



# SEATTLE CITY COUNCIL

## Housing, Arts, and Civil Rights Committee

### Agenda

Wednesday, June 24, 2026

2:00 PM

Council Chamber, City Hall

600 4th Avenue

Seattle, WA 98104

Dionne Foster, Chair

Eddie Lin, Vice-Chair

Joy Hollingsworth, Member

Debora Juarez, Member

Alexis Mercedes Rinck, Member

Chair Info: 206-684-8809; [Dionne.Foster@seattle.gov](mailto:Dionne.Foster@seattle.gov)

[Watch Council Meetings Live](#) [View Past Council Meetings](#)

Council Chamber Listen Line: 206-684-8566

The City of Seattle encourages everyone to participate in its programs and activities. For disability accommodations, materials in alternate formats, accessibility information, or language interpretation or translation needs, please contact the Office of the City Clerk at 206-684-8888 (TTY Relay 7-1-1), [CityClerk@Seattle.gov](mailto:CityClerk@Seattle.gov), or visit <https://seattle.gov/cityclerk/accommodations> at your earliest opportunity. Providing at least 72-hour notice will help ensure availability; sign language interpreting requests may take longer.



**SEATTLE CITY COUNCIL**  
**Housing, Arts, and Civil Rights Committee**  
**Agenda**  
**June 24, 2026 - 2:00 PM**

**Meeting Location:**

Council Chamber, City Hall, 600 4th Avenue, Seattle, WA 98104

**Committee Website:**

<https://seattle.gov/council/housing-arts-and-civil-rights>

---

*This meeting also constitutes a meeting of the City Council, provided that the meeting shall be conducted as a committee meeting under the Council Rules and Procedures, and Council action shall be limited to committee business.*

Members of the public may register for remote or in-person Public Comment to address the Council. Please register in advance in order to be recognized by the Chair. Details on how to register for Public Comment are listed below:

Remote Public Comment - Register online to speak during the Public Comment period at the meeting at <https://www.seattle.gov/council/committees/public-comment>. Online registration to speak will begin one hour before the meeting start time, and registration will end at the conclusion of the Public Comment period during the meeting.

In-Person Public Comment - Register to speak on the public comment sign-up sheet located inside Council Chambers at least 15 minutes prior to the meeting start time. Registration will end at the conclusion of the Public Comment period during the meeting.

Please submit written comments no later than four business hours prior to the start of the meeting to ensure that they are distributed to Councilmembers prior to the meeting. Comments may be submitted at [Council@seattle.gov](mailto:Council@seattle.gov) or at Seattle City Hall, Attn: Council Public Comment, 600 4th Ave., Floor 2, Seattle, WA 98104. Business hours are considered 8 a.m. - 5 p.m. Comments received after that time will be distributed after the meeting to Councilmembers and included as part of the public record.

*Please Note: Times listed are estimated*

**A. Call To Order**

**B. Approval of the Agenda**

**C. Public Comment**

*Members of the public may address items on the agenda and matters within the purview of the committee. Please register in advance to be recognized by the Chair.*

**D. Items of Business**

1. [CB 121218](#) **An ordinance relating to housing for low-income households; adopting the 2023 Seattle Housing Levy Administrative and Financial Plan for program years 2026-2028; adopting Housing Funding Policies for program years 2026-2028 for the 2023 Seattle Housing Levy and other fund sources; authorizing actions by the Director of Housing regarding past and future housing loans and contracts; and ratifying and confirming certain prior acts.**

Attachments: [Att A - Seattle Housing Levy Administrative and Financial Plan, Program Years 2026-2028](#)  
[Att B - Housing Funding Policies, Program Years 2026-2028](#)

Supporting Documents: [Summary and Fiscal Note](#)  
[Presentation](#)  
[Amendment 1](#)

**Briefing, Discussion, and Possible Vote**

**Presenters:** Kelli Larsen and Nathan Antonio, Seattle Office of Housing; Jennifer LaBrecque, Council Central Staff

2. [CB 121236](#) An ordinance relating to the Office of Housing; granting a ground lease of real property located at 2929 27th Ave South; authorizing the Director of the Office of Housing to grant a lease of the real property to MBTOD Phase One LLLP, an affiliate of Mercy Housing Northwest and El Centro de la Raza; and authorizing related agreements and actions to support the development of affordable housing and commercial space intended to be used for early learning, childcare center, and associated uses.

Attachments: [Att 1 – Property Full Legal Description](#)  
[Att 2 – Ground Lease Term Sheet](#)

Supporting Documents: [Summary and Fiscal Note](#)  
[Summary Att 1 - Property Map](#)  
[Presentation](#)

**Briefing, Discussion, and Possible Vote**

**Presenters:** Andrea Akita, Interim Director, and Jessica Gomez, Seattle Office of Housing; Jennifer LaBrecque, Council Central Staff

3. [CB 121237](#) An ordinance relating to the Seattle Office of Housing (OH); placing acquired real property in the Montlake neighborhood under the jurisdiction of OH; authorizing OH to issue a competitive request for proposals for selection of a preferred developer and to execute and deliver a contract for transfer of land, deed, and related documents to the selected developer; and ratifying and confirming certain prior acts.

Attachments: [Ex A - Montlake Homes Site Full Legal Description](#)  
[Ex B - Montlake Homes Request for Proposals Term Sheet](#)

Supporting Documents: [Summary and Fiscal Note](#)  
[Summary Att A - Site Photo and Map](#)  
[Presentation](#)

**Briefing, Discussion, and Possible Vote**

**Presenters:** Andrea Akita, Interim Director, and Joy Hunt, Seattle Office of Housing; Jennifer LaBrecque, Council Central Staff

4. [CB 121238](#) An ordinance relating to the Office of Housing; authorizing the acquisition of two parcels in the Central Area for the purpose of developing affordable homeownership units; placing the property under the jurisdiction of the Office of Housing; authorizing the Director of the Office of Housing or the Director's designee to issue a request for proposals and to select a developer and thereafter to execute and deliver a contract for transfer of land, deed, and related documents; and ratifying and confirming certain prior acts.

Attachments: [Att 1 - Property Map](#)  
[Att 2 - Settlement Agreement Term Sheet](#)  
[Att 3 - Quit Claim Deed Form](#)  
[Att 4 - Purchase and Sale Agreement Form](#)  
[Att 5 - Harvey Request for Proposals Term Sheet](#)

Supporting Documents: [Summary and Fiscal Note](#)  
[Presentation](#)

**Briefing, Discussion, and Possible Vote**

**Presenters:** Andrea Akita, Interim Director, and Kelli Larsen, Seattle Office of Housing; Jennifer LaBrecque, Council Central Staff

**E. Adjournment**



## Legislation Text

---

**File #:** CB 121218, **Version:** 1

---

Screen Reader Users: Make sure settings include reading strikethrough and underline font attributes.

## The City of Seattle

### Ordinance

#### Council Bill

**An ordinance** relating to housing for low-income households; adopting the 2023 Seattle Housing Levy Administrative and Financial Plan for program years 2026-2028; adopting Housing Funding Policies for program years 2026-2028 for the 2023 Seattle Housing Levy and other fund sources; authorizing actions by the Director of Housing regarding past and future housing loans and contracts; and ratifying and confirming certain prior acts.

#### **Recitals:**

Pursuant to Ordinance 126837, in 2023 Seattle voters approved the levy of property taxes for the purpose of financing and supporting housing for low-income households (Housing Levy).

Ordinance 126837 provides for periodic adoption by the City Council of an Administrative and Financial Plan (A&F Plan) for programs funded by the 2023 Housing Levy.

The A&F Plan is accompanied by Housing Funding Policies that also describe Office of Housing (OH) programs and apply to Levy funds and other funds administered by OH as specified for each program.

OH developed the A&F Plan and Housing Funding Policies with input from the Housing Levy Oversight Committee, subject matter experts at OH, staff in other City departments, housing developer and operator partners, and members of the community. Therefore,

#### **Be it ordained by The City of Seattle as follows:**

Section 1. The City Council adopts the 2023 Seattle Housing Levy Administrative and Financial Plan for program years 2026-2028, attached to this ordinance as Attachment A (A&F Plan). The A&F Plan incorporates the Housing Funding Policies for program years 2026-2028, attached to this ordinance as Attachment B (Housing Funding Policies), except those policies that specifically apply only to fund sources other than the 2023 Housing Levy and except as otherwise stated in the A&F Plan or Housing Funding Policies.

Section 2. The City Council adopts the Housing Funding Policies attached to this ordinance as Attachment B. The Housing Funding Policies supersede the Housing Funding Policies adopted by Ordinance 127051 except as provided in Section 4 of this ordinance. The Funding Policies authorize certain actions and approvals by the Director of Housing regarding loans and contracts made under the Housing Funding Policies and those made under prior plans, policies, and

ordinances. That authority is granted in addition to, and not in limitation of, any authority under prior plans, policies, and ordinances.

Section 3. The A&F Plan and Housing Funding Policies are intended to provide policy direction for the implementation of programs funded by the 2023 Housing Levy, and for the use of other housing funds to the extent provided in Attachment B to this ordinance, and to provide authority for OH and the Human Services Department (HSD). The A&F Plan and Housing Funding Policies are not intended to confer any legal rights or entitlements on any persons, groups, or entities, and are not intended to create a basis for any private cause of action.

Section 4. The A&F Plan and Housing Funding Policies are effective as of January 1, 2026, and shall remain in effect until amended or superseded by ordinance, except as provided in this section. Any actions on or after January 1, 2026, conforming to the A&F Plan and Housing Funding Policies, as applicable, are ratified and confirmed. The terms of the A&F Plan and Housing Funding Policies shall not require changes to the terms, or to the implementation, of any contract in effect prior to the effective date of this ordinance. The Director of Housing may implement funding awards made prior to January 1, 2026, in a manner consistent with policies in effect when the related notice of funding availability was issued or the application was submitted, whether or not there is a binding agreement prior to the effective date of this ordinance, anything in the A&F Plan or Housing Funding Policies notwithstanding. However, with the agreement of the borrower or applicant, the Director of Housing may apply provisions of the A&F Plan, or Housing Funding Policies, that are not specific to the 2023 Housing Levy, to agreements implementing such previous funding awards, and any provisions of any agreement or amendment conforming to those provisions are ratified and confirmed.

Section 5. The provisions of this ordinance are declared to be separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of this ordinance or any attachment to this ordinance, or the invalidity of the application thereof to any person or circumstance, shall not affect the validity of any other provisions of this ordinance or its attachments, or the validity of their application to other persons or circumstances.

Attachments:

Attachment A - Seattle Housing Levy Administrative and Financial Plan, Program Years 2026-2028

Attachment B - Housing Funding Policies, Program Years 2026-2028

This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council and signed in open session in authentication of its passage on .

President of the City Council  
on .

Katie B. Wilson, Mayor

Attested on .

Scheereen Dedman, City Clerk

Seal



**Seattle Housing Levy  
Administrative and Financial Plan**

Program Years 2026-2028

## Table of Contents

I. Introduction .....	3
II. Levy Funding Plan .....	4
III. Levy Program Policies .....	6
IV. Reporting .....	11

## I. Introduction

The 2023 Housing Levy, approved by Seattle voters in November 2023, authorized an increase in property tax levies for the seven-year period from 2024 through 2030. The 2023 Housing Levy is estimated to raise approximately \$970 million to provide, produce, and/or preserve affordable housing in Seattle and to assist low-income Seattle residents. The Levy funds five programs:

1. Rental Production and Preservation
2. Operating, Maintenance, and Services (OMS)
3. Homeownership
4. Short-Term Loans (does not receive a dedicated allocation of Housing Levy funds)
5. Homelessness Prevention and Housing Stability Services

Ordinance 126837, passed by City Council on June 13, 2023, placed the Housing Levy proposition on the November 2023 ballot and directed the Office of Housing (OH) to prepare a Housing Levy Administrative and Financial Plan (A&F Plan) every two years beginning in 2024. The ordinance calls for the A&F Plan to include dollar amounts allocated to each Levy program, criteria for selecting projects to receive Levy funds, guidelines for administering loans or grants, and requirements for project sponsors. The A&F Plan may also include other information as deemed appropriate by the Mayor or Housing Director, or as requested by the City Council.

The Levy A&F Plan is adopted by City Council by ordinance, with such modifications as the City Council may require. The draft A&F Plan is developed by OH and informed by stakeholder and community engagement, including input from representatives of housing providers, partner public funders, businesses, groups addressing homelessness and other human service issues, and other interested community members. The Housing Levy Oversight Committee reviews the draft and makes recommendations to the Mayor and City Council.

This A&F Plan governs implementation of Housing Levy programs in 2026 through 2028 and will remain in effect until amended or superseded by ordinance. This A&F Plan incorporates the Housing Funding Policies, except to the extent that provisions of the Housing Funding Policies apply exclusively to fund sources other than the 2023 Housing Levy. The contents of this A&F Plan are not intended to confer any legal rights on actual or potential project borrowers, applicants, or other persons.

Capitalized terms used in this A&F Plan that are defined in the Housing Funding Policies have the meanings set forth in the Housing Funding Policies unless the context otherwise requires. The terms of this Plan are subject to revision by ordinance and to the effect of applicable laws, regulations, and ordinances. To the extent that the terms of this A&F Plan, including incorporated terms of the Housing Funding Policies, may be considered to add to or change any of the programs as described in Exhibit A to Ordinance 126837, the adoption of this A&F Plan makes those additions to and changes in programs.

## II. Levy Funding Plan

All Levy revenues collected for housing are deposited in the Low-Income Housing Fund, the Office of Housing Operating Fund, and the 2023 Levy OMS Fund and may be placed in subfunds or accounts created by the City’s Director of Finance and Administrative Services as needed to implement the purposes of the 2023 Levy. Table 1 below shows annual amounts allocated to each program based on projected revenues from additional taxes levied pursuant to the Levy. If revenues collected in any year are lower than the amounts levied, that does not affect the amount that may be committed from the allocation to any program unless OH determines that the availability of funds when required to meet commitments might reasonably be impaired. The Short-Term Loan Program is not separately funded; funds allocated to other Levy programs that are not yet needed for projects may be used for short-term loans, which may include acquiring options.

Administration funding shown on Table 1 is intended to be used for administration of the use of Levy proceeds. Administration funds shall be utilized for staffing, holding costs of OH-owned properties, and other operating costs needed to administer the programs, as approved in the City budget. OH will work closely with Council during the annual City budget process to communicate proposed and actual uses of administration funds. Administration funds include up to a total of \$10M over the seven-year period for Pre-Development costs, as defined in the Housing Funding Policies.

Due to inflation, OH staffing costs will increase over the life of the Levy. Revenue is expected to be received evenly over the seven years, but expenditures for administration will be slightly lower in the early years of the Levy and slightly higher in the later years. The unspent balance in the early years will be preserved in the fund balance of OH’s Operating Fund.

On a quarterly basis, the Human Services Department (HSD) will submit a reimbursement request to OH for expenses related to the Homelessness Prevention and Housing Stability Services program, including funding for HSD’s administration of the program.

**Table 1: Annual Funding Plan, 2024-2030**

<b>Program</b>	<b>Total Levy Revenue</b>	<b>Annual Levy Revenue</b>
Rental Housing Production and Preservation	\$707,270,389	\$101,038,626
Operating, Maintenance, and Services	\$122,300,000	\$17,471,429
Homeownership	\$50,689,796	\$7,241,399
Homelessness Prevention and Housing Stability Services/Rapid Rehousing (HSD)	\$16,990,000 (Homelessness Prevention) \$3,010,000 (Rapid Rehousing)	\$2,427,143 (Homelessness Prevention) \$430,000 (Rapid Rehousing)
Homelessness Prevention and Housing Stability Services (OH)	\$10,000,000	\$1,428,571
Short-Term Loans	N/A	N/A
Administration	\$60,000,000	\$8,571,429
<b>Total</b>	<b>\$970,260,175</b>	<b>\$138,608,596</b>

Notes:

- Operating, Maintenance, and Services includes \$34M over the total Levy specifically for agency workforce support.
- Homelessness Prevention and Housing Stability Services/Rapid Rehousing (HSD) is administered by the Human Services Department (HSD) and is specifically for Homelessness Prevention and Housing Stability Services. Referred to as “Prevention and Housing Stabilization” in Attachment A to Ordinance 126837.
- Homelessness Prevention and Housing Stability Services (OH) is administered by OH and is for Resident Services. Referred to as “Prevention and Housing Stabilization” in Attachment A to Ordinance 126837.
- Administration includes up to \$10M over the total Levy for Pre-Development costs.

## Budget Authority

The budget allocation for OH does not include amounts specifically for Short-Term Loans or for any forward commitments of Rental Production and Preservation Program funds. OH is authorized to make such loans and forward commitments, consistent with the Housing Funding Policies, in advance of a specific budget allocation. In the event that Short-Term Loans and/or advance funding commitments require additional budget authority in a given year, OH will request additional authority through a supplemental budget ordinance in the year that the funding award is made.

## Program Income and Investment Earnings (Current and Prior Levies)

The provisions of this section govern the use of Program Income and investment earnings to the extent consistent with provisions that remain in effect of applicable City ordinances submitting Housing Levy measures to the voters and with state law.

Program Income received and investment earnings accumulated during the term of this A&F Plan from any of the 1986, 1995, 2002, 2009, 2016, or 2023 Housing Levies will be used for direct programmatic purposes only (not administration). Program Income received from Rental Production projects will be added to the Rental Production program, and Program Income received from Homeownership projects will be added to the Homeownership program.

Investment earnings in Rental Production funds will be used to support the homelessness prevention program that assists households at imminent risk of homelessness. The investment earnings in Homeownership funds will be used for the Homeownership program. OH will estimate investment earnings that will be available for the homelessness prevention program and include the estimate in the proposed budget.

Investment earnings for O&M programs authorized in the 1986, 1995, 2002, 2009 and 2016 Levies are accumulated and will remain along with the original Levy allocation in discrete O&M subfunds to support 20-year subsidy awards, as well as any Short-Term Loans as authorized in the Housing Funding Policies or otherwise by ordinance.

