouver's lack of affordable housing options. Creating a locally controlled affordable housing fund was identified as the first high priority option to move forward in 2016.

After exploring potential revenue sources for an affordable housing fund, a property tax levy was identified as the most practical and timely option. The State of Washington allows cities to enact a property tax levy for affordable housing if such a measure is approved by a majority of voters (RCW 84.52.105).

In November 2016, Vancouver voters passed a levy to raise \$42 million over seven years (\$6 million per year) for affordable housing and services available to very low-income residents. This Administrative and Financial Plan lays out objectives for the Vancouver Affordable Housing Fund and describes how funds will be managed and spent.

Initially, state law required that all funds must serve very low-income households, defined as earning up to 50% of area median income (AMI). In October 2020, the legislature amended RCW 84.52.105 to allow levy funding to be used for affordable homeownership, owner-occupied home repair, and foreclosure prevention programs for low-income households, defined as those earning up to 80% of area median income.

In 2022, Vancouver reviewed the outcomes of the initial AHF levy as well as the ongoing need for affordable housing. City Council recommended placing a renewal levy on the ballot for voters to consider in 2023. This proposed administrative plan will be reviewed and approved by council and published for public feedback prior to the ballot initiative. This Administrative and Financial plan will be fully implemented in 2024 if the levy renewal is passed by voters.

Funding allocations and anticipated outcomes are attached to this plan. Allocation amounts may change from time to time based on need, community input, and council approval. This Administrative and Financial Plan may be updated as needed with review and approval of City Council.

PROGRAM OBJECTIVES

Four primary objectives guide implementation of the Vancouver Affordable Housing Fund. The City will strive to:

- Create and preserve affordable homes for residents earning 50% AMI or less; promoting housing opportunity and choice throughout the City.
- Contribute to efforts to end homelessness by providing housing and services for individuals and families who are homeless or at risk of homelessness.
- Collaborate with nonprofit and for-profit developers and agencies to promote a variety of housing choices, including units in mixed-income developments.
- Leverage City investments with other funding sources to maximize the number of quality affordable housing units that are created or preserved each funding cycle.

LEVY AMOUNT, TAX RATE, AND DURATION

The renewed levy will generate \$100 million over 10 years (\$10 million annually) for Vancouver Affordable Housing Fund projects. Collection of levy funds will begin January 1, 2024 and will continue through December 31, 2033.

The amount of funds to be collected is capped at \$10 million annually for the 10-year period. As the city's assessed value changes due to shifts in property values or the number of taxable properties in Vancouver, the levy rate will also change to generate \$100 million during the 10-year period. For example, if there is an overall increase in property values, the rate charged to each property owner would adjust downward accordingly.

Taxes collected for the Vancouver Affordable Housing Fund will be held in a dedicated account that is separate from the City's general fund. The money may be spent only on eligible uses and cannot be diverted to cover other City expenses.

ELIGIBLE FUND USES

The Vancouver Affordable Housing Fund may only be used to serve households at 50% AMI or below. Collected funds will be deposited into a restricted account that can only be used for housing and services for this population.

The City will provide funds to community partners (for-profit and nonprofit developers, property owners and housing/service providers) for acquisition, construction, and preservation of affordable housing and homeownership assistance to low or very low-income households. The money will also support temporary shelter, housing and services for people who are homeless or at risk of becoming homeless.

The Vancouver Affordable Housing Fund may be used for the following activities:

Housing Production and Preservation for Units Affordable to Tenants with Very Low Income (50% AMI)

- Funding for construction of new affordable rental housing
- Funding for acquisition of land or property for affordable housing development
- Incentives to property owners to convert existing market-rate units to affordable units
- Funding to rehabilitate existing affordable housing to correct health, safety and livability problems
- Funding for publicly subsidized projects (e.g., tax credit project) with expiring affordability periods to ensure continued affordability

Rent Assistance and Housing Services for Households Earning Very Low Income (50% AMI)

- Funding for rental assistance and housing stability services. Assistance may include rent, rental arrears, application fees, security deposits, utilities in conjunction with rental assistance, and housing stabilization assistance (costs related to obtaining or maintaining employment to remain stably housed). Households will receive a vulnerability assessment; households that are homeless or have a very high risk of becoming homeless will be prioritized for assistance.

Temporary Shelter

- Funding to service providers to build, maintain, and/or operate shelters serving people who are homeless
- Funding to service providers for motel voucher programs that provide temporary overnight shelter

Homeownership Assistance for Households Earning Low Income (60% AMI)

- Funding for homeowners to make basic repairs and accessibility improvements
- Funding for development or acquisition of single-family homes affordable to people with low income
- Funding for foreclosure assistance to homeowners with low-income

Implementation

Resources for staff to develop contracts, manage the program and conduct compliance monitoring.

HOUSEHOLD ELIGIBILITY

Households assisted through the Affordable Housing Fund must be residents of Vancouver or experiencing homelessness in Vancouver prior to assistance. This residency restriction applies to any type of housing assistance.

