

Vancouver Affordable Housing Fund

Administrative and Financial Plan

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Amended October 2, 2017

Amended June 1, 2020

Amended February 7, 2022

Introduction

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). Funds raised must serve very low-income households in Vancouver, defined as earning up to 50% of the area median income (AMI).

In November 2016, Vancouver voters passed (by 57.6%) 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. In accordance with RCW 84.52.105, the Administrative and Financial Plan is consistent with the locally adopted comprehensive housing affordability strategy, required under the Cranston-Gonzalez national affordable housing act (42 U.S.C. Sec. 12701, et seq.), as amended.

Program Objectives

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

- Create and preserve affordable homes for residents 50% AMI or lower, 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 approved levy will generate \$42 million over seven years (\$6 million annually) for Vancouver Affordable Housing Fund projects. Collection of levy funds began January 1, 2017 and will continue through 2023.

The amount of funds to be collected is capped at \$6 million annually for the seven-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 \$42 million over the seven-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 assistance to very low-income homeowners to make critical repairs. The money will also support shelter, housing and services for people who are homeless or at risk of becoming homeless.

The Vancouver Affordable Housing Fund may be used for activities serving households at 50% AMI or below:

- **Housing Production:**
 - Provide funds to developers for construction of new affordable rental or homeownership housing (state prevailing wages apply).
 - Provide funds to developers for acquisition/purchase of land or property for affordable housing development.
 - Provide incentives to property owners to convert existing market-rate units to affordable units.

- **Housing Preservation:**
 - Provide funds to property owners to rehabilitate existing housing to correct health, safety and livability problems.
 - Provide funds to very low-income homeowners to make basic repairs and accessibility improvements.
 - Provide funds to publicly subsidized projects (e.g., 20-year affordable tax credit project) with expiring affordability periods to ensure continued affordability.

- **Homelessness Prevention – Rent Vouchers and Services:**
 - Provide funds to service providers for housing assistance and stability services. Housing assistance may include rent, application fees, security deposits, utilities if provided in

conjunction with rental assistance, and housing stabilization assistance, (costs related to obtaining or maintaining employment to remain stably housed).

- **Homelessness Prevention – Temporary Shelter:**
 - Provide funds to service providers to maintain and operate current shelters and build shelters serving people who are homeless.
 - Provide funds to service providers for motel voucher programs that provide temporary overnight shelter.
- **Implementation:** Resources for staff to develop contracts, manage the program and conduct annual monitoring for compliance.







Program Goals

The City estimates serving approximately 330 households annually. However, this number does not include additional units or households that may be created or served by leveraging Vancouver Affordable Housing Fund investments with other funding sources.

In response to community need and demand for funding, the City shifted funding allocations in 2022. Because the total number of affordable housing units assisted in year 5 exceeded the original 7-Year Outcome goal anticipated, funding was increased for Temporary Shelter. This enables the City to both exceed its original housing unit goals and respond to the increased need for Temporary Shelter assistance.

The following charts describe the proposed allocation of funds among eligible uses and estimated number of units and households assisted. If the pool of projects in a given 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.

2022 AHF Planned Goals and Current Outcomes

	Original 7-Year Goal	5-Year Outcomes* (12/31/21)	% of Goal Completion	Anticipated 7-year Outcomes
Housing Production (units)	336  790	501  822	140%	570  898
Housing Preservation (units)	454  790	321  822	67%	328  898
Homelessness Prevention: Rent and Services (households)	1,500	1,144	76%	1,660
Temporary Shelter (beds)	158 (based on 2016 – 2019 contracts)	230	145%	300

*These outcomes include both actual units/households for completed projects and expected number of units/households for projects that are currently underway.