### III. Levy Program Policies

Each Levy-funded program is administered according to program policies, which include goals and priorities, fund allocation process, allowable use of funds, and other requirements. These policies are contained in the Housing Funding Policies. However, policies for the Workforce Stabilization element of the OMS Program, as well as the Homelessness Prevention and Housing Stability Services Program elements are included in this section.

#### Rental Production and Preservation

**Goal: Produce or preserve 3,516 affordable homes**

The Rental Production and Preservation Program funds acquisition, construction, and rehabilitation of property to provide housing that serves Low-Income households, including families with children, older adults, people with disabilities, individuals and families who have experienced homelessness, and people working for low wages. Over the term of the Levy, at least 60% of the sum of program funds, combined with Operating, Maintenance, and Services Program funding, will support housing with rents affordable to individuals and families with incomes at or below 30% of Median Income; remaining funds may serve households up to 60% of Median Income. Program funds may be used according to the Housing Funding Policies, Chapter II, and Chapter VIII where applicable.

OH intends to apply Community Workforce Agreements (CWAs) to four to six OH-funded new rental construction projects. OH will pursue CWAs for additional projects pending review of project data and analysis, which will be conducted by a third party.

#### Operating, Maintenance, and Services

**Goal: Support operations for 1,156 affordable homes**

The Operating, Maintenance, and Services (OMS) Program funds supportive housing worker wage stabilization and building operations and maintenance in Levy-funded housing, supplementing rental income in buildings that serve households with incomes at or below 30% of Median Income. Wage stabilization and operating funding contracts are issued annually, but commitments are expected to continue for up to 20 years, subject to appropriations and annual reviews.

**1. Operating, Maintenance, and Services Subsidies**

OMS funds are matched with tenant paid rent, other operating funding and, in most cases, services funding. Operations and maintenance funding for this program will support housing developed with 2023 Levy funding, except that funds may also be used to extend OMS contracts for projects receiving O&M funds under prior levies, as described in the Housing Funding Policies, Chapter III.

**2. Permanent Supportive Housing Operating, Maintenance, and Services - Workforce Stabilization (PSH OMS – WS)**

PSH staff play a critical role in meeting resident needs, thereby supporting the success of PSH developments and the long-term sustainability of capital investments made by the Office of Housing.

However, PSH organizations face a high volume of staff vacancies due to low wages and challenging working conditions. This program uses both Levy and JumpStart/PET funds to invest in the City's PSH portfolio to ensure the most vulnerable remain housed and adequately supported, and those working with them are also supported, including with sustainable wages and working conditions. Detailed program policies are contained in Chapter III of the Housing Funding Policies.

## Homeownership

### **Goal: Assist 367 low-income homeowners**

The Levy Homeownership program assists Low-Income homebuyers to purchase a home in Seattle and Low-Income Seattle homeowners to maintain stable housing. Loans are also made to housing organizations that will sell homes to homebuyers with incomes at or below 80% of Median Income, which homes have restriction on resale prices and may be sold only to eligible buyers for 50 years or longer. Low-Income homeowners can receive assistance in the form of home repair grants or one-time mortgage loans to prevent foreclosure.

## Short-Term Loans

The Short-Term Loans Program may provide short-term loans for strategic Site Acquisition. Short-term loans can be made for acquisition of land or buildings for low-income housing preservation and development, consistent with the objectives and priorities of the Levy Rental Production and Preservation and Homeownership programs. Additionally, under the Homeownership program, short-term loans may be used for construction under conditions described in the Housing Funding Policies. Short-Term Loans may also be used by OH for strategic Site Acquisition to secure long-term low-income housing use and, if it is not already in use as housing, development for that use will be feasible within a reasonable time. Short Term Loans intended for Rental Housing development utilize funds not yet required for disbursement through the Levy OMS program. Short-Term Loans intended for Homeownership development utilize available development subsidy funds for homeownership investments. Upon repayment of loans or receipt of proceeds for property acquired, the funds and any interest earned return to the initial Levy program.

## Homelessness Prevention and Housing Stability Services

### **Goal: Assist 4,500 individuals and households**

The Homelessness Prevention and Housing Stability Services Program has two elements, a Resident Services program administered by OH, and Homelessness Prevention and Eviction Prevention administered by HSD.

#### 1. Resident Services

The Resident Services Program utilizes funding from both Levy and JumpStart/PET to assist affordable housing providers to offer resident services that support the housing stability and physical, emotional, and financial well-being of residents of non-Permanent Supportive Housing (PSH). Services should respond to residents' needs, address racial disparities, incorporate best practices in service delivery,

thereby improving housing stability and contributing to positive resident outcomes. Detailed program policies are contained in Chapter III of the Housing Funding Policies.

## 2. Homelessness Prevention and Housing Stability Services

Homelessness Prevention and Housing Stability Services Program serves vulnerable families and individuals who are at risk of homelessness or experiencing homelessness. The program addresses housing-related barriers through a combination of housing stabilization support services and financial assistance. A housing stability assessment is required at the onset of services to determine the level of need and the amount of assistance required. Stabilization services typically include but are not limited to assistance with housing search, landlord negotiations, budget and financial coaching, assistance applying for mainstream benefits, reviewing leases, and meeting with participants to assess their ongoing level of need.

The Homelessness Prevention and Housing Stability Services Program has two distinct elements:

- Homelessness Prevention serves households who have been assessed and determined to be at imminent risk of homelessness to maintain their housing. \$2,427,143 in annual funding is provided for this program.
- Rapid Rehousing serves households experiencing homelessness to move into stable housing after living in a car, shelter, tent, or other place not meant for human habitation. \$430,000 in annual funding is provided for this program.

This program is structured to be flexible to meet the different financial and service needs of those at risk of homelessness and people experiencing homelessness using a progressive engagement framework. This approach is consistent with current national promising practices and local experience that point to the need for a holistic and flexible approach. In serving households at risk of homelessness, the program targets resources for households at greatest risk of homelessness including formerly homeless households and households experiencing extreme overcrowding.

Contractors are required to enter data in the Homeless Management Information System (HMIS) for the purpose of overall program planning as well as performance review. A key outcome measure is ongoing housing stability: the number of households who do not enter or return to homelessness 12 months after assistance to the household ends.

### A. Eligible Households

To be eligible to apply for program funds, households must meet all the following requirements:

- Homeless or at risk of homelessness.
  - Households at risk of homelessness must have been assessed and been determined to have a housing crisis. For the purposes of this program, couch surfing or doubled up households with limited resources may be considered at risk of homelessness. Households must reside in Seattle at the time of program intake, or

- Homeless households must be literally homeless households staying in a place not meant for human habitation and must be referred through King County's regional Coordinated Entry for All system.
- 50% of Area Median Income or below.
- Inadequate financial resources to secure or maintain stable housing without assistance.

#### B. Eligible Use of Funds

Financial assistance is available for:

- Rent payments.
- Rent or utility arrears needed to obtain or retain secure, stable housing.
- Security and/or utility deposits and other move-in costs (background check fees, first and last month's rent).
- Transportation assistance.
- Financial assistance may not exceed 18 months in a 36-month period.

#### Program and Administration Costs

- Agency staffing and associated service delivery costs required to provide housing stabilization services, including translation services needed to stop an eviction action.

#### C. Program Requirements

Levy funds will be administered by contractors who demonstrate ability to do the following:

- Provide housing stabilization services.
- Provide financial assistance to prevent or address homelessness using a progressive engagement framework.
- Enter data directly into HMIS for program planning and performance review.

#### D. Program Reporting

HSD will provide an annual program progress report to OH to be included in the Housing Levy annual report due to the City Council no later than June 30 of each year. The annual data will be provided separately for homelessness prevention assistance to households at risk of homelessness, and for assistance to households who are experiencing homelessness. The data will include but not be limited to:

- Demographic data for program participants including, but not limited to, gender, disability status, household income, and household composition.
- Program financial information including, but not limited to, average amount of assistance per household.
- The number of households served.
- Program performance outcomes including the following:

- The number and percent of households exiting to permanent housing at program exit.
- The number and percent of households exiting to other (homelessness, shelter, etc.) at program exit.
- The number and percent of households stably housed at 12 months.
- The number and percent of households stably housed at 24 months.

## IV. Reporting

OH will provide an annual program progress and performance report to the Mayor and City Council no later than June 30 of each year, covering activity for the previous year and cumulative performance for the 2023 Housing Levy. Reports will be reviewed in draft by the Housing Levy Oversight Committee. The annual report will include, but not be limited to:

- General Accomplishments
  - Production for each Levy program, including actual unit production and households assisted compared to goals.
  - Affordability levels of housing produced with program funds, actual compared to goals.
- Rental Production and Preservation
  - Projects and units funded; funding reserved for the same.
  - Location of funded projects.
- Operating, Maintenance, and Services
  - Operating Funding
    - Contracts issues, buildings and units supported, and their funding level.
  - Workforce Stabilization
    - Contracts issued, buildings and units supported, and their funding level.
    - Information about the types of services and activities supported by the funds.
    - Information on workers supported, their wage levels, and staffing levels (including openings rates and turnover).
- Homeownership
  - Development Subsidy
    - Projects and units funded; funding reserved for the same.
    - Location of funded projects.
  - Down Payment Assistance
    - Number and value of loans closed.
    - Income and demographics of assisted homeowners.
  - Foreclosure Prevention Program
    - Number and aggregate value of loans approved.
    - Income and demographics of those assisted.
  - Home Repair Program
    - Number and value of grants closed.
    - Income and demographics of those assisted.
- Resident Services
  - Contracts issued, description of services provided, and their funding level.

- Information on resident services staff supported.
- Staff time spent on service provision.
- Number of households served.
- Description of services provided.
  
- Short-Term Loans
  - Loans made and status along with funding amounts approved and due dates or expected timing for repayment of funds, as applicable.
  - Projected units to be produced or preserved.



**Seattle**  
Office of Housing

# **Housing Funding Policies**

Program Years 2026-2028

## Table of Contents

I. Introduction .....	3
II. Rental Housing Program.....	4
III. Operating, Maintenance, and Services Program .....	38
IV. Homeownership Program .....	48
V. Long-Term Preservation of City-Funded Rental Housing.....	63
VI. JumpStart/PET Community Self-Determination Fund Program .....	65
VII. Home Repair and Weatherization.....	69
VIII. Housing Development on Publicly Owned Sites.....	73
IX. Market Incentives and Land Use Reporting .....	76
X. General Policies for Capital Funding .....	78
XI. Definitions .....	86

## I. Introduction

The Housing Funding Policies (Policies) contain funding priorities and guidelines for the following programs administered by the Office of Housing (OH):

- Rental Housing Program
- Operating, Maintenance, and Services Program (OMS)
- Homeownership Program
- Home Repair and HomeWise Weatherization Programs

Prior to 2014, policies governing most of these programs were primarily contained in the Administrative and Financial Plans for prior Housing Levies and in the Seattle Consolidated Plan for Housing and Community Development. Many program funding policies are now included in this document to improve accessibility and consistency. The 2023 Seattle Housing Levy Administrative and Financial Plan (A&F Plan) contains program policies for programs exclusively established by the 2023 Housing Levy, the funding allocations for 2023 Housing Levy programs and the allocation of Program Income and investment earnings from prior Levies, and annual reporting requirements.

The Housing Funding Policies apply to:

- The 2023 Seattle Housing Levy as specified in the A&F Plan.
- Earnings and repayments derived from earlier Housing Levies as specified in the A&F Plan.
- JumpStart/Payroll Expense Tax (PET) funds and earnings and repayments derived from such funds.
- Mandatory Housing Affordability (MHA) fee payment funds and earnings and repayments derived from such funds.
- OH-administered federal HOME Investment Partnerships Program (HOME) and Community Development Block Grant Program (CDBG) funds and earnings and repayments derived from such federal funds.
- Other City of Seattle (City) funding and grant funding identified for each program in this document.

For convenience, all fund sources are referred to as a single program, although, for example, an affordable housing incentive program under the City Land Use Code is legally a separate program.

The use of certain fund sources must also comply with requirements that are not included in this document. HOME and CDBG funds, including Program Income, are subject to federal and other requirements, including those in the Consolidated Plan, as applicable depending on the proposed use of funds. Any funds derived from bonds issued by the City will be subject to state law requirements and those of ordinances authorizing the bonds. Funds received by the City under land use code provisions (including Incentive Zoning and Mandatory Housing Affordability provisions) are subject to requirements in applicable ordinances, laws and any related agreements or permit documents. In addition, special

federal grants, prior Housing Levies, and other fund sources may be subject to legal requirements that are not reflected in these Housing Funding Policies. Use of any funds may be subject to requirements based on constitutional provisions, statutes, regulations, and court decisions. In case of any conflict with these Policies, the other requirements referred to in this paragraph control.

## **II. Rental Housing Program**

The policies for this Program generally apply to these sources used by the Office of Housing (OH) to fund the development and preservation of affordable rental housing in Seattle: Housing Levy Rental Production and Preservation Program funds, Rental Production and Preservation funds from earlier Housing Levies, federal HOME and CDBG funds, funds received through land use code provisions for incentive zoning and mandatory housing affordability, earnings and repayments derived from earlier Housing Levies and other OH-administered housing funds, such as JumpStart/PET and MHA, proceeds from City-issued bonds, and other fund sources if authorized by ordinance. Short-Term Loans authorized in this Chapter also may use funding derived from the 2009, 2016, and 2023 Levies. The following program objectives and policies apply to all fund sources for the Rental Housing Program, subject to the requirements described in Chapter I and unless otherwise indicated below in these Policies.

Funds are made available annually through one or more Notices of Funds Available (NOFAs) for new housing production or preservation projects, and for existing housing preservation or rehabilitation projects. In addition, funds may be made available through a competitive Request for Proposal (RFP) process as authorized in Chapter VIII. The published NOFA or RFP will include additional funding priorities and requirements. Funding may be awarded outside the NOFA or RFP process for emergency repairs or to prevent waste or the imminent loss of previously funded projects as described in these Policies.

### **1. Rental Housing Program Objectives and Priorities**

#### **A. General Objectives and Priorities**

The following objectives will guide the Rental Housing Program:

- Provide a mix of affordable rental housing, serving a range of households, family sizes, and income levels consistent with income limits and affordability requirements for each fund source, to promote housing opportunity and choice throughout the City.
- Contribute to countywide efforts to make homelessness rare, brief, and one-time by providing housing that serves individuals and families who are homeless or at risk of homelessness, including those who are disproportionately impacted by housing instability, including, but not

limited to, people with long or repeated periods of homelessness, chronic disabilities, criminal records, who served in the US military, or who have other significant barriers to housing.

- Provide housing that offers service delivery models to support recovery for those with substance use disorders.
- Provide a stable and healthy living environment where Low-Income individuals and families can thrive, with culturally relevant and linguistically competent services, and with access to education, employment, affordable transportation, and other opportunities and amenities.
- Acquire and preserve existing affordable housing, including occupied buildings that are subsidized rental housing or affordable private market housing, particularly such occupied buildings where low-income residents may be at risk of displacement.
- Affirmatively further fair housing and advance the City’s equitable development goals, including by prioritizing investments in areas where residents have experienced and/or are at risk of displacement (particularly for communities that have been disproportionately negatively impacted by systemically racist practices such as redlining), that provide high access to opportunity, or that have not received significant public investment for affordable housing previously.
- Contribute to the development of sustainable, walkable neighborhoods, particularly near high-capacity transit, giving Low-Income residents access to transportation, services, and economic opportunity.
- Working collaboratively with other funders of affordable rental housing to ensure that the greatest number of quality affordable housing units are preserved or produced each funding round.
- Promote cost-effective sustainable design, construction, rehabilitation, and operations of affordable housing.
- Reinvest in low-income housing when necessary to upgrade major building systems, improve operations, energy efficiency, and safety, and extend the life of the building.
- Promote City goals to support project sponsors based in community working to address housing inequities and who have the experience and resources to effectively address the needs of underserved communities including Black, Indigenous, and People of Color communities, and others historically excluded from equitable access to housing.

To meet these objectives, the Rental Housing Program will apply the following priorities to project funding decisions.

### **i. Resident Population Priorities**

The following funding priorities relate to the resident populations intended to be served in Rental Housing Program projects. A project may propose to serve residents who fall into more than one population group – for example, older adults who previously experienced homelessness – and therefore may address several priorities.

**1) Housing for families, adults, youth (including without limitation youth or adults formerly served by the foster care system), and young adults experiencing homelessness, including without limitation individuals with disabling conditions experiencing chronic homelessness, and those who served in the US military**

Priority will be given to projects that will dedicate units to serve people experiencing homelessness and will meet the following conditions:

- Applicants must demonstrate a high likelihood of securing operating subsidies as well as funds to provide appropriate levels of supportive services. For Permanent Supportive Housing (PSH) that will serve people experiencing chronic homelessness with disabling conditions, including substance use disorder, serious mental illness, developmental disability, or chronic physical illness or disability, such housing will have appropriate services that generally will include on-site case management, mental health, health care, and chemical dependency services.
- Homeless housing projects must be aligned with the City’s Comprehensive Plan and King County Regional Homelessness Authority (KCRHA) Five Year Plan. PSH or other homeless housing with a federal, state, or local services funding contract that requires coordinated entry referrals must receive tenant referrals through a coordinated entry system approved by funders. Homeless housing that does not have a contractual requirement will make units available through agreements with homeless services providers. OH may approve homeless housing that is set-aside for other identified homeless groups, consistent with City priorities, such as homeless families with students attending Seattle schools, people exiting or diverted from institutional settings, and residents moving from PSH to housing with less intensive on-site services.

Consistent with Housing First principles, all housing owners will increase access to housing opportunities for people with significant barriers to housing, such as criminal records, through their tenant admissions policies, and tenant screening criteria included in approved management plans referred to in Section H of this Chapter. In addition, owners will provide housing for residents who have experienced homelessness through voluntary referral relationships. Housing owners who have units that do not receive referrals from a coordinated entry system will affirmatively market housing to provide access to applicants experiencing homelessness and other underserved groups, as well as other eligible applicants.