Household Income

In accordance with RCW 84.52.105, the Affordable Housing Fund will be limited to serving households with low or very low-income. State law defines very low-income as earning up to 50% of area median income (AMI) and low income as earning up to 80% AMI. **Although the RCW allows up to 80% AMI eligibility for homeownership, the City of Vancouver is limiting assistance to households at 60% AMI for homeownership assistance.** Income limits by household size are provided annually by the U.S. Department of Housing and Urban Development. Income limits are provided online at: <https://www.cityofvancouver.us/eph/page/affordable-housing-fund>.

Income Determination

Households must disclose all income sources. Adequate documentation must exist on file to support the household's income eligibility. In addition, the following conditions apply:

- **Housing Production and Preservation (50% AMI):** Household income eligibility must be determined at the time of leasing and annually thereafter. If a household is over the maximum income upon review, the next available unit in the property must be rented to an income-eligible household.
- **Rent Assistance and Housing Services (50% AMI):** Household income eligibility must be determined before assistance is provided and every 90 days thereafter. If a household is over the maximum income upon review, housing assistance through the Affordable Housing Fund must be terminated.
- **Temporary Shelter (50% AMI):** Household income eligibility of each household must be determined prior to placement in shelter.
- **Homeowner Assistance (60% AMI):** Household income eligibility must be determined prior to assistance and at time of purchase commitment. If the home is sold during the Affordable Housing Fund affordability period, subsequent buyers must be income-eligible at the time of purchase.

FUNDING PRIORITIES

Several higher-need populations exist among Vancouver's very low-income households. To best meet the needs of these residents, the Vancouver Affordable Housing Fund will prioritize projects and programs serving:

- Senior households (must include one or more individuals age 62 or over);
- People who are homeless;
- Families with children; and
- People with special needs, including but not limited to:
 - Individuals with disabilities;
 - Individuals with mental, physical or behavioral health issues;
 - Survivors of domestic violence; and
 - Veterans.

UNIT ELIGIBILITY

All units created or assisted with Affordable Housing Fund must be located within Vancouver city limits. This includes rental assistance and temporary shelter assistance.

Housing Production and Preservation

Units must be located in Vancouver city limits. The monthly rent for designated Affordable Housing Fund units must not exceed what is affordable to households at 50% AMI according to the rent limits provided by the Washington State Housing Finance Commission. The 50% AMI rent limits are updated annually and include utilities. The Vancouver Housing Authority's utility allowance rates shall be used to calculate any tenant-paid utilities. Depending on resources, Washington State Evergreen Sustainable Development Standards (ESDS) may be required. ESDS contains criteria that safeguard health and safety, increase durability, promote sustainable living, preserve the environment, and increase energy and water efficiency.

Rent Assistance and Housing Services

Units must be located in Vancouver city limits. The Affordable Housing Fund will contribute no more than 100% of fair market rent (FMR), based on the appropriate unit size for the household, unless an exception to FMR is requested and approved by the program manager. Fair market rents are updated annually by HUD and rent limits include utilities. The Vancouver Housing Authority's utility allowance rates shall be used to calculate any tenant-paid utilities.

Temporary Shelter

Shelter sites must be located in Vancouver city limits.

Homeownership Assistance

All homes purchased or assisted will be within Vancouver city limits. Homeownership assistance is only available to households who earn less than 60% AMI. For homebuyer assistance, the maximum purchase price shall be the HUD HOME limits for affordable single-family housing based on 95% of the median purchase price for the area using FHA single-family mortgage data. HUD updates the maximum purchase price annually. When feasible, homeowner assistance may include energy efficiency improvements at low or no cost to homeowner.

GEOGRAPHIC FOCUS

The program is not targeted to specific neighborhoods. Funds will be available to housing projects located within the city limits of Vancouver and to programs serving Vancouver residents. See Household Eligibility and Unit Eligibility for requirements.

AWARD PROCESS

Awards will be allocated through an annual application process. The process may be managed in combination with the Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) awards. Applications may be provided on a rolling basis in future funding rounds.

ELIGIBLE COSTS

Funds will generally be disbursed on a reimbursement basis for eligible costs, including but not limited to:

- Appraisals
- Architectural fees
- Case management to stabilize residents
- Closing costs
- Construction, including sales tax
- Development fees and permits
- Engineering fees
- Environmental assessments and fees
- Professional services
- Purchase/acquisition
- Rental assistance
- Housing stabilization assistance
- Inspections and surveys
- Insurance
- Interest
- Financing fees
- Rent buy-down
- Replacement reserves

ELIGIBLE FUND RECIPIENTS

Through the City selection process, priority will be given to applicants with a 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.

Eligible recipients include:

1. Nonprofit agencies: Eligible nonprofits must have a charitable purpose. The City's preference is to provide funding to nonprofit borrowers 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. Any corporation, limited liability company, general partnership, joint venture, or limited partnership created and controlled by a nonprofit or public corporation to obtain tax credits or for another housing-related objective approved by the City.
3. The Vancouver Housing Authority (VHA).
4. Private for-profit firms/property owners: Eligible for-profits must have experience developing, owning, and managing multifamily rental housing. Private for-profit firms can 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 long-term basis.
5. Homebuyers/homeowners: Homeowners or homebuyers with low-income must access assistance through programs operated by the City, or through a nonprofit or other housing agency contracted with the City.

