



Affordable Housing Fee-In-Lieu (FIL) Fund Administrative Plan

Fee-In-Lieu Calculation and Collection

To be eligible for the City’s Multifamily Tax Exemption (MFTE) program, new developments are required to provide an affordable housing or ownership benefit. A builder may opt to provide a minimum of 20% of total units produced as affordable to households earning up to 80% of the median family income (MFI) based on household size as provided by the Department of Housing and Urban Development (HUD). These units will be income-restricted and rent controlled during the exemption period and rent increases are restricted for an additional five years after expiration of exemption.

Developers can also participate in the MFTE program by agreeing to pay a fee-in-lieu of providing affordable units. The fees that developers pay for the tax exemption vary based on Target Area and project density. The amount of fee-in-lieu is based on the projected tax liability to the project and the value of the benefit of the MFTE. The fee is 25 or 50% of the net present value of the property tax exemption over eight years (the life of the exemption) based on the requirements of each Target Area:

TARGET AREA	OPTION TYPE		
	Fee in Lieu	Density + Fee in Lieu	Ownership
Downtown Waterfront	50%	275 units/acre + 25% fee	No Fee in Lieu; minimum 12 units, subject to maximum eligible sales price
Vancouver City Center	50%	225 units/acre + 25% fee	
East Vancouver	50%	200 units/acre + 25% fee	
Uptown	25%	160 units/acre	
Evergreen / Grand	25%	160 units/acre	No Fee in Lieu; minimum 4 units, subject to maximum eligible sales price
Fourth Plain	25%	90 units/acre	
Mill Plain Corridor	25%	90 units/acre	
Upper Main Street	25%	90 units/acre	
The Heights	Not Available	Not Available	

Staff calculate the fee-in-lieu requirement during the MFTE application and Conditional Certificate process. Developers will provide payment of the full fee-in-lieu amount within 30 days of the City of Vancouver’s issuance of the Final Certificate of Tax Exemption unless other payment arrangements are accepted by the City. Requirements for receipt of the Final Certificate of Tax Exemption are outlined in the City of Vancouver’s MFTE Program Manual. Payments will be receipted in as revenue to the newly established Affordable Housing Fee-in-Lieu Fund (FIL Fund) to be allocated to future City of Vancouver-supported affordable housing investments and projects within city limits.

Affordable Housing Fee-in-Lieu Fund Uses

The Affordable Housing Fee-in-Lieu Fund (FIL Fund) is intended to serve as a flexible tool for making strategic investments in affordable housing projects in close proximity to the MFTE projects that provide FIL funding. Revenues collected will be tracked by Target Area with a goal of reinvesting these funds in or near the same Target Area if nearby investment opportunities advance the City's affordable housing goals. To ensure that downtown Vancouver maintains a sufficient supply of permanently affordable housing, revenues collected from the three downtown Target Areas (Downtown Waterfront, Vancouver City Center and Uptown) will be invested within the Vancouver City Center Vision (VCCV) subarea.

Rather than make funds available through periodic Requests for Proposals (RFPs), the FIL Fund will be used on an as-needed basis to address needs not targeted by other funding sources or proposed projects. Potential uses include, but are not limited to:

- acquisition of strategic sites for affordable housing development, particularly in areas near market rate housing projects;
- pre-development or construction costs incurred in development of affordable housing;
- support for acquisition of permanently affordable housing by land trusts and other community ownership entities;
- down payment assistance or other subsidies to increase affordable homeownership opportunities; or
- loan guarantees, interest buy-down, or other forms of credit enhancement.

FIL investments will fund either City-led activities or invested in projects led by partners. FIL funds may be provided as a loan or a grant, based on project needs. All FIL investments will result in an affordability mandate. Rental projects supported by FIL funds, including the use of land acquired by FIL funds, must be affordable to households making up to 60% of the median family income (MFI) as defined by HUD. Homeownership project must be affordable to households earning up to 80% MFI.

Projects exceeding \$300,000 are subject to City Council approval. Construction or capital projects must also undergo underwriting review to evaluate financial feasibility of the project. Housing produced will maintain affordability for at least 20 years, with longer requirements attached to properties purchased with FIL Funding. Financing terms and project requirements will be specified in a funding agreement and may also include a covenant, promissory note or deed of trust.

Financial Management

All FIL funds will be receipted into the FIL Fund and separately designated from MFTE application fees. FIL funds will also be tracked by Target Area to allow for reinvestment into specific Target Areas.

MFTE application fees will be tracked separately and used to support administration of the entire MFTE program, including fee-in-lieu projects. Allowable administration charges include staff time, public notice advertisements, recording fees, public engagement, IT needs of the program, and interfund charges. Should the cost of these items exceed the amount of application fees collected

in the fiscal year, staff will evaluate other funding options to support administrative expenses, to allow all FIL funds to be invested directly into projects providing affordable housing benefit.

Collection and Expenditure Timing

To ensure maximum impact and development of meaningful projects, the City may delay an initial investment of FIL Funding for multiple years. Thereafter, the City will aim to make investments from the FIL Fund at least every two years.

The lack of an annual allocation of FIL funds will allow City staff to evaluate projects and determine how to best deploy funds for large scale projects that may not be able to happen through other funding sources. Due to the unpredictable timeline of construction and capital projects, as well as the opportunistic nature of property acquisitions, staff recognize the need for flexible timelines when allocating project funding and projecting future revenue.

Project Selection

If the City chooses to make FIL funds available to project partners, the City will publish a Request for Proposals (RFP) for funding applicants, allowing third party organizations to identify their own projects. All projects will be required to meet program guidelines regarding household income levels, affordable housing benefit, and any other program scope requirements identified within the RFP. All awards greater than \$300,000 require City Council approval prior to final notification of award and disbursement of funds.

Reporting and Monitoring Requirements

Regular monitoring and reporting mechanisms will be implemented to track the progress, use of funds, and outcomes achieved with FIL Fund. Funding recipients will be required to submit regular reports detailing housing affordability, financial management, and public benefit. Affordable housing developments may be subject to regular safety and livability inspections.

Housing staff will report annually on fees collected and housing outcomes achieved with FIL funding. When the MFTE program is reviewed for effectiveness or adjusted based on changing market conditions, the FIL policy will also be reviewed and revised as needed.

FIL Fund updates and availability will be online at: www.cityofvancouver.us/eph/page/housing-programs.