**2) Housing for older adults and people with disabilities**

OH-funded housing is generally available to older adults and people with disabilities, including without limitation those who served in the US military and adults formerly served as youth in the foster care system; all projects should be designed to include accessible housing units and accessible common areas.

OH will give priority to projects that provide housing units set-aside for older adults or residents with disabilities, particularly projects designed to provide support for underserved groups. These projects must show that proposed building design and services support independent, healthy living and social interactions that benefit these populations. Projects that are proposing to provide on-site services for older adults with Extremely Low-Incomes, people with disabilities and/or people who require supportive

services to live independently must demonstrate high likelihood of obtaining appropriate levels of operating and services funding for the intended residents. OH will prioritize projects that will provide culturally appropriate services to create welcoming and safe home environments for immigrant seniors, LGBTQ older adults, and other underserved groups.

### **3) Housing affordable to low-wage working families and individuals**

OH will prioritize projects that will serve low-wage households, including without limitation those who served in the US military and adults formerly served as youth in the foster care system, by providing a mix of unit sizes and a range of income levels, generally up to 60% of Median Income, and that include units serving households at 30% of Median Income. A mix of unit sizes and amenities to accommodate families, including large families, is a priority for new construction projects. Projects serving families should consider design features such as play areas, direct sight lines to play areas, and adequate space within units. Projects should be located near transportation and local services and amenities, giving low-wage workers the option to forgo a vehicle, and providing safe access to schools, parks, transit, and community facilities serving families with children. Projects should take into consideration the diversity of the neighborhood, the anticipated tenant population, broader community development goals (including, but not limited to, affordable commercial space), and uses necessary to meet residents' everyday needs such as commercial or non-profit groceries, childcare, health services, fresh/healthy food merchants, home goods, cultural anchors, and other desired community services.

## **B. Project Location Priorities**

The City encourages production and preservation of affordable housing throughout the city. OH's investment in affordable housing in all City neighborhoods is intended to maximize choice for low-income residents of Seattle and to promote City goals to affirmatively further fair housing.

OH will prioritize locations that:

- **Provide Access to Transit:** Access to transit is a priority for all housing projects, as transportation costs are second only to housing costs for most low-income households and many low-income households do not own a car. In particular, OH will prioritize locations near high-capacity transit and light rail station areas, both existing and planned.
- **Provide Access to Opportunity:** OH will prioritize housing project locations that afford low-income residents the greatest access to opportunities such as jobs, quality education, parks and open space, and services. To achieve development throughout the City, including in high-cost markets, OH will accept acquisition costs reflecting neighborhood level market conditions.
- **Advance Equitable Development Goals and Address Displacement:** OH will prioritize housing projects that support community development, including those proposed by local, community-based, non-profit organizations that are culturally relevant and historically rooted, particularly when the project site is in an area that is at high risk for displacement. Additional consideration will be given to projects already receiving funding through the Equitable Development Initiative.

- **Serve Needs of Residents:** Proposed projects should demonstrate that the proposed location is appropriate. This will vary depending on the project. OH will prioritize, for example, locations near schools and parks for projects with large units that will serve families and locations near senior centers for senior housing.

## **C. Cost-Effectiveness and Sustainability**

The Rental Housing Program emphasizes efficient, cost-effective, and sustainable housing development. To meet Levy production goals, projects must leverage other public and private fund sources: capital funding for housing development and, for homeless and special needs housing, ongoing funding for building operations and supportive services. OH will continue to prioritize leverage of other public and private investment, both capital funding for housing development and operating and supportive services funding for residents with special needs. Proposed projects will be prioritized if they preserve existing housing subsidies and/or prevent displacement of Low-Income residents.

OH will encourage project design and construction that promotes efficient, cost-saving and energy-conserving operations over the life of the building. All new construction and most renovation projects must meet Washington’s Evergreen energy efficiency standards for new construction and renovations, respectively. OH will support efforts to exceed standards with energy and water saving features that provide long-term public benefit as well as lower cost building operations. For existing low-income housing projects seeking funding for building improvements, OH will prioritize investments that extend the useful life of the building, improve health and safety, provide energy conservation, and reduce operating costs.

## **2. Rental Housing Program Policies**

### **A. General Conditions and Requirements**

#### **i. Affordability Requirements**

##### **1) Housing Levy Fund Allocation**

The following fund allocation policy applies to the total of all awards of 2023 Housing Levy funds under this Program and the OMS Program, except for Short-Term Loans, and not on a project-by-project basis.

- At least 60% of the sum of Program funds and OMS Program funds shall be used for housing affordable to households with incomes at or below 30% of Median Income.
- The balance of Program funds shall be used for housing affordable to households with incomes at or below 60% of Median Income.

## **2) Federal HOME and CDBG Funds**

This policy is applied to federal HOME and CDBG funds that are available for rental housing projects each program year, consistent with the Consolidated Plan’s Annual Action Plan and federal requirements:

- HOME funds shall be used for housing affordable to households with incomes at or below 60% of Median Income. A portion of units, generally 20%, will be affordable to households at or below 50% of Median Income as required by HOME regulations.
- CDBG funds shall be used for housing affordable to households with incomes at or below 60% of Median Income, except that CDBG funds used for acquisition of occupied residential buildings may follow CDBG regulations which generally require a minimum of 51% of units affordable to households at or below 80% of Median Income.

### **ii. Eligible and Ineligible Activities and Costs**

Program funds are intended to be used to fund the preservation and production of rental housing subject to Chapter 59.18 of the Revised Code of Washington (the Residential Landlord-Tenant Act). Projects funded by the program may utilize different living arrangements and service delivery models, including, but not limited to, supportive low-barrier (Housing First), recovery-based (sober living), and others. Funds may be used to finance entire developments, individual units, or residential portions of a development.

Different portions of the same development may be funded by separate Program loans, but for purposes of these Policies, including limits on OH funding for Eligible Total Development Costs, OH may consider them as a single project, and may consider funds lent to the owner or developer of one portion of the project as supporting units in another portion, including for purposes of policies allocating funds based on affordability levels or income limits.

### **iii. Eligible Costs**

Eligible costs include, but are not limited to:

- Appraisals
- Architectural/engineering fees
- Capitalized Operating Reserves
- Capitalized Replacement Reserves
- Closing costs
- Construction
- Contingency
- Developer fees
- Environmental Assessment
- Financing fees
- Hazardous materials abatement
- Inspections and Surveys

- Insurance
- Interest
- Option costs
- Permits
- Reimbursement of Pre-Development costs\*
- Professional Fees
- Purchase price
- Relocation
- Title insurance

\*Funding for Pre-Development through the Rental Housing Program is primarily intended to support projects developed by small, community-based non-profit housing developers who have barriers to accessing other sources of Pre-Development funding. All nonprofit borrowers are encouraged to use other cost-effective sources for Pre-Development funding, including private loans.

Eligible costs are intended to cover capital expenses, including capitalized operating and replacement reserve deposits; not general operational expenses/costs or items with an expected useful life of under one year. Program funds may refinance debt incurred for acquisition or for any eligible costs, and if necessary to finance a rehabilitation project, program funds may refinance other existing secured debt.

#### **iv. Residential Spaces**

Program funds may be used to fund housing units, residential spaces, and common areas to the extent they serve the low-income housing and not other uses. The Director may set standards for bedrooms in residential units for the purpose of establishing unit size and associated rent restrictions. Generally, communal residential bathrooms and kitchens are not eligible for funding but may be allowed at the Director's discretion based on specific programmatic or population need. Examples of eligible residential spaces include:

- Building Lobby
- Areas for resident use such as television or reading rooms
- Bathroom and kitchen areas associated with community spaces for building residents
- Corridors, stairwells, storage areas
- Management and service office space that is accessory to the housing
- Spaces used for on-site social services

#### **v. Mixed-Use and Mixed-Income Developments**

Program funds can be used for projects that combine Low-income rental housing with market-rate housing and/or commercial or other nonresidential spaces. However, costs associated with non-residential uses and market-rate housing are not eligible for Program funding. Common areas and office space may be eligible for funding if OH determines they will serve residents of the affordable rental housing.

Borrowers must demonstrate 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 or mixed-income project, the Director 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, OH 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 space that is not eligible for Program funds, and that the other space is an eligible use of the other sources; and
2. The loan documents require that the final cost certification confirms the allocation of appropriate non-Program funds for such other spaces.

#### **vi. Ground Leases**

Ownership of a property is preferred to site control through a long-term ground lease. In addition, reversionary interests and other future interests (such as purchase options) will generally not be allowed. A long-term ground lease will be permitted in cases where the City or the Seattle Housing Authority is lessor, or the lessor and the lessee agree to accept the loan conditions in Section E of this Chapter and the City receives security in both leasehold and fee interests. Projects involving a borrower that is a lessee (other than with the City or Seattle Housing Authority) where the lessor and lessee do not both accept these terms and conditions will be permitted only if the project represents an unusual cost-effective opportunity or furthers community development objectives in low-income neighborhoods, and the project meets all other OH requirements needed to provide adequate security for OH's loan. At a minimum, the following conditions will apply to properties where the borrower is the lessee and the owner (other than the City or Seattle Housing Authority) does not agree to subject its interests to the City's deed of trust and regulatory agreement:

1. **Repayment:** OH loans will not be deferred and instead must be amortized and structured (including hard debt payments) to provide for repayment over the life of the loan. This is needed to avoid a balloon payment at the end of the loan, given that the remaining term of the lease is not adequate security for a large balloon payment.
2. **Lease term:** Leases will generally be 75 years or longer. Minimum lease term is 60 years with a preference for longer terms when feasible. The lease term must exceed the City loan term by at least five years.
3. **Security:** Security for the City loan should be appropriate to protect the City's interest in repayment of the loan.

### **vii. Replacement Housing Conditions**

Program funds shall not be used to finance development of replacement housing units developed as a condition to a tax exemption through the Multifamily Tax Exemption program, as a condition to a Major Institution Master Plan boundary expansion, or otherwise required as mitigation for demolition of existing housing.

## **B. Project Requirements**

### **i. Eligible Borrowers**

An applicant and/or proposed borrower must demonstrate ability and commitment to develop, own, and manage affordable housing, including a stated housing mission in its organizational documents. OH will evaluate the experience of an applicant’s development team, management team, Executive Director, staff, and Board of Directors (if applicable) to determine there is sufficient capacity to sustainably develop, own, and operate housing on a long-term basis. Applicants that lack direct experience in these areas may demonstrate capacity by partnering with an entity or entities that provide essential expertise to the project. In these cases, OH will evaluate the proposed partnership to ensure it meets the needs of the project and is sustainable for an appropriate length of time. The applicant, proposed borrower, and all Affiliated Entities of each of them (whether or not involved in the proposed project) must be in Good Standing on all existing loans and subsidy contracts administered by OH. Good Standing is defined in Section I of this Chapter, Project Monitoring.

The OH Director may waive certain eligibility criteria for community-based organizations that participate in the JumpStart/Payroll Expense Tax (PET) Community Self-Determination Fund Program.

Eligible applicants and borrowers are:

1. Nonprofit agencies with charitable purposes. 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.
3. Public Development Authorities.
4. Seattle Housing Authority (SHA), except that housing to be developed at Yesler Terrace must be authorized in the Yesler Terrace Cooperative Agreement approved by City Council.
5. Private for-profit firms.

### **ii. Cost-Effective Long-Term Investments**

Proposals for quality affordable housing must demonstrate a cost effective, sustainable investment of public funding. OH will apply the following policies to determine whether a proposal satisfies this requirement.

1. Land acquisition costs should be justified and not exceed a competitive market price for the location. OH recognizes that land cost will be higher in some market areas within the city.
2. Design for new construction should clearly promote efficient use of space and utilities.
3. For acquisition and rehabilitation of existing buildings, building improvements should address energy efficiency and related health and safety benefits, as feasible and appropriate, and utilize funding through OH's Weatherization program if available.
4. Per-square foot and per-unit costs should reflect current market rates for the type of housing being produced.
5. Low per-square-foot land acquisition costs is desirable but should not be sought at the expense of considerable site work challenges.
6. Fees for contractors and professional services should be competitive.
7. Unnecessary costs should be avoided whenever possible.

### **iii. Maximizing Production and Preservation**

The City strives to leverage non-City resources for capital, operating, maintenance, and supportive services to the greatest extent possible. OH works collaboratively with other funders of affordable housing including but not limited to the Washington State Housing Trust Fund and Department of Commerce, King County's Community and Human Services Division, the City's Human Services Department, the Washington State Housing Finance Commission, Low-Income Housing Tax Credit (LIHTC) equity syndicators and investors, and private lenders. OH and its borrowers 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 funding allocation policies for the Housing Levy and other housing fund sources.

### **iv. Leveraging and Maximum Percentage of Capital Funds**

In general, OH will award funds up to a maximum of 40% of the eligible residential total development costs ("Eligible TDC") of a project. Eligible TDC includes all components of the development budget, including site acquisition and development, construction costs, and soft costs, attributable to the housing units that are eligible for City funding and any common areas to the extent that OH has determined they are eligible for funding.

The Director may allow up to a total of 50% of Eligible TDC to be financed with City funds for projects that meet at least one of the following criteria:

1. Project is located in a high cost area with access to appropriate services and amenities for the intended population and little or no existing low-income housing opportunities are available.
2. OH determines that additional funding is needed to increase the number of units that have Affordable Rent for Extremely Low-Income tenants.
3. Projects that provide special amenities and/or unique design features for the proposed tenant population such as large units for families; units requiring reconfiguration to meet the needs of

the proposed population; or special design features resulting from the participation of potential tenants and/or community members in project development.

In addition, in scenarios where leverage is constrained, and projects are unable to obtain additional funding through traditional methods of funding such as LIHTC the Director may allow a reasonable percentage above 50% of TDC for projects.

#### **v. Additional Policies**

Projects must also comply with policies contained in Chapter X, as applicable:

- Development Siting Policy
- Community Relations
- Relocation, Displacement, and Real Property Acquisition
- Affirmative Marketing
- Fair Contracting Practices, WMBE Utilization, and Section 3

Additional or different requirements may apply to fund sources other than the Housing Levy, including federal requirements for HOME and CDBG funds, and some requirements may be applied to projects not using HOME funds in order to satisfy federal matching conditions.

### **C. Construction Requirements**

OH strives to ensure fair contracting methods and competitive pricing in the construction and rehabilitation of affordable housing. Borrowers receiving permanent financing shall generally meet the following minimum construction requirements. OH may include additional requirements in a NOFA or RFP but may reserve the right to waive or modify any such additional requirements. Borrowers are responsible for the compliance of all documents, plans and procedures with all applicable laws, regulations, codes, contracts, and funding requirements.

#### **i. Competitive Selection of Contractors**

Borrowers must make every reasonable and practical effort to competitively select their general contractor unless an alternative selection process is approved by the Director. Borrowers must propose a competitive process that clearly meets the City's requirements as published in each NOFA or RFP. The borrower shall submit a summary of the proposed competitive selection process for OH approval. OH may require modifications to the process prior to implementation.

#### **ii. Contracting Types and Project Delivery Methods**

Borrowers may propose to use a Cost Plus a Fee with a Guaranteed Maximum Price, a Stipulated Sum contract, or an alternative contract type that meets the City's requirements as published in each NOFA or RFP. The borrower's construction contract with the general contractor and any amendments to the contract shall be submitted to OH prior to execution.

### **iii. Construction Management**

If borrowers do not have sufficient in-house construction management capacity, they will be required to contract for this service. Borrowers proposing to manage their own construction projects must demonstrate such expertise to OH. Such borrowers 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 sponsor's construction management experience and staff expertise.

### **iv. Wages**

State Residential Prevailing Wage Rates shall be the minimum rates applicable to all projects unless a higher minimum rate applies or an exception is made as allowed in this paragraph. When a state Residential Prevailing Wage Rate is not available for a given trade, Commercial Prevailing Wage shall be used instead. When federal funds in a project require prevailing wages to be determined under the Davis-Bacon Act, the higher of either the state residential prevailing wage rates (unless modified by the Director as stated below) or Davis-Bacon wage rates will apply to each job classification, unless applicable law requires otherwise. The Director may approve a change in these prevailing wage requirements if necessary to achieve compatibility with a state or federal funding source. OH shall establish procedures regarding payment of appropriate wages in consultation with the City's Department of Finance and Administrative Services, which monitors compliance. In cases where Davis-Bacon wages are triggered, Davis-Bacon monitoring procedures are followed as required by HUD and administered through the Human Services Department. More specific guidance on the application of prevailing wage rates can be found on the OH website.

### **v. Apprenticeship Programs**

All borrowers are encouraged to require contractors to participate in state-approved apprenticeship programs.

### **vi. Workforce Diversification**

In a published NOFA or RFP, OH may include expectations for contractors to establish and achieve workforce diversification goals. Such expectations will be modeled on the City's existing Priority Hire goals and will apply to projects that the Director deems suitable for such goals. In a housing project where workforce diversification goals are applied, OH may determine that these goals supersede certain requirements in Chapter X.5 below.

### **vii. Sustainability Requirements**

Projects must comply with requirements of the state's Evergreen Sustainable Development Standard (ESDS) applicable at the time of OH's funding award. These requirements apply to all projects, regardless of whether state funding is used, except that OH may approve a limited scope of work that does not include all ESDS requirements for rehabilitation of a previously funded housing project as provided in Section G, below. Details are available through the Washington State Department of Commerce.

### **viii. Broadband Technology**

New construction projects generally must include broadband infrastructure to facilitate internet access for residents of low-income housing.

## **D. Project Selection**

### **i. Notice of Funds Available**

At least once per year, OH will issue a Notice of Funds Available (NOFA), which will provide application requirements, details on specific fund sources available, application forms, and deadlines. The NOFAs will announce, together or separately, opportunities to apply for permanent financing for new housing production, preservation and rehabilitation of housing, or supplemental funding for rehabilitation of existing OH-funded housing, and for Short-Term Loans for site and building acquisition for future development.