AWARD LIMITS

Award limits are based on the type of unit assisted and shown in the table below. These limits also determine the number of units subject to continuing compliance with Affordable Housing Fund requirements throughout the affordability period. Housing Production and Preservation awards must be at least \$250,000 unless otherwise approved by the City's Chief Financial Officer.

Project Type	Per Unit Funding Limit
50% AMI rental unit production	\$75,000
50% AMI rental unit preservation	\$40,000
30% AMI rental unit production	\$105,000
30% AMI rental unit preservation	\$55,000
Group home/shared living per bed	\$25,000
Temporary shelter production or preservation per bed	\$25,000
60% AMI homeowner/buyer assistance per household	\$50,000

AFFORDABILITY PERIOD

The standard affordability period for Affordable Housing Fund units and shelter construction is 20 years, starting from the construction completion date. The start and end of the affordability period will be specified in the funding agreement, deed of trust, and/or affordable housing covenant. During the affordability period, housing must remain affordable to households with low or very low-income subject to compliance requirements.

Use of Program Income

Sale of a project during the affordability period requires City consent. Loan payments to the City will be returned to the Affordable Housing Fund. Payments will be reallocated to eligible housing activities or used for ongoing implementation costs to administer and monitor the fund according to priorities established in the current Administrative and Financial Plan.

FINANCING METHODS

Affordable Housing Fund financing may be provided as grant funding or as a low-interest loan.

Housing Production and Preservation

Financing for rental housing production and preservation will be provided as a grant unless the project requires a loan; loan terms will be approved by City Finance. All projects will be subject to an underwriting review prior to contracting. Financing terms and project requirements will be specified in a funding agreement, affordable housing covenant, promissory note and deed of trust.

Rental Assistance/Housing Services and Temporary Shelter

Funding for rental assistance and services, as well as temporary shelter, will be in the form of a grant. Specific project requirements will be detailed in a funding agreement.

Homeownership Assistance

Assistance to homeowners or purchasers will generally be provided through a contracted agency with specific funding and loan terms dependent on program design. The 20-year AHF affordability period applies to homeownership and will be specified through the homeowner agreement, deed of trust and affordable housing covenant recorded against the property. Homeownership projects will also be subject to underwriting review.

TIMELINES

Projects must be in construction within 24 months after receiving an award of the Affordable Housing Fund dollars. Projects that do not meet this timeline will lose the award. No extensions of awards will be granted.

MONITORING

Projects will be subject to initial and ongoing monitoring to ensure that all Vancouver Affordable Housing Fund dollars are being used to assist eligible households. Monitoring may include on-site inspection, file review and tenant or program reporting.

Following project completion, Housing Production and Preservation projects will be monitored on an annual basis to ensure continued affordability and habitability. Property owners will report unit and tenant information in a format acceptable to the city.

PLAN AMENDMENTS

The Vancouver Affordable Housing Fund Administrative and Financing Plan will be monitored and updated as needed. All changes will be approved with consultation of Vancouver City Council.

REPORTING

Annual program reporting will be provided by city staff no later than March 31st of each year, covering activity for the previous calendar year, as well as cumulative performance of the AHF levy.

The annual report will include accomplishments for each type of assistance:

Housing Production and Preservation

- units completed and awarded
- total AHF funding
- total leveraged funding
- populations served by projects

Rental Assistance and Housing Services

- number of households provided housing assistance and success at stabilizing households
- income and demographics of assisted households

Temporary Shelter

- number of shelter beds supported with operating subsidy
- number of new or rehabilitated shelter beds
- number and demographics of people served by shelter assistance

Homeownership

- number and value of rehabilitation loans approved
- number and value of homebuyer loans approved
- income and demographics of assisted homeowners

Implementation costs

ALLOCATION PLAN AND PROGRAM GOALS

The City anticipates serving approximately 560 households annually. This number does not include additional units that may be created by leveraging Affordable Housing Fund investments with other funding sources.

The following table outlines the proposed allocation of funds among eligible uses and estimated number of units and households assisted. If the pool of applications in an annual award cycle does not support this funding breakdown, allocations may be shifted between uses as appropriate. City Council will review and approve all awards made through the Affordable Housing Fund.

Anticipated goals are based on historic costs per outcome.

2024 AHF Allocations and Goals

<i>Eligible Use</i>	Annual Allocation	Anticipated Annual Goal	Total Funding (%)	10-Year Outcomes
<i>Housing Production/Preservation</i>	\$6M	80 direct units 240 leveraged units	60%	2,400 units
<i>Rent Assistance & Housing Services</i>	\$2M	250 households	20%	2,500 households
<i>Temporary Shelter</i>	\$1M	55 beds	10%	550 beds
<i>Homeownership</i>	\$500,000	15 households	5%	150 households
<i>Implementation</i>	\$500,000	--	5%	--
TOTAL	\$10M	560		5,600