AFH Allocation History and 2022-2023 Reallocation

	2017-2019 Years 1-3	2020-2021 Years 4-5	2022-2023 Years 6-7	Totals	%
Production	\$2,400,000	\$2,400,000	\$2,600,000	\$25,180,000	60%
Preservation	\$1,620,000	\$1,560,000			
Rental Assistance	\$1,500,000	\$1,500,000	\$1,500,000	\$10,500,000	25%
Temporary Shelter	\$300,000	\$300,000	\$1,660,000	\$4,820,000	11%
Implementation	\$180,000	\$240,000	\$240,000	\$1,500,000	4%
TOTAL	\$6,000,000	\$6,000,000	\$6,000,000	\$42,000,000	

Household Eligibility

Household Residency

Households residing in units assisted through the Affordable Housing Fund must be residents of Vancouver or experiencing homelessness in Vancouver (prior to assistance). This applies to Housing Production, Housing Preservation, and Rent Voucher and Services projects.

Household Income

In accordance with RCW 84.52.105, the Affordable Housing Fund will be limited to serving very low-income households, defined as earning up to 50% of area median income (AMI). Very low-income limits by household size are provided annually by the U.S. Department of Housing and Urban Development. Current income limits are provided on the City’s site at: www.cityofvancouver.us/ced/page/cdbg-resource-links.

Income Determination

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

- **Housing Production and Preservation (rental properties):** 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.
- **Housing Production and Preservation (homeownership):** Household income eligibility must be determined at the time of purchase. If the home is sold during the Affordable Housing Fund affordability period, subsequent buyers must be income-eligible at the time of purchase.
- **Rent Vouchers and Services:** Household income eligibility of each household 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:** Household income eligibility of each household must be determined prior to placement in shelter.

Unit Eligibility

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.

Rent Vouchers and Services

Units must be located in Vancouver city limits. The Affordable Housing Fund will contribute no more than 100% of HUD fair market rent (FMR), based on the appropriate unit size for the participant's household, unless an exception to FMR is requested and approved by the program manager. Updated fair market rents are provided annually by HUD and 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.

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/behavioral health or substance use issues;
 - Survivors of domestic violence; and
 - Veterans.

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 be disbursed to awardees on a reimbursement basis for eligible costs, which include but are 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
- Housing assistance
(may include: rent, utilities if in conjunction with rent, security deposits, fees, and 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 fund recipients are:

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 in order 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. Homeowners: Low-income homeowners where projects are managed and overseen through a housing and/or rehabilitation program operated by the City of Vancouver, Habitat for Humanity, or other program as approved by the program manager.

Award Limits

The maximum per-unit award is \$75,000 per Housing Production unit and \$40,000 per Housing Preservation unit. 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.

Affordability Period

The standard affordability period for Affordable Housing Fund-designated units and shelter construction projects is 20 years, starting from the actual construction completion date. An affordability period of less than 20 years may be approved by the City Finance Department if the agency can demonstrate that 20 years would result in negative cash flow for the project, as documented by the operating budget. The affordability period start and end dates will be specified in the funding agreement, deed of trust, and affordable housing covenant.

Financing Methods

Housing Production and Preservation

Financing through the Vancouver Affordable Housing Fund for housing production and preservation projects will be provided as a grant unless the project qualifies for alternate loan terms approved by the City Finance Department. The funding will have continuing compliance requirements for 20 years or an approved alternate affordability period. 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 (note and deed for loan financing only).

Homelessness Prevention

Funding for Homelessness Prevention projects (rent vouchers and services, and temporary shelter) will be in the form of a grant. Project requirements will be specified in a funding agreement.

Use of Funds Owing to the City

Sale of a project during the loan term requires City consent. Loan payments to the City will be deposited into the Vancouver Affordable Housing Fund. Payments will be reallocated by the City to very low-income housing projects or used for ongoing administrative costs to implement and monitor the fund according to priorities established in the current Administrative and Financial Plan.

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 households at or below 50% AMI.

Following project completion, Housing Production and Preservation projects will be monitored on an annual basis for continued affordability of units with City covenants. .

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.