As provided in Chapter VIII, OH may separately announce funding for housing development on a publicly owned site through a competitive RFP process. OH may review and approve funding applications separate from the selection process described in Section G.iii for housing developments at publicly owned sites. OH will not award funds for housing at publicly owned sites until a detailed funding application including cost estimates is submitted and reviewed by the OH and determined by the Director to be in accordance with these Policies. OH may expend funds directly on the lease, acquisition, maintenance, or management of publicly owned sites, and on due diligence, including third-party reports, separate from a funding award for development of affordable housing.

All applicants are required to attend a project pre-application conference with OH staff prior to submitting an application for funding. OH will allow minor deficiencies to be corrected and clarifications to be made by applicants during the review process. Otherwise, incomplete applications will not be considered for funding.

### **ii. Application Components**

OH uses the Washington State Combined Funder Application for Affordable Housing. At minimum, applications must contain the following:

1. Project description: location, number and type of units, rent levels, need, and special characteristics.
2. Applicant and borrower capacity in the development, ownership, and management of affordable multifamily housing and capacity to serve the focus population: For homeless housing proposals, if the applicant currently operates homeless housing, OH will consider any available information provided by services funders and the applicant regarding the applicant's performance in meeting homeless contract standards.

3. Tenant profile: a description of proposed and existing tenants and their needs, projected household sizes, estimated amounts and sources of tenant income, any tenant referral arrangements and eligibility as required by proposed services fund sources.
4. Evidence of site control: fee simple ownership, an option to purchase, an earnest money agreement, or a lease (or option to lease) with a minimum term of 60 years, may constitute site control. OH will consider projects where the underlying ownership is through a real estate contract if the contract holder is willing to subordinate their interest to the OH loan or if there is adequate provision for the applicant to discharge the underlying contract and obtain fee title.
5. Appraisal: If the project involves property acquisition, an appraised value based on the highest and best use at the time of site control will be used to assess whether a fair price is paid for land, including any structures. The appraisal should take into account any existing restrictions. Project applicants should make acquisition offers subject to verification by appraisals acceptable to the City and subject to the outcome of environmental review.
6. Construction description: Proposed contractor selection plan; scope of work; outline specifications; cost estimates; contract type and project delivery method; Evergreen standards; reports and evidence of early design guidance from the City's Department of Planning and Development, as required.
7. Project schedule.
8. Zoning: Zoning must be appropriate for the proposed project at the time of application or within a timeframe approved by the Director.
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 assessment.
10. Development budget and proposed sources: Budget shows reasonable leverage of other fund sources and demonstrates that the requested OH funding amount is necessary to complete the project. Projects with capital campaigns proposed as a source of financing must provide documentation that at least 50% of the total campaign amount has been pledged unless a lower threshold is approved by the Director.
11. Relocation Plan, if applicable.
12. Operating Pro Forma: a 30-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, services, and other required costs. Borrowers should anticipate a 50% of cash flow payment on the City loan (cash flow payments are not anticipated in PSH projects).
13. Support services: budget and support services plan, if applicable.
14. Draft Community Relations Plan: description of neighborhood notification process completed prior to submitting the application and plans for ongoing community relations activities, consistent with the Community Relations policy in Chapter X. Proposal must describe how community issues or concerns raised will be addressed.

### **iii. Proposal Review**

Funding applications are reviewed and evaluated in detail by OH staff based on the requirements listed in these Policies, specific fund source requirements, and additional criteria published in the NOFA. OH staff work closely with the other public funders that have been requested to fund each project. The public funders collaborate on proposal evaluations and financing strategies that meet the requirements of each fund source while maximizing the number of residents served in affordable housing units (taking into account different unit types) that can be produced and/or preserved each funding round.

When projects have been evaluated, staff makes funding recommendations to the Director. The Director will generally request review by an Advisory Committee composed of individuals appointed by the Director and staff members of the Mayor’s Office and City Council who have expertise in affordable housing financing and/or public policy. The Director, whose decisions on funding shall be final, shall make funding awards based on the merits of the proposed projects; the projects’ strengths in meeting the objectives and priorities stated in applicable plans and policies and the NOFA; the overall mix of projects funded by the City; and leveraging of public and private resources to preserve or produce quality affordable housing units for the highest number of potential residents each funding round. Results are reported to the Housing Levy Oversight Committee and made public.

The proposal review and evaluation process is generally as follows:

- OH staff conduct an initial screening of applications to determine their completeness. Staff reserve the right to deny applications that are incomplete, but may work with applicants, within reason, to bring applications into compliance to be considered complete.
- Each application is generally assigned to an OH staff member who serves as project manager, underwriter, or both for the application and project. OH staff first review applications for adherence to threshold requirements as described elsewhere in this document and the NOFA. If thresholds are met, staff will compile an analysis and summary of applications based on satisfaction of OH and NOFA priorities; development, operational, and management capacity of the applying organizations; project plan details including populations served, unit mix and affordability, and community-specific concerns; financial feasibility of development and long-term operational plans; and project schedule and overall readiness to proceed with development.
- Teams of OH staff with expertise in affordable housing development, finance, operations, policy, community development, land use, and permitting convene in internal meetings to review and discuss the summary analyses.
- OH staff meet and confer with other local and state public funders to align their respective funding strategies, when possible, with the goal of maximizing the number of residents served in affordable units (taking into account different unit types) to be produced and/or preserved while maintaining compliance with individual organizational and funding source requirements.
- OH staff produce a draft funding recommendation based on input and findings from previous steps in the process, which is then presented to the Director. The Director will generally convene

an Advisory Committee composed of City employees, funders and financiers, community members, and other people with expertise in the affordable housing sector to advise on the merits of individual applications and the funding recommendations as a whole.

- The Director makes final funding decisions considering all analyses and advice provided throughout the process. The Director’s decisions are final and not subject to appeal. Applicants are contacted directly and notified of funding decisions before any public announcement is made. The final awards are published publicly and reported to the Housing Levy Oversight Committee at their next meeting, if not sooner.

#### **iv. Fund Reservation**

The Director authorizes a fund award for each selected project, which provides information about fund source requirements, funding levels, and conditions that must be met prior to closing and prior to occupancy. Fund awards are not binding on the City until loan documents are finalized and signed by both the Director and the owner.

The Director may reduce or revoke funding to any project for several reasons, including, but not limited to, failure to meet funding conditions; decrease in costs from the preliminary cost estimate submitted in the application; failure of the applicant to obtain other funding; noncompliance by the applicant with City policies; determination of inaccuracies in the information submitted; increased costs or other factors affecting feasibility; failure to begin construction within a reasonable timeframe; results of environmental or other reviews; changes in the Good Standing of the applicant, borrower, or Affiliated Entities; or failure to the applicant to agree to loan conditions.

If a project remains eligible for OH funding throughout the development process, OH 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 Director also may increase funds to a project after the initial fund reservation if reasonably necessary to assure success of the project or maximum public benefit, based on new information not reasonably available or foreseeable at the time of the initial decision. Conditions that warrant increases in funding can include increased construction costs, increased interest rates, and project timing delays, beyond the reasonable control of the applicant. Such increases will be balanced with overall demand for funding of new projects.

#### **v. Forward Commitments**

At the discretion of the Director, OH may commit a future year’s allocation to finance affordable housing. Forward commitments of up to a total of \$15 million annually of the following year’s allocation of 2023 Housing Levy Rental Production and Preservation funds may be awarded to a rental housing project or projects applying for funds through a NOFA, consistent with program policies and subject to future appropriation and to the allocation of tax revenues to the program. A forward commitment of Levy funds under this policy will allow OH to respond to special circumstances such as large and/or significant housing development opportunities that are ready to proceed, may become infeasible or incur significant cost due to delay, and cannot be fully funded using the current year’s resources.

## **E. Loan Conditions**

Financing shall generally be in the form of long-term loans. In addition, OH may approve short-term loans as provided in Section F of this Chapter, Short-Term Loans.

Loan conditions are meant to promote and encourage long-term use of properties for low-income housing. The Director may deviate from the loan terms and conditions contained in these Policies in the following cases:

1. For tax credit entities, where such loan terms may impair the availability of tax benefits
2. When the borrower expects to receive other funding sources from which full or partial repayment of the City loan can be made prior to the normal maturity date
3. To enable a project to secure other financing, including HUD-insured loans and HUD capital grant

### **i. Loan Terms**

Permanent loan terms will be a minimum of 50 years. OH may provide an acquisition or construction loan for a much shorter term that is eligible for conversion to a permanent loan upon satisfaction of conditions.

### **ii. Interest Rate**

The interest rate for projects not using LIHTC will generally be 1%. The interest rate for projects using LIHTC will be a minimum of 1% simple interest and a maximum of the Applicable Federal Rate for the purposes of Section 42 of the Internal Revenue Code, depending in part on the project's projected capacity for repayment. The actual interest rate for projects using LIHTC will generally be 1% and can range from 1% to 3%. The interest rate may exceed 1% where there is a benefit to the project's development financing. One purpose of establishing a range for the interest rate on Program funds is to provide flexibility in financial structuring to maximize LIHTC equity contributions and to help preserve long-term affordability.

### **iii. Developer Fee**

The cash portion of the developer fee is determined according to a schedule document, last updated in 2024, that can be found on the OH website.

### **iv. Undisbursed Funds After Closing**

In general, all funds committed by OH to a project shall be disbursed, expended, and accounted for by the last day of the month 18 months after the calendar month in which the project received its final certificate of occupancy (or its equivalent). Any remaining funds not yet disbursed at that point may be retained by OH and reallocated to other purposes.

## **v. Upward Adjusters**

Unless otherwise set forth in an agreement between OH and a borrower, the following policy applies to projects that have received equity financing through LIHTC. If a project receives an increase in the capital contribution from the LIHTC investor, the additional capital contribution will be distributed in the following manner:

### Eligible costs to be approved by OH

- Payment on the outstanding OH loan.
- Eligible project costs.
- Additional deposit to the project’s replacement reserve account.
- Other project or sponsor costs that support the residents living in the project.

### Cost sharing

Assuming project and sponsor costs can be justified, OH generally supports a majority of funds returning to the project. As an example, OH approved the following distribution for the upward adjuster received for a project in 2023:

- 33% to the project
- 33% to the sponsor
- 34% to OH

The distribution amount will be negotiated on a project-by-project basis, including review of the eligible costs and percentage distribution.

Factors that will be considered with the final distribution amount include whether the upward adjuster is a result of increased development costs, the long-term capital needs of the project as supported by the capital needs assessment, the proposed other project or sponsor costs that support residents, and the financial needs of the sponsor. Additional consideration will be given to project sponsors working to address housing inequities and who have the experience and resources to effectively address the needs of underserved communities, including without limitation, Black, Indigenous, and People of Color communities, and others historically excluded from equitable access to housing.

## **vi. Repayment**

OH will generally make deferred payment loans that are payable in full on sale, on change of use, or at the end of the loan term. Terms generally will permit borrowers to further defer payment of principal, deferred interest, and contingent interest by extending the loan and regulatory term. Cash flow payment loans, or loans requiring periodic payment of some or all interest, will generally be required if project proformas indicate that the borrower will be able to make payments and meet expenses consistent with Rent limits. Required payments may be set to begin at a future date, such as after a LIHTC compliance period. Terms of repayment will be established in the award letter and subject to revision at the time the regulatory agreement is executed. OH may agree to an owner’s request to modify repayment terms at a future date, such as after a LIHTC compliance period, if the Director finds that the change is necessary in

order to obtain favorable refinancing terms for senior debt, or that the owner is unable to make scheduled payments without an undue adverse effect on operations or necessary reserves, or that an alternative use of building income will benefit Low-Income residents or will enhance or protect the City's investment in the Property.

### **vii. Transfer and Assumption**

OH may permit the assumption of the loan, and the transfer of the property acquired, constructed, or rehabilitated with the proceeds of the loan, without requiring repayment of principal, interest or other amounts owing under the loan at the time of the transfer, under the following circumstances:

- The loan is assumed by a tax credit entity and the entity makes a substantial equity investment in the low-income housing.
- The property is transferred by a tax credit entity to a nonprofit corporation or public agency approved by the Director, or to an entity controlled by such a nonprofit corporation or public agency, including without limitation a transfer to the general partner or manager pursuant to the terms of an option agreement made in connection with the formation of the tax credit entity.
- The property is transferred, with the approval of the Director, to an approved transferee in Good Standing such as a qualified nonprofit corporation or public agency, without consideration to the transferor other than assumption by the transferee of outstanding obligations.
  - Subject to negotiation with OH and at the discretion of the Director, an exception may be allowed for reasonable consideration to the transferor if the property is being transferred for the purpose of providing affordable housing, and taking into account the value of the property, the debt being assumed, and other affordable housing benefits from the transaction.

Prospective new owners must complete a transfer of ownership application and meet the guidelines established for transfer of ownership.

### **viii. Refinancing of Private Debt**

OH may allow refinancing of private debt in cases that result in additional capital investment in the project; that result in a lower interest rate and reduced debt service; or that produce some other long-term project benefit. OH shall review the proposed new financing terms; proposed transaction costs; a capital needs assessment; and the adequacy of reserve accounts. OH may define additional submittal requirements.

### **ix. Covenant (Regulatory Agreement)**

A covenant will be recorded against the property that requires continued use of the units funded by the City as low-income housing for the stated term of the loan, and for any period for which the loan is extended or remains outstanding. Unless otherwise agreed by the Director, the covenant shall continue in effect if the loan is repaid or discharged before the maturity. The Director may release the covenant, wholly or in part, in connection with a sale or transfer of the property approved by the Director,

including any foreclosure, if the Director determines that under all the circumstances, including any proposed substitution of other units, the release will likely result in a net benefit to the City's efforts to achieve low-income housing goals, compared to maintaining the covenant. The Director may release a covenant, consistent with this Section, on housing loans made under prior A&F Plans for any Housing Levies, Consolidated Plans, or other City policies or ordinances governing the use of housing fund sources, subject to any applicable requirements of federal or state law, or of grant agreements with the City's fund sources.

#### **x. Regulation of Units Without Funds Committed**

As a condition of funding of eligible rent and income-restricted units, OH may require additional regulation of units affordable to households with incomes up to 80% of Median Income in the regulatory agreement, without providing funding to support the development of those units, in the interest of maintaining affordability levels in the project long term. The decision to allow for and regulate such units in a project will be contingent on other funding being secured for those units and the overall financial viability and sustainability of the project.

#### **xi. Supportive Housing**

Loan terms may include requirements specific to dedicating units for people who have experienced homelessness or who live with disabling conditions such as those that result from physical and/or behavioral health conditions, as well as substance use disorder. Borrowers whose projects have units restricted to persons with these types of conditions may propose to change the population group being served in a project sometime during the loan term. If an event occurs requiring a change in population group served, borrowers will first be required to serve another similar population group. If OH determines that it is not feasible or appropriate, OH may allow for any households within incomes at or below a specified income level to be served.

#### **xii. Contingent Interest**

Contingent interest (also known as Shared Appreciation) shall be required for all projects at maturity, except as described below, or in the event of change of use or sale of property before the loan maturity date. Upon maturity, sale, change of use, or acceleration or prepayment of the loan, loan principal plus the greater of either deferred interest or contingent interest shall be due. Contingent interest shall be calculated according to a formula established by OH.

The City's contingent interest should reflect the amount of City funds contributed as permanent financing to a project and may be modified to account for any additional funds contributed during the loan term, such as capital contributions approved by the City or borrower subsidy necessary to cover operating losses. For example, if City funds are 50% of total project costs, the City should receive, in addition to repayment of its principal, 50% of proceeds remaining after repayment of approved project debt (but not including contingent interest owing to other project lenders). Contingent interest may be limited, however, to a maximum effective rate of interest on the City loan, determined by the Director to be reasonable in light of the City's relative priority to other lenders on the project and any other relevant

factors. OH may forgo contingent interest in its sole discretion if the borrower reinvests sales proceeds in other affordable housing in the City of Seattle and satisfies any other OH conditions. Contingent interest may also be subject to cancellation or reduction as described in Subsections xiv and xv below.

### **xiii. Prepayment Premium**

Prepayment in full of loans will be subject to OH approval. Such approval shall not be unreasonably withheld if the borrower provides adequate assurances of future compliance with the affordability and occupancy restrictions in the regulatory agreement. In general, if a borrower repays the City loan(s) (principal plus the greater of interest or contingent interest) in full during the first 15 years of the loan term, a prepayment premium shall also be due.

The prepayment premium shall be 50% of the original loan principal if the loan is repaid during the first five years of the loan term. The prepayment will decline by 5% per year in years 6 through 15. There will be no prepayment premium after 15 years.

Prepayment premiums shall not be due in the event of involuntary prepayment, due to casualty where there are insufficient insurance proceeds or other sources reasonably available to complete the repairs or condemnation.

### **xiv. Loan Term Extension**

Any unpaid principal balance and accrued, but unpaid, interest on OH loans will be due and payable at the end of the initial approximately 50-year loan term. Loan documents may provide borrowers with an option of extension, or, in certain circumstances described below, satisfaction of some or all of the amounts owing through extended provision of affordable housing. At the end of the loan term, borrowers will be encouraged to extend the loan term and continue to extend the period of affordability restrictions for an additional 25 years, and Contingent Interest may be cancelled or reduced provided the property continues to be in compliance with OH requirements.

### **xv. Debt Satisfaction Through Extended Affordability**

As an inducement to serve Extremely Low-Income households, OH may agree to terms in loan documents, for projects in which 50% or more of the units serve these households, by which, if the loan term is extended for 25 years and the borrower and the property remain in compliance with OH loan documents, the debt will be deemed satisfied at the end of that extension period or ratably over the extension period.

For any other projects, loan terms will not provide for any forgiveness of principal debt or ordinary interest, but if the period of affordability restrictions is extended after the initial approximately 50-year term for an additional 25 years, then the terms may provide that contingent interest will be deemed satisfied at the end of that extension period or the contingent interest percentage reduced ratably over the extension period.

#### **xvi. Use of Funds Owing to the City**

Sale of projects during the loan term requires OH consent. Loan payments to the City will be deposited in the Low-Income Housing Fund unless otherwise required by the fund source for the loan. Payments will be reallocated by OH to low-income housing projects according to priorities established in the currently applicable City policy plans as determined by OH, subject to any specific requirements applicable to Program Income from particular fund sources.

#### **xvii. Deed of Trust; Non-Recourse**

Loans shall generally be secured by a deed of trust on the property where the City-funded units are located and generally shall be made on a non-recourse basis, with the City's remedy limited to its security in the project, project rents, and project reserves, except in cases of fraud, waste, or other circumstances determined by the Director to justify recourse against the borrower. OH may require recourse to the borrower or a guarantor, or both, if for any reason a loan is not secured by the real property or otherwise would not be adequately secured in the opinion of the Director, or may require recourse for a specific amount of time or until certain conditions are satisfied when the City's security in the property may be inadequate.

#### **xviii. Conduit Financing**

To take advantage of opportunities to respond to requirements of particular projects, OH may provide funds to a project indirectly, for example by a loan to a borrower that then re-lends the funds to a project owner or lessee. Such financing may include, without limitation, acquisition of tax-exempt bonds from a conduit financing agency where the proceeds are used for an eligible project. In general, the project owner or lessee in such cases must agree to OH's regulatory terms and must provide a deed of trust for the benefit of the City or assigned to the City.

#### **xix. Management Plan**

Prior to completion of construction, the borrower must submit for OH's approval a management plan for operations of the building, consistent with the requirements of Section H in this Chapter, with the exception of the capital needs assessment, which must be submitted to OH for approval within six months after completion of construction. For projects that do not include construction, a management plan and capital needs assessment shall be submitted when required by OH. The borrower must make any corrections required by OH and must operate the property in accordance with the management plan and not materially modify the plan or management policies without the prior written consent of OH.

### **F. Short-Term Loans**

Short-Term Loans provide funding for strategic property acquisition for low-income housing development and preservation. Short-Term Loans can be made for acquisition of land or buildings and can support Pre-Development. These loans could be used to purchase buildings identified through Seattle's Notice of Intent to Sell ordinance. Loans are intended to be repaid with permanent project financing, which may or may not include City fund sources.

Short-Term Loans may also provide funding for strategic Site Acquisition by OH to secure long-term opportunities for implementation of program objectives. Unless otherwise approved by the City Council, the policies for Housing Development on Publicly Owned Sites apply to City property acquired or funded through Short-Term Loans. The OH Director may propose use of funds directly for Site Acquisition when in the OH Director’s judgment the property involved is suitable for long term low-income housing use and, if it is not already in use as housing, development for that use will be feasible within a reasonable time. The OH Director may use Short-Term Loan funds to acquire an option to purchase or lease property that the Director considers likely satisfy those standards, and if the OH Director finds that there is a need to obtain site control without delay.

For rental housing development, the total outlay of Short-Term Loans, assuming the City exercises the option and any others then in effect, may not exceed \$30 million at any one time during the term of the 2023 Housing Levy. This limit does not apply to outstanding short-term loans issued prior to 2024 under a predecessor program or authority.

Projects applying for Short-Term loans must be presented to relevant OH staff who will meet to analyze proposals in order to provide recommendations to inform the Director’s decision. Permanent financing availability must align with funding needs created by JumpStart/PET Community Self-Determination Fund short-term financing and Levy-funded short-term financing.

The following policies apply to Short-Term Loans. Loans must be used for Site Acquisition, including acquisition of improved or unimproved property, or both, to assist in the development or preservation of low-income rental housing.

#### **i. Notice of Funds Available**

OH will issue a Notice of Funds Available (NOFA) and may consider applications on a rolling basis. The NOFA will specify application requirements similar to the Rental Housing program applications. Pre-application meetings with OH staff will be mandatory. Short-Term Loans may be made only when, in the judgment of the OH Director, there is a high likelihood that permanent financing for low-income housing will be available on acceptable terms before the loan maturity date.

#### **ii. Eligible Borrowers**

To be eligible for a Short-Term Loan, the applicant must: have successfully developed and operated at least three affordable housing projects and demonstrate capacity to secure permanent financing within five years for the proposed project; or be working in partnership with one or more organizations that can demonstrate capacity to secure permanent financing within five years for the proposed project, and at least one of the partnering organizations must have successfully developed and operated at least three affordable housing projects. The applicant and its Affiliated Entities must be in Good Standing on any OH loans. Applicants who have, or whose Affiliated Entities have, an outstanding Short-Term loan or similar short-term financing from OH will generally not be eligible.

The OH Director may waive certain eligibility criteria for organizations that participate in the JumpStart Community Self-Determination Fund Program, described in Chapter VI.

### **iii. Loan Rate and Terms**

- For vacant land, the loan to value shall generally be up to 95% and may be up to 100% subject to criteria identified in the NOFA. Loan-to-value shall be up to 80% on improved income producing property but may be up to 100% for properties that are not producing income sufficient to cover debt. OH will generally expect City funds to be leveraged with other acquisition sources.
- The interest rate shall be 1% to 3% simple interest. Accrued interest shall be paid in full when the loan is repaid.
- Loans generally will be made on a non-recourse basis. OH may require recourse to the borrower or a guarantor, or both, if for any reason the Director deems it necessary or prudent in order to minimize risk.
- Borrowers must agree to terminate a use other than low-income housing, upon OH request.
- The loan term shall be up to 5 years. The Director shall have the option to allow extensions, or to convert the loan to permanent financing if permanent financing is awarded through a NOFA. Any extensions may be conditioned on the borrower submitting an updated proposal for approval by OH.
- A minimum of a 20-year covenant will be recorded against the property that will require use of the property wholly or in part for low-income housing. Low-income rental housing shall provide an Affordable Rent for households with incomes up to 60% of Median Income. When a loan is used to acquire an occupied building, low-income rental housing may provide an Affordable Rent to existing tenant households up to 80% of Median Income and will be required to provide an Affordable Rent to households with incomes at 60% of Median Income upon unit turnover. Where an occupied housing project, that was not previously income and rent restricted by an affordable housing covenant, is acquired with Program funds, and rehabilitation does not require that existing tenants move out of units, OH may waive the unit affordability and occupancy restrictions for those units occupied by existing over-income tenants to allow for a turnover of units. The waiver will be limited to a specified period. At or before the end of the waiver period, over-income tenants should generally be relocated when feasible. If the project is income and rent restricted by an affordable housing covenant either previously or as part of the new financing, then the terms of the affordable housing covenant with respect to over-income tenants generally shall apply. OH reserves the right to allow an otherwise over-income household to return to their unit in order to avoid displacement of this household.

The covenant shall continue and shall remain in first position when the loan is repaid or discharged. If OH provides permanent financing for the project, the covenant will be amended and restated to comply with Rental Housing program policies as then in effect. However, the Director may release the covenant, wholly or in part, in connection with a sale of the property approved by the Director, if the property is

not in housing use and the Director determines that development of low-income housing is infeasible and that the loan must be repaid.

## **G. Supplemental Funding**

For over 30 years the City has been funding affordable housing development with a strategy that included the acquisition of older buildings. As these buildings have aged, OH has encouraged owners to prepare detailed capital needs assessments of their housing portfolio, strengthen replacement reserves, and identify available fund sources for necessary upgrades. City funds may be used to assist with capital improvement projects which will improve living environments for residents, reduce building operating costs, and achieve energy savings. City funds may also be used to improve the financial performance of a building by resizing existing debt. Both types of investment will extend the useful life of the asset, either through improving the physical condition of the building or by improving long-term operations and financial conditions.

Unless otherwise stated in this Section, Rental Housing Program policies will apply. Consistent with Section D, above, OH will issue a NOFA at least once a year, which will be the primary opportunity for project owners to apply for supplemental funding. The Director may approve a supplemental funding award outside the annual NOFA process to address emergency or time-sensitive needs where the health and wellbeing of the residents are at risk or to protect the City's collateral. Consistent with Section E, above, project owners must demonstrate that they have operated the housing in accordance with their loan and regulatory agreements, and either that they have the ability to complete the rehabilitation work and effectively manage the housing or that they propose an appropriate relationship with an entity that will provide the necessary capabilities.

Project sponsors must demonstrate that the housing has capital needs that cannot be addressed through the property's cash flow, reserves, or other available resources. OH will give priority to proposals that meet at least one of the following additional criteria:

- Projects that are at or near the end of their existing City loan terms if the owner would consider discontinuing the use as affordable housing, unless the property can be rehabilitated.
- Proposals that present leverage opportunities that would allow a substantial rehabilitation of an existing project.
- Proposals whose scope of work includes items that, in addition to extending the useful life of the building by 20 years or more, will also improve the operational efficiency of the building.
- Proposals that resize existing debt in a refinance transaction to account for increased interest rates, construction costs, or operating expenses.

### **i. Eligible and Ineligible Activities and Costs**

The project scope of work generally shall be limited to activities that address unmet capital needs and/or improve financial operational efficiencies. Eligible costs include, but are not limited to:

- Architectural/engineering fee
- Capitalized Replacement Reserves in an amount approved by OH in the NOFA
- Closing costs
- Construction
- Contingency
- Construction management
- Environmental Assessments
- Hazardous materials abatement
- Inspections and Surveys
- Insurance
- Permits
- Professional Fees
- Relocation
- Title insurance
- Condominium association assessments imposed for capital purposes
- Owner project management costs
- Capital advance to resize underlying debt

Eligible costs are intended to include capital expenses, not operational expenses or costs, with expected useful life of over one year.

Supplemental funding for capital needs may be used to fund housing units, other residential spaces, and structural elements or common areas to the extent they support the low-income housing and not other uses in the building. Examples of acceptable uses include:

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

Costs associated with market-rate residential units or commercial spaces are not eligible for supplemental funding.

## **ii. Cost-Effective Long-Term Investments**

Supplemental funding proposals must demonstrate a cost effective, sustainable investment of public funding. The following are minimum requirements:

- Capital needs assessment must demonstrate that the proposed scope of work will extend the useful life of the building by at least 20 years, unless otherwise approved by the Director for specific building components.
- Project scope must address energy efficiency and related health and safety benefits, as feasible and appropriate, and should utilize funding through OH’s Weatherization program if available.
- Per-square foot and per-unit costs must be reasonable given the type of housing, scope of work and market conditions.
- Fees for contractors and professional services must be competitive.
- Long-term stabilization of financial operations

### **iii. Leveraging and Maximum Percentage of Capital Funds**

In general, OH will allow a maximum of 40% of Eligible Total Development Costs (Eligible TDC) of the project to be financed with Program funds. Eligible TDC includes all components of the development budget, including rehabilitation and soft costs, attributable to the housing units that are eligible for City funding, and any common areas to the extent that OH has determined they are eligible for funding. The maximum percentage of project financing includes capital funding from document recording fee revenues awarded by King County. For purposes of this Section, “project” is defined as those housing units that have previously received City funding and are rent-regulated, any additional housing units proposed to be rent-regulated, and common areas to the extent they serve those housing units. The Director may allow for up to 100% of Eligible TDC to be financed with City funds for a project serving Extremely Low-Income households or a project at risk of foreclosure.

The owner is expected to contribute financially to the project. Existing project reserves may be included as an owner contribution only if a post-rehabilitation capital needs assessment approved by OH demonstrates a 20-year useful life of the building. Owner contribution requirements will not apply to projects where at least 75% of units are restricted by OH to serve households at or below 30% of Median Income.

Additionally, the Director may allow up to a total of 100% of Eligible TDC to be financed with City funds for projects that meet at least one of the following criteria:

1. Projects located in high-cost areas with access to appropriate services and amenities for the intended population and little or no existing low-income housing opportunities are available.
2. OH determines that additional funding is needed to increase the number of units that have Affordable Rent for Extremely Low-Income tenants.
3. Projects that provide special amenities and/or unique design features for the proposed tenant population such as large units for families; units requiring reconfiguration to meet the needs of the proposed population; or special design features resulting from the participation of potential tenants and/or community members in project development.
4. Projects sponsored by organizations working to address housing inequities and who have the experience and resources to effectively address the needs of an underserved community

including Black, Indigenous, and People of Color communities, and others historically excluded from equitable access to housing.

#### **iv. Construction Requirements**

Construction Requirements policies will apply to supplemental funding with the following exceptions:

1. **Competitive selection of contractors:** The Borrower must make every reasonable and practical effort to competitively select its general contractor unless an alternative selection process is approved by the Director. Borrowers must propose a competitive process that clearly meets the City’s requirements as published in the NOFA. The Borrower shall submit a summary of its proposed competitive selection process. OH shall review the process and may require modifications prior to implementation. Depending on the scope of work in the supplemental funding proposal and the Borrower’s demonstrated ability, OH may allow the Borrower to act as its own general contractor.
2. **Sustainability requirements:** Projects generally must follow the requirements of the Washington State Evergreen Sustainable Development Standard. Details are available through the Washington State Department of Commerce. OH may waive certain requirements in instances where application of the standard would unnecessarily expand the scope of work of the proposed capital improvement project.

#### **v. Loan Conditions**

Loan Conditions policies will apply to supplemental funding with the exception of the following areas:

1. **Loan maturity:** Supplemental funding loans will generally be a minimum of 50 years. OH may make a supplemental funding loan for a shorter term if the scope of work is relatively limited or if modification of the existing loan provides increased public benefit as described in paragraph 3 below. OH may provide short-term financing, for example, to address an urgent capital need or health or safety concern.
2. **Interest rate:** The interest rate for supplemental funding loans will generally be one percent (1%). If the project serves households with incomes at or below 30% of Median Income in at least half of the units, the Director may set the interest rate at zero percent (0%).
3. **Loan terms:** OH may modify existing loan terms and conditions to conform with current Rental Housing Program policies. OH may change the income limits or affordability level for units within the project if required by the fund source used for the supplemental loan or to provide increased public benefit by serving lower income and/or special needs residents. A loan modification will not result in higher Income or Rent limits for City-funded units, except where the Director determines that such a modification is required to sustainably operate the project and capital fund sources permit higher limits.

## H. Management And Operations

Good management is critical to the overall success of projects. Project owners will be required to submit a management plan to OH for approval prior to completion of construction.

### i. Management Plan

Management plans must include the following:

1. Occupancy standard (number of persons per unit) that is consistent with applicable law, including Seattle Housing Code and federal, state and City 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.
4. Affirmative Marketing Plan that complies with federal, state and City laws and the Affirmative Marketing policy in Chapter X, Section 4. Borrowers must demonstrate cultural competency.
5. Community Preference policy and procedures, with prior approval by OH and Seattle Office for Civil Rights, if applicable.
6. Roles and Responsibilities of key staff and contracted management.
7. Maintenance Plan including a schedule of routine and preventative maintenance; a schedule of inspections; and the long-term maintenance plan.
8. A Life Cycle Cost Analysis (LCCA) that includes a 20-year schedule of major replacements with a corresponding schedule of replacement reserve account deposits.
9. Budget: Annual projection of income, expenses, capital improvements, and reserve accounts.
10. Operating Policies and Procedures for the following management functions, at a minimum:
  - a. Admissions Policies: Income qualification procedures; tenant referral agreements if applicable; screening criteria, including procedures for individual assessment of applicants if applicable; and a copy of the lease or program agreement. Owners will provide notice of screening criteria as required by law. Except as required by federal law, criminal background checks are prohibited.
  - b. Rent: Rent collection, deposits, late payments, addressing damage to units, rent increases
  - c. Commitment to the City's Just Cause Eviction Ordinance.
  - d. If mutual termination agreements are used, a written policy must allow mutual terminations to be used only in circumstances when an eviction would otherwise be filed or if requested in writing or verbally by a tenant. OH will review the mutual termination policy as part of its review and approval of the management plans submitted by project owners.
  - e. Management of tenant files and records
  - f. Work order and Repair process
  - g. Unit turnaround: filling vacancies
  - h. Building security and emergency plan
  - i. Community education and involvement plan for addressing complaints or issues raised by tenants and neighbors about the building or tenants.

11. 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 responsibilities related to service delivery including written agreements that describe relationships with other agencies.
  - c. A description of any tenant referral arrangement required by operating and/or services funding, including participation in a coordinated entry system.
  - d. For PSH or other housing with a homeless services funding contract, screening criteria consistent with service funder requirements.
  - e. Involvement of tenants in project governance and house rules.
  - f. Description of performance or outcome measures.

### **ii. Tenant Income and Rent Requirements**

Housing units are restricted to tenants who are income eligible at time of initial occupancy by the household, or at time of funding by the City, if later. Consistent with Program objectives and priorities, and affordability requirements to specific fund sources, housing units may be restricted to households with income up to 30%, 40%, 50%, 60%, or 80% of Median Income. Tenants must be income qualified prior to move in or prior to City 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 occupied housing project that was not previously income and rent restricted by an affordable housing covenant is acquired or rehabilitated with Program funds, and rehabilitation does not require that existing tenants move out of units, OH may waive the unit affordability and occupancy restrictions for those units occupied by existing over-income tenants to allow for a turnover of units. The waiver will be limited to a specified period. At or before the end of the waiver period, over-income tenants should generally be relocated. If the project is income and rent restricted by an affordable housing covenant either previously or as part of the new financing, then the terms of the affordable housing covenant with respect to over-income tenants generally shall apply. OH reserves the right to allow an otherwise over-income household to return to their unit in order to avoid displacement of this household.

### **iii. Rent Increases**

Rents generally may be adjusted annually to the maximum allowable Rent based on number of bedrooms and affordability level. To avoid displacement of Low-Income tenants, owners should avoid sudden, sizable Rent increases that could cause undue financial hardship or displace residents, particularly for existing tenants immediately after rehabilitation or acquisition. If Rent will increase as a result of acquisition and/or rehabilitation of housing, the initial post-rehabilitation or post-acquisition Rent increases for existing tenants will be subject to OH review to determine that Rent adjustments are reasonably necessary to ensure adequate project operating funds.

Tenants who are income-eligible at the time of their initial occupancy or the time of City funding, whichever is later, are not required to be relocated solely because their income later exceeds the restriction of their unit. However, upon recertification such over-income tenants may be subject to separate mandatory or optional Rent increases, as follows.

- The owner must charge the maximum restricted rent for the unit if a tenant's income surpasses 140% of the maximum income limit for that unit.
- For units with any federal operating subsidy, or occupied by a tenant using a rental voucher, the tenant may pay up to 30% of income for housing costs when the tenant's income exceeds the maximum income limit for the unit, consistent with requirements of the subsidy program and as approved by OH.
- For units that do not have any rent or operating subsidy, the owner is strongly encouraged to increase Rent to 30% of the tenant's income if 1) the tenant's income surpasses 140% of the maximum income limit for the unit and/or 2) the tenant's income surpasses 65% of Median Income.
- If an agreement with HUD requires a higher Rent for a Yesler Terrace Replacement Housing unit than this Section would permit, SHA may increase Rent for any tenant whose income exceeds the restriction of their unit (generally 30% of Median Income) up to the level required by HUD and as approved by OH.

All Rent increases are subject to other funder restrictions, and state and local law.

#### **iv. Floating Units**

OH 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. In such cases, owners will be strongly encouraged to change the affordability level in a unit occupied by an over-income household when a unit at a higher affordability level becomes available in the building. The tenant will not physically move, but a lower affordability level will be assigned to the vacant unit, which would be made available to an income-eligible tenant.

#### **v. Special Populations**

Owners who have committed to serve specific populations, and who sustain a loss of services funding that affects service delivery to such populations, shall consult with OH concerning alternatives.

### **I. Project Monitoring**

Owners must report annually on the status of their projects each year by June 30<sup>th</sup>, or on an alternative date specified by OH upon reasonable advance notice. When possible, OH coordinates its monitoring, site visits, and inspections with other funders to help reduce administration time and disturbance to residents. Owners will submit written reports on a combined funders' annual report form, and OH supplemental reporting forms.

### **i. Compliance and Performance Evaluation**

OH’s compliance and performance assessments include, but are not limited to, the following compliance and performance areas. Additionally, project-specific requirements may be included in loan documents.

1. **Sound borrower fiscal health:** The project borrower and its general partner, managing member or other owner when applicable are in sound fiscal health.
2. **Management Plan:** The project is operated according to the owner’s original or amended management plan for the property.
3. **Affordability:** The borrower must provide an annual report that demonstrates that tenant income determinations and rent levels complied with affordability requirements.
4. **Affirmative marketing and nondiscrimination:** The housing is affirmatively marketed, including advertisements that reach the general population and underserved groups; the population served is diverse; and the borrower can demonstrate nondiscriminatory treatment for all applicants and occupants, consistent with federal, state, and local fair housing laws and regulations.
5. **Occupancy:** The tenant family sizes are appropriate for the unit sizes and projects designed for particular populations are appropriately serving those populations with housing and, if applicable, services.
6. **Unit turnover and vacancy:** Affordable housing owners make good faith effort to turn over units in accordance with industry standards. Annual trends on vacancies will be monitored and reported at least annually to support policy and funding improvements. OH staff will monitor and work with property owners with high vacancies and/or slow turnover to resolve issues. Vacancy is tracked primarily through the Web-Based Annual Reporting System (WBARS), which is managed by the Washington State Housing Finance Commission and the Washington State Department of Commerce. OH staff will work in partnership with providers and other public funders to improve systems, data quality, and reporting, and will explore alternative methods for obtaining more frequent information on vacancies to identify and address any persistent unresolved issues for specific providers.
7. **Physical conditions:** The property must be maintained in good and tenantable condition and regularly repaired to ensure 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.
8. **Capital Needs Assessments/Life Cycle Cost Analysis:** 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.
9. **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 City are paid on schedule and reported as required.

- a. Revenue management: The borrower 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 borrower manages expenses by re-evaluating and re-procuring goods and services from time to time.
10. Community relations: The housing project is a good neighbor, which is measured by good maintenance, street appearance, and responsiveness to neighborhood concerns and complaints.

### **ii. Annual Performance Letters; Actions to Resolve Findings**

OH will provide performance letters each year to all borrowers specific to their projects that have at least one full year of operation. The performance letter will:

1. Summarize OH’s review of compliance and performance in the project monitoring areas described above.
2. Identify any instances of major or chronic non-compliance with terms of the loan agreement, subsidy contract, or other loan documents (“Findings”).
3. Specify actions required to resolve Findings that must be performed and documented by the borrower by a certain deadline, and/or specify a date by which the borrower must submit a plan to resolve Findings for OH review and approval.

OH may accept, accept with conditions, or reject a proposed plan to resolve Findings. If a borrower’s plan includes a proposal for City funding, the borrower must make a significant financial contribution and satisfy all other requirements of Section G, above.

A borrower that disputes a Finding may submit a written protest to OH within 30 days of receipt of the performance letter. A protest must state the reasons why OH’s determination of Findings was unjustified, provide copies of any supporting documents, and include affidavits or declarations as to any facts rebutting the basis for the OH determination that are not established by other supporting documents. The Director or another OH employee designated by the Director shall make a written decision on a protest within 30 days of receipt. That decision shall be the final administrative decision of the City for purposes of determining whether a borrower is in “Good Standing” as described in Subsection I.iii.

### **iii. Good Standing**

A borrower is in Good Standing if (a) the borrower has no Findings identified in its most recent performance letter; (b) OH determines that the borrower has remedied all Findings in its most recent performance letter; (c) the borrower is diligently pursuing a plan accepted by OH to remedy Findings as promptly as feasible; or (d) the borrower’s timely protest of the Findings is upheld by OH. The borrower has the responsibility to provide timely documentation to OH to demonstrate that it has remedied Findings or complied with the terms and conditions of the OH accepted plan.

In January of each year, the Director may notify borrowers that OH has determined are not in Good Standing. A notice that a borrower is not in Good Standing shall identify the Findings that the borrower has not demonstrated as remedied, and/or the actions or conditions in the OH accepted plan that the borrower has not diligently pursued or satisfied. Such notice shall also state that the borrower and its Affiliated Entities are ineligible to apply for Program funding until after a determination of Good Standing in the following year.

No determination of Good Standing, or failure to make a Finding, or determination with respect to a finding, or acceptance of any plan to remedy Findings or actions thereunder, shall constitute a waiver or modification of any terms or requirements of loan documents or any other legal obligations of any borrower or other person, unless expressly so agreed in writing by OH. For example, OH may pursue remedies for any default under loan documents even though the default is not considered a Finding.

### **III. Operating, Maintenance, and Services Programs**

The Operating, Maintenance, and Services (OMS) Program provides operating and services support for City funded PSH and housing affordable to households with incomes at or below 30% of Median Income for Levy funding, and prioritizing housing affordable to households with incomes at or below 30% of Median Income but allowing support potentially up to 60% of Median Income in the case of JumpStart/PET funding. OMS funds are used to fill the gap between eligible operating, maintenance, and services costs, and project income from rent and any other subsidies. OH may make a contingent commitment of up to 20 years of OMS support, which assists owners to secure project financing.

#### **1. OMS Operating Subsidy**

These policies apply to all initial commitments of 2023 Housing Levy OMS Operating Subsidy funds and annual renewals made under any of the Housing Levies, except to the extent there is a binding contract in effect providing that the City will renew an agreement on specific terms or the policies are inconsistent with a provision of a prior levy ordinance that is still in effect. These policies also apply to other local OMS investments, including JumpStart/PET and Local Option funds collected under the authorization created by SHB 1406 from the 2019-2020 Washington State legislative session. If there are terms still in effect governing renewals in a binding contract, renewals shall be based upon the terms of the contract, except to the extent that OH and the project owner agree to substitute different terms consistent with these policies.

##### **A. Eligible Projects; Project Selection for Initial Commitments**

Rental projects funded with 2023 Levy Rental Production and Preservation funds are the only projects eligible for 2023 Levy OMS subsidy funding. Rental projects funded by City sources are eligible and prioritized for OH OMS funding from JumpStart/PET and/or other eligible sources. In addition, OH may use OH OMS funding to extend the contract of a project that received Operating and Maintenance (O&M) funding from a prior Levy if O&M funding provided by the prior Levy has been fully disbursed.

OH may issue a Notice of Funds Available (NOFA) for the OMS Operating Subsidy program. Application requirements will be included in the NOFA.

The application review process considers the following project characteristics:

- The reasonableness of the proposed operating budget.
- The amount of operating and supportive service funds leveraged by the project.
- The experience and capacity of the owner in serving similar populations as well as the owner's general affordable housing development and management experience.
- The adequacy of the management plan for the proposed tenant population and building.

- The scope of any rehabilitation and whether the work minimizes operating expenses.
- The adequacy of the maintenance plan in maintaining the building and preventing long-term maintenance problems.
- The commitment and reasonableness of support services, if necessary, for the proposed tenant population.

## **B. Eligible Households**

To be eligible for Levy OMS subsidy, units must be occupied by households with incomes at or below 30% of Median Income. To be eligible for JumpStart/PET and/or Local Option OMS subsidy, priority must go to supporting units occupied by households with incomes at or below 30% Median Income but may serve units occupied by households with incomes at or below 50% Median Income. OH prioritizes OMS investments for PSH but may support other types of housing with units regulated to serve households with incomes at or below 30% of Median Income. Households must be income qualified prior to moving into the unit or at the time of funding for occupied buildings.

## **C. Funding Limits for Initial Commitments**

OMS Operating Subsidy funding is intended to be a gap subsidy that is combined with tenant paid rent and other general OMS funding sources to cover building operating and services costs. In order to provide opportunities for as many projects as possible and meet Levy OMS goals, the maximum Levy OMS funding award in program year 2023 is \$5,415 per unit per year, for the initial full year of occupancy and will increase by four percent in each subsequent year. JumpStart/PET OMS funding awards will be awarded competitively and their funding level determined based on review of project operating and services budgets and availability of other general OMS revenue sources. Housing Authority voucher subsidy and OMS subsidy may be combined for the same project to increase the number of Extremely Low-Income units or to support PSH if additional operating subsidy is necessary to cover enhanced property management and services costs and no other fund source is available. Enhanced property management and services costs must be reasonable and necessary costs of operating the housing for the population to be served, such as 24-hour staffing or additional case management staff.

Projects will be eligible for annual increases in OMS subsidy, up to 4% annually, subject to OH approval and availability of funds, to help cover increases in the annual funding gap.

## **D. Rents and Occupancy**

Eligible households generally shall be required to pay 30% of monthly income for Rent. As part of the rent calculation, OH will allow adjustment of monthly income for certain allowable expenses as contained in 24 CFR Section 5.611. Owners may request alternate Rent schedules to meet unique program objectives. For example, OH may permit exceptions if tenants are directing their income to

other program goals such as education or saving for transition to permanent housing (e.g., first month rent, deposits). Specific program requirements will be outlined in subsidy contracts. Occupancy rates are expected to be maintained at 95% or better or a rate determined optimal for the specific project and housing program. Annual project budgets should reflect estimated rental income based on type of occupancy.

For housing units where Program funding is combined with other operating subsidy sources, household income shall be reviewed annually and the tenant's Rent payment may be adjusted by the owner but may not exceed 30% of monthly income. For housing units where Program funding is the primary source of operating subsidy, OH may approve tenant-paid Rents no higher than the Affordable Rent for a household at 30% of Median Income. While OH will prioritize Affordable Rent no higher than the 30% of Median Income level, if the regulatory agreement and funding source(s) allow, and conditions change significantly such that household income, organizational financial, and rental market data justify it, OH may allow Affordable Rent at 50% of Median Income on a case-by-case basis. If a household's income changes prior to the annual review (due to loss of a job, addition of a household member, death of a household member, etc.), Rents can be adjusted.

Some households may have little or no income when first moving into -subsidized housing. In these instances, the housing provider may allow the minimum tenant share of income paid for Rent to be waived or reduced until the household qualifies for public assistance or becomes employed. Owners must include any plan to temporarily reduce the share of tenant income required for Rent in their application and must demonstrate that the housing units will be financially viable.

## **E. Management Plan**

A management plan is required for each application for OMS subsidy. The plan must be consistent with Rental Housing Program policies and local laws and regulations.

## **F. Maintenance Plan**

Each project must have a maintenance plan that describes how the building will be managed and maintained. It should describe the acceptable standard for each room, common space (hallways, stairs, lobby), building systems and exterior. The Plan should include a schedule for inspections and regular and preventive maintenance of the building. The plan must also describe how long-term replacements and maintenance will be accomplished.

## **G. Eligible Use of Funds**

Eligible uses of OMS subsidy include operating and services expenses attributable to OMS-supported units:

- **On-Site Management:** This includes on-site management salaries, benefits and personnel costs, and increasing worker wages to improve employee recruitment and retention.
- **Off-Site Management:** This includes off-site management salaries, benefits, and personnel costs, such as property management, supportive services, and personnel costs directly associated with operating the building.
- **Operating and Service Costs:** Operation, maintenance, and service costs directly associated with operating the building and providing services to residents. This includes costs for security, maintenance and janitorial, decorating, turnover and painting, contracted maintenance, landscaping, pest control, fire safety, elevator, utilities, telephone, and internet.
- **Project Administration:** Property taxes, insurance, legal, marketing, accounting, financial statements and audits, and other costs directly associated with administration of the building.
- **Replacement and Operating Reserves:** Replacement reserve deposits are an eligible operating expense. OMS funds can be used to fund replacement reserves to a maximum set by OH, with disbursements from reserves restricted to repairs and replacement of major building components as approved by OH. The amount added to the reserve will be based on OH loan conditions and periodic Capital Needs Assessments to be prepared by owners.
- **Administration Costs:** Including overhead and indirect costs, not exceeding 10% of total contract amount.

Operating reserve deposits to cover unforeseen operating costs are an eligible expense. The operating reserve account is considered adequate when the balance is equal to 50% of the annual operating budget. The operating reserve may also be used to pay for building improvements that cannot be entirely funded by the replacement reserve. As part of the management plan, each owner must provide their policy and procedures for managing reserve accounts. The requirements and limits on replacement and operating reserves for specific projects may be adjusted periodically by the Office of Housing based on a review of the capital needs and operating risks of projects and of other public funder standards.

The program will not subsidize debt service. OMS subsidies may be provided to a portion of units in a mixed-income project that has debt service, provided that all debt service costs are carried by the income from the non-OMS supported portion of the building and the building owner demonstrates a shortfall between income and expenses attributable to the OMS supported units. OMS subsidy will not be granted to support a shortfall on the non-OMS supported portion of the building.

## **H. Subsidy Term**

Levy OMS subsidy awards have an initial contract term of 20 years from the date that the OMS units are complete and occupied. OMS contracts funded by JumpStart/PET, Local Option, and other local fund sources are expected to renew annually as long as revenue is available. Subsidy is subject to availability of funding and to annual reviews that may result in adjustments to subsidy amounts or discontinuance of subsidy, at the discretion of OH. For example, subsidies may be reduced or discontinued if increasing

revenues from other housing units, commercial space, or alternative subsidy sources are available to a project, or if shortfalls in funding resources require OH to prioritize other OMS-eligible projects.

OMS contracts may provide that if, during the term of commitment for OMS subsidy, the subsidy is discontinued or reduced, and if the owner therefore cannot meet operating expenses of the OMS units with rents affordable to Extremely Low-Income households, the owner may rent the units to any Very Low-Income households who can pay rents sufficient to cover operating costs of the units, but not to exceed Affordable Rents for Very Low-Income households. The owner must prepare a plan acceptable to OH prior to any change in occupancy or program focus. The plan must give preference to the lowest income households who can pay such rents. The foregoing is not intended to supersede or conflict with the requirements of any covenants or regulatory agreements applicable to the property.

### **I. Expiring 1986 and 1995 Levy O&M Contracts**

For most of the properties supported by 1986 and 1995 Levy O&M Program funding, the initial program contracts have expired and owners have received contract extensions. OH may continue to grant extensions to expiring O&M subsidy contracts originally funded under the 1986 and 1995 Housing Levies, provided there are available funds in the 1986 and 1995 Levy O&M program reserves or from JumpStart/PET or other local funds. Projects will be required to demonstrate:

- Need for continued subsidy.
- Housing meets current City housing priorities.
- Project meets applicable performance measures and housing outcomes.

### **J. Annual Reviews**

OH will conduct financial, management, operations, and maintenance reviews of projects receiving subsidy each year.

For the annual review, the owner must provide:

- An annual report according to the terms of the OH loan agreement.
- An actual financial statement for the project compared with the operating budget. The statement must include cumulative balances for replacement and operating reserves.
- Audit, if applicable, in a form acceptable to OH.
- Tenant Rent Roll including household incomes and rents charged for each unit. This requirement may be satisfied by required WBARS submissions.
- Lifecycle Cost Analysis or Capital Needs Assessment updates, as specified by and in a form acceptable to OH.

## **K. Annual Renewals**

Each year, owners with OMS (or predecessor O&M) subsidy contracts will be invited to apply for an annual renewal of subsidy. OH will determine the subsidy amount on a year-to-year basis for the term of the contract.

For annual renewal consideration, the owner must provide:

- An actual financial statement for the previous completed year.
- A proposed operating and services budget, in the required format, based on the actual expenses from the previous 12-month period plus a reasonable adjustment for inflation.
- Narrative report explaining how the subsidy received in the prior year and the subsidy requested for the next year will allow the owner to meet its commitment to serve Extremely Low-Income households.
- Examination of services outcomes.
- Other materials upon request.

The budget and the annual award will follow the City's fiscal year, which begins January 1 and runs through December 31, unless OH allows an alternate subsidy period.

## **L. Subsidy Payments and Adjustments**

OMS subsidy will generally be paid to projects on a quarterly basis. The amount and the conditions for providing subsidy will be negotiated between OH and the owner and established in an annual contract amendment. The amount of subsidy paid each quarter will depend on the operating budget and cumulatively cannot exceed the approved annual amount. Owners will be required to submit quarterly invoices with backup documentation as needed. Owners may request subsidy readjustment; however, except for unusual circumstances, OH will consider just one adjustment request per project annually.

Increases to the subsidy amounts prior to the annual review will only be made when it is determined by OH to be reasonable due to unforeseen circumstances and only if in the judgment of OH, there are sufficient uncommitted OMS funds to provide an increase.

A project that shows a surplus at the end of the year may be required to make repayment to OH or make additional contributions to replacement reserves in the amount of the surplus.

## **2. PSH OMS Workforce Stabilization**

PSH staff play a critical role in meeting resident needs, thereby supporting the success of PSH developments and the long-term sustainability of capital investments made by the Office of Housing.

However, PSH organizations experience a high volume of staff vacancies due to low wages and challenging working conditions. The PSH OMS Workforce Stabilization (PSH OMS – WS) uses both invest in the City’s PSH portfolio to ensure the most vulnerable remain housed and adequately supported, and those working with them are also supported, including with sustainable wages and working conditions.

## **A. Eligible Use of Funds**

Eligibility for PSH OMS – WS is limited to a specific set of PSH buildings, as determined by the Office of Housing. The list is updated periodically. These properties operate at least 16 units of PSH that are filled by referrals from an OH approved source and demonstrate need for OMS and Workforce Stabilization funds to support their residents, staff, and buildings.

Eligible use of funds for the PSH OMS – WS are:

- Workforce wages and benefits, including on-site front-line workers, case managers, front desk staff, janitorial, maintenance, and the first line of supervision, including new positions that directly serve residents
- Deferred maintenance and other capital needs
- Replacement reserve deposits
- Reasonable organizational, staffing, and program expenses to support the operation of PSH
- Administration costs, including overhead and indirect costs, not exceeding 10% of total contract amount

## **B. Program Requirements**

Funding recipients must be nonprofit, 501(c)(3) permanent supportive housing providers who demonstrate a need for workforce stabilization funding. Eligible organizations receive ongoing annual funding to fulfill a 5-year spending plan, pursuant to funding availability. A larger percentage of the funding over the 5-year timeframe should go towards staffing expenses relative to other eligible costs and administration expenses. Selected organizations may distribute funding across their portfolio of eligible PSH buildings as they see fit, in consultation with their OH contract monitor. There is no cap for spending per building, as building needs vary depending on a myriad of factors.

## **C. Program Reporting**

Annual reporting on PSH OMS – WS to be included in the OH Annual Report submitted to City Council should include the following:

- Information about organizations supported and their level of support
- General information about the types of staff and services supported by the funds

- The number of supported PSH staff over the reporting period
- Information on PSH staffing levels, including position openings rates and staff turnover
- Information on PSH staff wages

### **3. Resident Services**

The Resident Services Program uses Levy Homelessness Prevention and Housing Stability Services funds and JumpStart/PET funding to assist affordable housing providers to offer resident services that support the housing stability and physical, emotional, and financial well-being of residents of non-Permanent Supportive Housing. Services should respond to residents’ needs, be culturally responsive, and incorporate best practices in service delivery, thereby improving housing stability and contributing to positive and equitable resident outcomes. Funds are awarded through a periodic competitive process.

#### **A. Eligible Households**

Staff and expenses supported with Resident Services funding should prioritize services that benefit households with incomes 30% of Median Income or below but may serve households with incomes at or below 50% of Median Income.

#### **B. Eligible Use of Funds**

Program funds may be used for:

- Programming costs, including rental assistance, resident engagement activities and supplies, resident translation services, and data collection.
- Resident services staff wages and benefits.
- Staff training.
- Reasonable organizational, staffing, and program expenses directly associated with providing resident services.
- Administration costs, including overhead and indirect costs, not exceeding 10% of the total contract amount.

#### **C. Program Requirements**

Funds will be administered by nonprofit 501(c)(3) affordable housing providers who currently provide, or who demonstrate an ability and intent to provide, services to residents of non-PSH buildings that:

- Are designed to promote resident physical, emotional, and financial well-being.
- Meet residents’ needs and fill gaps in services identified through data collection and resident engagement.
- Address racial disparities with low barrier, accessible, and culturally responsive services.

- Incorporate best practices through a framework in which participation is voluntary.
- Are cost-effective.
- Incorporate progressive data collection monitoring to allow for measurement of outcomes.

## **D. Program Reporting**

Contractors will provide annual program reports to OH with information to be included in the Housing Levy annual report due to the City Council no later than June 30 of each year. The report will include but not be limited to:

- Contracts issued, buildings and units supported, and their funding level
- Number of resident services full-time equivalent (FTEs) supported and number of new FTEs hired during reporting period
- Combined staff hours of services provided
- Number of households served
- Description of and other detail about services provided

## **4. Supplemental Support for Operations Stabilization**

Housing providers have faced numerous challenges and difficult conditions in recent years, including increased operating expenses and lost rent revenue. These circumstances are compounding to affect affordable housing providers' ability to sustain operations on already very tight margins. To support operations of the City-funded affordable housing, OH may offer limited, temporary funding from JumpStart/PET funds awarded through periodic competitive processes with distinct application requirements. OH may further define organizations eligible to receive such funds based on factors including, but not limited to, the number of units or buildings with or without current City investment in an organization's housing portfolio, the bedroom size and/or income restrictions of units in an organization's eligible portfolio, the demographic characteristics of residents in an organization's eligible portfolio, the type of housing or services provided in an organization's eligible portfolio, the financial situation of organizations and the buildings they operate, and/or organizational incorporation status.

### **A. Eligible Households**

If funding for rent assistance is allowed through program funding of this type, it must directly benefit resident households and be prioritized to assist those with incomes at or below 30% of Median Income but may be used with households with income at or below 60% of Median Income. Examples of other allowable uses of funds include, but are not limited to, security, insurance, maintenance, capital costs related to unit turns, unit repairs, deferred maintenance, and repairs of major building systems.

## **B. Eligible Use of Funds**

Eligible uses of Supplemental Support for Operations Stabilization include, but are not limited to:

- Rent arrears (consistent with the policy regarding eligible households)
- Rent assistance (consistent with the policy regarding eligible households)
- Incentives/strategies to encourage on-time rent payments
- Security expenses, including contracted security services, purchase and installation of security systems and cameras, lighting, landscaping to enhance visibility, and other property modifications in line with Crime Prevention Through Environmental Design (CPTED) principles
- Maintenance, janitorial, and cleaning expenses
- Facility repairs, property damage, and remediation
- Deferred maintenance
- Deferred replacement reserve deposits
- Other capital needs
- Insurance costs
- Administration costs, including overhead and indirect costs, generally not exceeding 10% of total contract amount, but specific rules may vary by funding release and purpose
- Other operating costs as approved

## **C. Program Invoicing and Reporting**

Invoicing and reporting will take place quarterly. Invoices must include supporting documentation of expenditures such as copies of general ledgers or rent ledgers. OH staff may request additional supporting documentation to verify costs as needed. OH will work with each recipient organization to ensure appropriate attribution of costs. Following this verification process, OH will finalize and release payment. Each invoice should be accompanied by a quarterly report documenting rent arrears and rent assistance expenditures. Reports must include demographic information for any households receiving assistance, household income data, amount paid, and the months of assistance provided including the timeframe that the payment covers. OH may request additional narrative to describe how program services address resident needs. Information about use of funds will be included in annual reports to City Council.

## IV. Homeownership Program

The Office of Housing uses funds from various sources to help create affordable homeownership opportunities for Low-Income homebuyers in Seattle. The following program policies apply to funds awarded by OH for homeownership, including 2023 Levy Homeownership Program funds, 2016 Levy Homeownership Program funds, 2009 Levy uncommitted Homebuyer Assistance Program funds; funds received through JumpStart/PET, MHA, and land use code provisions; program income and investment earnings derived from Housing Levies and other OH-administered homeownership fund sources, subject to the limitations described in Chapter I.

### 1. Homeownership Program Objectives

The Program assists Low-Income homebuyers to purchase a home in Seattle. The following objectives are variously met through two basic models of assistance: subordinate mortgage loans, also known as down payment assistance; and acquisition or development subsidy, which increases the supply of Resale Restricted Homes affordable to the initial and successive homebuyers.

The following objectives guide the Program:

- Enable qualified Low-Income families and individuals to become homeowners and achieve housing stability and other benefits of homeownership with a focus on those at risk of displacement from their communities or who have faced barriers to equitably accessing homeownership in all parts of Seattle due to discriminatory policies and practices, such as redlining, mortgage lending discrimination, or restrictive racial covenants.
- Promote socioeconomic diversity among homeowners in Seattle neighborhoods.
- Create an ongoing resource to assist future Low-Income homebuyers through either resale restrictions that will maintain an affordable home price or loan repayment terms that will generate Program Income with which to assist future homebuyers or other Low-Income households.
- Promote the expansion of programs that achieve long-term homeownership affordability.
- Increase the supply of for-sale housing affordable to Low-Income homebuyers.
- Combine with other sources of homebuyer assistance funds (Washington State Housing Finance Commission, State Housing Trust Fund, Federal Home Loan Bank, etc.) to leverage City dollars and capitalize on existing service delivery systems.
- Promote homebuyer education as a best practice by requiring households using City homebuyer assistance to complete a pre-purchase homebuyer education program.
- Promote a mix of unit sizes and amenities to accommodate families, including large families, for new construction projects.

## 2. Homeownership Program Policies

### A. Eligible Use of Funds

Housing Levy funds may be used for any of the following, and other Program funds may be used for the following to the extent authorized for the fund source used:

1. Subordinate Mortgage Loans: Also known as down payment assistance or purchase assistance, loans to assist eligible homebuyers by filling all or part of the gap between the cost to purchase an eligible home and an affordable first mortgage amount plus the buyer's down payment.
2. Development Loans for Resale Restricted Homes: Loans to assist qualified developers to acquire or develop homes to be sold to eligible homebuyers. Such homes are resale-restricted to preserve affordability, and to limit resales to successive Low-Income homebuyers.
3. Short-Term Loans: Short-Term loans may be made to purchase land or building(s), or for construction purposes. All Short-Term Loans are intended to be repaid with permanent financing and may total more than the maximum per unit award as described in Section D.v.3 below.

### B. Eligibility Requirements

#### i. Homebuyer Eligibility

Homebuyers must generally be First Time Homebuyers with household incomes at or below 80% of Median Income, adjusted for household size. First Time Homebuyer is defined in Chapter XI. If OH awards funding from a federal source that employs a different definition of First Time Homebuyer, that definition will be used in the funding award and other contractual documents. Homebuyers who have owned a home that was Resale Restricted as defined in Section 2.D of this chapter are not subject to the First Time Homebuyer rule provided a Resale Restricted home is their only current or prior home. Homebuyers who are exempt from the First Time Homebuyer rule for this reason must still meet all other eligibility requirements, such as maximum household income, asset limits, minimum contribution, and minimum housing payments.

The first mortgage, or share loan in the case of cooperative housing, or other financing that the homebuyer uses to purchase the home is subject to OH approval. Homebuyers may use any first mortgage product approved by OH, including FHA and Fannie Mae products, and portfolio loans.

Homebuyer households must successfully complete a pre-purchase homebuyer education program and one-on-one homebuyer counseling conducted by an OH-approved agency.

A homebuyer purchasing a Resale Restricted Home developed using financing from OH is ineligible for a subordinate mortgage loan from OH, but if the developer takes a subordinate mortgage as seller financing, OH may require that it be assigned to the City either absolutely or as security for repayment of a City loan to the developer.

## **ii. Homebuyer Contribution**

Homebuyers must provide a minimum of \$2,500 or 1% of the affordable purchase price, whichever is greater, of their own funds toward the home purchase, except as provided in this paragraph. The homebuyer contribution must include all liquid assets, except that the homebuyer may retain \$15,000 or six months of housing payments, whichever is greater. Homebuyers may receive gifts of funds towards their portion of the down payment; however, gifts must not exceed 25% of the homebuyer's total down payment requirement. Homebuyers may provide a lower financial contribution as follows: (1) for eligible buyers participating in an OH-approved, nonprofit-sponsored, sweat equity housing program that requires significant participation by the homebuyer, the homebuyer's contribution of volunteer time may be accepted in lieu of the minimum cash contribution; and (2) for eligible buyers who have a long-term disability and whose household income includes SSI or similar public income support, gifts may constitute up to 75% of the homebuyer's total down payment requirement.

## **iii. Minimum Housing Payment**

The homebuyer's annual housing payments as projected, subject to OH approval, prior to closing of the purchase, shall not be less than 25% of the household's annual income. Housing payments include principal, interest, property taxes, homeowner's insurance and, if applicable, homeowners association dues or lease payments, and do not include utility payments. A homebuyer with sufficient liquid assets so that, after the required down payment, the mortgage financing needed on normal terms would result in housing payments below 25% of household income, generally would not be eligible, including for subsequent purchases of a Resale Restricted Home.

## **iv. Property Requirements**

All types of for-sale units are eligible for funding consideration, including single-family residences, condominium units, limited equity cooperatives, co-housing, and homes on leased land. Homes must be located in Seattle and have a purchase price no greater than a maximum amount established by OH and published annually. Properties must be the homebuyer's principal residence and remain owner-occupied through loan maturity or payoff. The Director may waive the owner-occupancy requirement for a limited period of time under certain circumstances, such as military service. Purchases of properties for investment are not allowed under this program. Homes with an accessory dwelling unit are eligible, provided that the buyer will be an owner-occupant of the home. A lease-to-own contract or long-term lease may be considered a purchase.

# **C. Subordinate Mortgage Loans**

## **i. Amount of Assistance**

Assistance to enable homebuyers to purchase a home will be limited to gap financing of homebuyers, up to a maximum of \$80,000 for any assisted household. "Gap" is defined as the difference between the cost to purchase the home and the buyer's down payment plus an affordable mortgage amount for the homebuyer. Generally, an affordable mortgage is one that results in total housing payments in the range

of 25% to 35% of the household’s income, depending on the buyer’s individual circumstances. OH will establish the gap formula used by homebuyer agencies receiving program awards and will review the gap analysis for each individual loans for compliance with these policies and requirements published in a NOFA.

### **ii. Loan Terms**

Proceeds of subordinate mortgage loans may be applied to purchase price, closing costs, counseling fees, and interest rate write-downs of the first or subordinate mortgages. Subordinate mortgage loans will generally be 30-year deferred loans. Loan repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest; loan term; period of payment deferral; and any contingent interest or share of appreciation, which may be reduced and/or eliminated over time. The terms of the subordinate mortgage loans shall provide that the entire principal balance is due upon sale, other transfer or refinancing of the home, at the lender’s option, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible buyer household in lieu of repayment and may subordinate its deed of trust or other security to substitute senior loan financing.

### **iii. Notice of Funds Available**

OH will provide subordinate mortgage funds via a qualified homebuyer assistance agency. This agency will be responsible for affirmative outreach, identifying and screening potential borrowers, and submitting borrowers’ loan packages to OH for approval. OH will issue a Notice of Funds Available (NOFA) periodically as needed to solicit applications from such agencies. The NOFA will provide application requirements, applicant eligibility criteria, details on specific fund sources available, application forms, and deadlines. OH may allow minor deficiencies to be corrected and clarifications to be made by applicants during the review process. Otherwise, incomplete applications will not be considered for funding. The applicant and Affiliated Entities must be in Good Standing on all existing loans, program agreements and contracts administered by OH as defined in Section G below.

## **D. Development Loans for Resale Restricted Homes**

### **i. Resale Restricted Homes**

Program funds may be used to assist in the Site Acquisition and/or development of land and homes to be sold to eligible homebuyers as Resale Restricted Homes. “Resale Restricted Homes” are homes that are subject to recorded restrictions intended to require that, for a period of at least 50 years, upon resale, the homes must be sold to eligible homebuyers at a sales price that is likely to be affordable to a Low-Income homebuyer. Resale restrictions must be in the form of a ground lease, covenant, or other recorded document approved by OH and include the option to purchase by the beneficiary of the covenant. The applicant’s methodology for establishing maximum initial and resale prices is subject to approval by OH.

## **ii. Initial Purchase Price and Resale Price Formula**

The Initial Purchase Price and the formula to be used to determine resale price limits are subject to OH approval. The “Initial Purchase Price” is the value that will be entered into the instrument restricting the resale price and is the value to which the resale formula will be applied. The Initial Purchase Price and the resale price limit may exclude or provide adjustments for subsidies to the buyer or junior mortgage financing that is subject to forgiveness or may be assumed upon resale. The terms of any junior mortgages and/or other subsidy shall be subject to approval as well as their potential impact on current and future affordability. OH may provide development subsidy to allow for an Initial Purchase Price to be affordable to households with incomes between 65% and 75% of Median Income to improve the likelihood that homes will continue to be affordable to income-eligible homebuyers for a minimum of 50 years.

The applicant must demonstrate that the Initial Purchase Price is affordable at an income level approved by OH and the resale formula is likely to keep the home affordable to Low-Income households at subsequent resales over the course of the affordability period. Generally, an affordable price is one that results in total housing payments in the range of 25% to 35% of the household’s income. OH will assess the affordability of the Initial Purchase Price assuming the minimum required homebuyer contribution and a household size equal to the number of bedrooms plus one. OH may allow or require exceptions to the assumed household size, for example for shared housing or limited equity cooperatives. Other assumptions used to determine the Initial Purchase Price, including but not limited to housing payment ratios, interest rates and property taxes, are subject to OH approval.

The resale price formula shall be applied to the Initial Purchase Price and shall establish restrictions on future purchase prices in order to provide for continued affordability to Low-Income homebuyers over a reasonable range of future changes in median incomes and interest rates. The resale price formula may allow for limited annual increases in resale prices, generally between 1% and 3% per year, with possible adjustments based on junior financing terms as described above or others approved by OH.

## **iii. Financing**

Assistance shall generally be in the form of long-term financing. Long-term assistance shall generally be made available through 0% to 1% interest loans with payments deferred for 50 years. Short-term acquisition funding shall generally be through the Short-Term Loan Program.

## **iv. Eligible and Ineligible Costs and Activities**

Program funds shall be used for costs associated with Site Acquisition and/or development of Resale Restricted Homes. Funds may be used to finance entire developments, individual units, or residential portions of a development.

Eligible costs include but are not limited to:

- Appraisals
- Architectural/ engineering fees
- Closing costs
- Construction
- Contingency
- Counseling fees
- Developer fees
- Environmental Assessment
- Financing fees
- Hazardous materials abatement
- Insurance
- Interest
- Inspection and survey
- Option costs
- Permits
- Reimbursement of Pre-Development costs\*
- Professional Fees
- Purchase price
- Relocation
- Title insurance

\*Funding for Pre-Development through the Homeownership development loans is primarily intended to support projects developed by small, community-based non-profit housing developers who have barriers to accessing other sources of Pre-Development funding. All nonprofit borrowers are encouraged to use other cost-effective sources for Pre-Development funding, including private loans.

Program funds may be used to fund housing units, residential spaces, and common areas to the extent they serve the low-income housing and not other uses. Program funds can be used for projects that combine affordable Resale Restricted Homes with market-rate housing and/or commercial or other nonresidential spaces. However, costs associated with market-rate housing and commercial spaces are not eligible for Program funding.

Borrowers must demonstrate that proposed uses of Program funding are attributable to eligible residential spaces only 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 or mixed-income project, the Director may permit such costs to be pro-rated between Program funding and other funding sources based on a reasonable formula. The Director may set standards for a bedroom for the purposes of OH funding amounts and setting initial purchase prices.

## **v. Project Requirements**

### **1) Eligible Borrowers**

An eligible applicant and/or proposed borrower must demonstrate the ability and commitment to develop, sell, and steward affordable homeownership units, including a stated housing mission in its organizational documents. OH will evaluate the experience of an applicant’s development team, management team, Executive Director, staff, and Board of Directors (if applicable) to determine if there is sufficient capacity to sustainably develop, own and steward affordable homeownership units on a long-term basis.

Applicants that lack direct experience in these areas may demonstrate capacity by partnering with an entity or entities that provide essential expertise to the project. In these cases, OH will evaluate the proposed partnership to ensure it meets the needs of the project and is sustainable for an appropriate length of time. The applicant, proposed borrower, and all Affiliated Entities of each of them (whether or not involved in the proposed project) must be in Good Standing on all existing loans and contracts administered by OH, as defined in Section G below.

Eligible applicants and borrowers are:

- Nonprofit agencies with charitable purposes. Private nonprofit agencies will be required to submit articles of incorporation and an IRS letter as proof of nonprofit status.
- Any corporation, limited liability company, general partnership, joint venture, or limited partnership.
- Public Development Authorities.
- Seattle Housing Authority, except that funds for housing developed at Yesler Terrace must be consistent with the Yesler Terrace Cooperative Agreement.
- Private for-profit firms.

### **2) Stewardship**

Eligible borrowers will be, or will have under contractual obligation satisfactory to OH, an organization with sufficient capacity and experience, as determined by OH, to consistently and satisfactorily conduct the following activities to ensure ongoing affordability of Resale Restricted Homes and support homeowner success for the period of the Loan or covenant, whichever is longer. These requirements will be further articulated in loan agreements, funding agreements, program agreements, and/or covenants executed with eligible borrowers and/or partner organizations.

At a minimum, stewards of Resale-Restricted Homes must:

- Confirm compliance with owner-occupancy requirements, and report to OH on an annual basis, using a methodology and form satisfactory to OH.

- Facilitate resales of Resale-Restricted Homes by calculating and clearly communicating with homebuyers the maximum price for which they can sell their home, conducting consistent outreach to create and maintain a pool of interested, eligible, qualified homebuyers, establish and maintain relationships with mortgage lenders and other real estate transaction professionals so that homebuyers can access first mortgage financing, establishing policies and procedures that sufficiently manage corrections of any deferred maintenance so that new homebuyers purchase homes in good condition.
- Clearly and consistently communicate to applicants, homebuyers and homeowners, program and/or funding requirements and restrictions and how to comply. This may be in the form of annual letters, blog posts, regular emails, or drafting, maintaining, and distributing a program manual. Communication should address key topics such as the resale formula, maintenance and repairs, the owner occupancy requirement, refinancing provisions, and the resale process. Such information should be shared with homeowners annually at a minimum. Staff should also be available to respond to inquiries.
- Monitor homeowner mortgage, HOA, and insurance payments. Make multiple, proactive attempts to contact homeowners who fall behind and connect homeowners with any needed resources or other support.
- Support owners to create and sustain legally necessary Homeowner’s or Condominium Associations.

Additional best practices might include; assisting HOAs and/or property management contractors to monitor and plan for maintenance needs that impact multiple units, such as roof replacement for attached homes or elevator inspections in a stacked flats community; post-purchase support to homeowners e.g. financial counseling and home maintenance and repair workshops; hosting community events to build relationships between neighbors and encourage HOA participation; holding on-site office hours for homeowners who may have questions about resales, repairs, neighbor relations or other matters.

### **3) Maximum Amount per Unit and Cost-Effective Investments**

The City will award up to \$130,000 per unit for studio homes, \$150,000 per unit for one-bedroom homes, \$170,000 per unit for two-bedroom homes, \$200,000 for three-bedroom homes and \$210,000 for homes with four-bedrooms or more. This maximum amount does not include the cost of land. This maximum can be exceeded on a temporary basis when other short-term loans are outstanding. At the discretion of the Director, OH may exceed these per unit caps in the instances of conversion of rental housing to homeownership, as contemplated in Chapter V of these Housing Funding Policies. Land acquisition costs are expected to be funded by JumpStart/PET for a total of up to \$10 million over the seven years of the 2023 Seattle Housing Levy. If the full \$10 million is not needed for land acquisition, those funds will be directed back to development subsidy for permanently affordable for-sale homes.

The City strives to leverage non-City resources for capital to the greatest extent possible. Borrowers are expected to maximize other capital resources to help ensure that the greatest number of quality

affordable homeownership units are produced, taking account of policies and factors affecting cost, including family-sized units.

Proposals for quality affordable housing must demonstrate a cost effective, sustainable investment of public funding. Minimum requirements for cost-effectiveness may be set in the NOFA.

#### **4) Additional Policies**

Development projects must also comply with the following policies contained in Chapter X, General Policies for Capital Development, where applicable:

- Community Relations.
- Relocation, Displacement, and Real Property Acquisition.
- Affirmative Marketing (applies to projects where developer is selling units to homebuyers).
- For projects involving construction, Fair Contracting Practices, WMBE Utilization, and Section 3.

Additional requirements apply to fund sources other than the 2023 Housing Levy, including federal requirements for HOME and CDBG funds. Applicants should contact OH to determine applicable policies.

## **vi. Proposal Review and Project Selection**

### **1) Notice of Funds Available**

OH will issue a Notice of Funds Available (NOFA), contingent upon available resources, at least once per year, which will provide application requirements, application forms, and deadlines. As provided in Chapter VIII, OH may separately announce funding available for affordable housing development on a publicly owned site. In addition, OH may separately review and approve applications for funding for housing developments at publicly owned sites consistent with Council-approved redevelopment plans. OH may expend funds directly on the lease, acquisition, maintenance, or management of publicly owned sites, and on due diligence, including third-party reports, separate from a funding award for development of affordable housing. Applicants and Affiliated Entities must be in Good Standing on all existing loans, program agreements and contracts administered by OH as defined in Section G below.

All applicants are required to attend a project pre-application conference with OH staff prior to submitting an application. OH may allow minor deficiencies in funding applications to be corrected and clarifications to be made by applicants during the review process. Otherwise, incomplete applications will not be considered for funding.

OH strives to ensure fair contracting methods and competitive pricing in the construction of affordable housing. OH may include minimum construction requirements in the NOFA, including but not limited to standards around selection of contractors, contracting, and project management capacity. Borrowers are responsible for the compliance of all documents, plans and procedures with all applicable laws, regulations, codes, contracts, and funding requirements.

Other information may also be requested or required in the NOFA, including but not limited to project description, borrower capacity to develop, own and steward permanently affordable homeownership units, buyer profile, evidence of site control, appraisal, and community notification.

## **2) Proposal Review**

Funding applications are reviewed and evaluated in detail by OH staff based on the requirements listed in this Section and additional criteria published in the NOFA. OH staff works closely with the other public funders that have been requested to fund each project.

When projects have been evaluated, staff makes funding recommendations to the Director. The Director, whose decisions on funding shall be final, shall make funding awards based on the merits of the proposed projects; the projects' strengths in meeting the objectives and priorities stated in applicable plans and policies and the NOFA; the capacity of the applicant to attain and sustain long-term homeownership affordability and other factors as detailed in the NOFA or offering documents.

## **3) Fund Award**

The Director authorizes a fund award for each selected project, which provides information about fund source requirements, funding levels, and conditions that must be met prior to closing. Fund awards are not binding on the City until final loan documents are signed by both the Director and the borrower.

The Director may reduce or revoke funding to any project for several reasons, including, but not limited to, failure to meet funding conditions; decrease in costs from the preliminary cost estimate submitted in the application; failure of the applicant to obtain other funding; noncompliance by the applicant with City policies; determination of inaccuracies in the information submitted; increased costs or other factors affecting feasibility; failure to begin construction within a reasonable timeframe; results of environmental or other reviews; changes in the Good Standing of the applicant, borrower, or Affiliated Entities; or failure to the applicant to agree to loan conditions.

## **4) Loan Conditions**

Loan conditions, including but not limited to repayment, covenant terms, interest rate, extensions, and/or deed of trust will be covered in the NOFA, other offering documents and/or in loan documents.

A covenant or other acceptable legal restriction, such as a ground lease, will be recorded against the property that makes the units funded by the City Resale Restricted Homes. Unless otherwise agreed by the Director, the restriction shall continue in effect if the loan is repaid or discharged before the maturity. The Director may release the restriction, wholly or in part, if there is recorded a substitute covenant or other legal restriction such as ground lease at the time homes are sold to eligible homebuyers so that they are Resale Restricted Homes. The Director also may release the restriction, wholly or in part, in connection with a sale of the property approved by the Director, including any foreclosure, if the Director determines that under all the circumstances, including any proposed substitution of other units, the

release will likely result in a net benefit to the City’s efforts to achieve low-income housing goals, compared to maintaining the covenant.

## **E. Short-Term Loans for Resale Restricted Homes**

### **i. Purpose**

OH may provide acquisition or construction loans, in excess of the maximum amount per unit as articulated above in Section 2.D.v.3 of this Chapter as short-term financing in certain cases, to assist in the development of projects that would further the objectives of the Program. The total amount of Short-Term Loans outlays at any one time, assuming the City exercises the option and any others in effect, will be dictated by actual available funding and budget authority. OH Homeownership Program staff will consider potential future limits on outstanding Short-Term Loans based on utilization of this funding in the early years of the 2023 Levy period. Repayments on Short-Term Loans and any interest will be allocated to the subfund from which the loan was made.

### **ii. Eligible Uses**

Short-Term Loans can only be used for eligible expenses per Section 2.D.iv of this Chapter to assist in the production or preservation of Resale Restricted Homes. Once completed, the housing development must provide affordable housing consistent with Homeownership Program policies.

### **iii. Notice of Funds Available**

OH will issue a Notice of Funds Available (NOFA) and may consider applications on a rolling basis. Application materials will be substantively similar to those of the Homeownership program. A pre-application meeting is required before applying for any short-term loan.

### **iv. Proposal Review and Project Selection**

Staff will underwrite projects applying for short-term loans as if they are requesting development subsidy.

### **v. Eligible Borrowers**

To be eligible for a Short-Term Loan, the applicant must: meet the requirements as articulated in Section 2.D.v.1 of this Chapter, have successfully developed and stewarded at least three resale-restricted homeownership projects and demonstrate capacity to secure permanent financing within 5 years for the proposed project; or be working in partnership with an organizational partner that has successfully developed and stewarded at least three Resale Restricted Homes projects and can demonstrate capacity to secure permanent financing within 5 years. The applicant, its organizational partner(s), if any, and all Affiliated Entities must be in Good Standing on any OH loans.

Additional borrower requirements to be eligible for a construction loan are as follows:

- All homes in the proposed project will be Resale Restricted. There can be no market rate homes as part of the project.
- The development proforma, as determined by OH, demonstrates that the homes can be sold for affordable prices either with only OH subsidy or that all additional required subsidy has been committed.
- Alternative sources for construction financing have been explored and cannot be secured or can be secured but the cost for such financing inhibits the ability of the sponsor to sell homes at the required affordable prices.

#### **vi. Loan Rate and Terms**

1. For vacant land, the loan to value shall generally be up to 95% and may be up to 100% subject to criteria identified in the NOFA. Project sponsors must demonstrate securing an acquisition loan from OH as opposed to other lenders results in significant savings to the project. Construction loans shall be up to 75% of the post construction value as determined by an OH commissioned appraisal.
2. The interest rate shall be generally be 2% simple interest. Accrued interest shall be paid in full when the loan is repaid or converted to development subsidy.
3. Loans generally will be made on a non-recourse basis. OH may require recourse to the borrower or a guarantor, or both, if for any reason the Director deems it necessary or prudent in order to minimize risk.
4. Borrowers must agree to terminate a use other than low-income housing, upon OH request.
5. Acquisition loan terms shall be up to five years. Construction loan terms shall be up to two years. The Director shall have the option to allow extensions, or to convert the appropriate portion of the Short-Term Loan to development subsidy financing. Any extensions may be conditioned on the borrower submitting an updated proposal for approval by OH.
6. OH will require a covenant or other acceptable legal restriction to be recorded against the property which will require use of the property wholly or in part for Resale Restricted Homes. The restriction shall continue in effect when the loan is repaid or discharged. The Director may release the restriction, wholly or in part, if as a substitute there is recorded a covenant or other legal restriction such as a ground lease at the time of closing of development financing or at the time homes are sold to eligible homebuyers, so that the homes supported by OH funding will be Resale Restricted Homes.
7. The Director also may release the restriction, wholly or in part, in connection with a sale of the property approved by the Director, if the property is not in housing use and the Director determines that development of low-income housing is infeasible and that the loan must be repaid.

## **F. Project Monitoring**

Borrowers or project stewards of Resale-Restricted Homes shall report annually on their compliance with various ongoing funding requirements and their monitoring status of such. These reports shall be

furnished by a date specified by OH upon reasonable advance notice and/or as required in regulatory agreements.

Annual reports shall include, but not be limited to, information regarding the following compliance and performance areas:

1. Home as owner's primary residence.
2. Homeowner status: The steward will report any homeowner who is not in Good Standing as agreed upon by the terms outlined in their agreement with the steward and the nature of any default.
3. Unit sales or transfers: The below is in addition to submitting buyer eligibility documentation for resales and transfers, as required in loan documents.
  - a. Unit sales: The steward will indicate which OH funded homes have resold and include the current owner information.
  - b. Unit transfers: The steward will indicate which OH funded homes have been transferred; and the updated homeowner contact information. The homeowners must meet the transfer terms outlined in the agreement with the steward.
4. Project operations: If there are regulatory agreement requirements such as operations and/or building reserve minimums or the like articulated in loan documents, compliance with those will also be reported on and monitored by OH staff.

## **G. Good Standing**

An applicant or borrower must meet the following conditions to be in Good Standing:

- The applicant or borrower is not in default of the terms of any outstanding loan, contract, or program agreement with the Office of Housing, or if in default has reached resolution with OH on remedy.
- Any project for which the applicant or borrower, or its Affiliated Entity, has received OH development, acquisition, or bridge financing is proceeding without substantial concerns (such as construction delays, budget overruns, or inability to sell units); or, if substantial concerns exist, an appropriate mitigation plan has been proposed by the applicant or borrower and accepted by OH.
- Be current on annual reporting requirements as outlined in Section F above.

## **3. Foreclosure Prevention Program**

The Foreclosure Prevention Program provides loans to eligible homeowners who are at risk of foreclosure. Funds can be used to pay for housing-related costs, such as mortgage payments and property tax arrears, necessary to prevent foreclosure. The program is funded solely with 2023 Housing Levy funds.

## **A. Program Objectives**

- Decrease the number of foreclosures in Seattle and the resulting displacement of Low-Income homeowners, which disproportionately impacts older adults and people of color.
- Assist low-income homeowners to remain successfully in their homes and communities.
- Explore and create effective partnerships with housing counselors, other City departments, and King County to determine how and when to appropriately intervene with financial or other assistance to assist low-income homeowners to successfully remain in their homes.

## **B. Program Funding Policies**

### **i. Homeowner Eligibility**

Homeowners with household incomes at or below 80% of Median Income who own and occupy their homes may be eligible for assistance. Homeowners must have experienced an identifiable hardship, such as job loss or medical crisis, that resulted in delinquent housing payments and must demonstrate the ability to afford the housing payments after receiving assistance. Homeowners must be working with and referred by an OH-approved homeownership counseling agency, and must fully explore alternatives, including workout options, prior to or in conjunction with applying for the Foreclosure Prevention Loan. OH will allow the homeowner to retain financial reserves up to a maximum reasonable amount, as agreed to between OH and the program administrator.

### **ii. Eligible Uses**

Funds can be used for housing-related costs that are necessary to avert foreclosure. Such costs may include costs required to obtain a mortgage modification, delinquent mortgage payments, overdue property taxes, delinquent homeowner association dues, and interest and fees associated with late payments on the above.

### **iii. Loan Terms**

Loan amounts will not exceed an amount that OH determines the borrower needs to avoid foreclosure. Additional underwriting criteria such as loan to value ratio established by OH will apply. The maximum loan amount will be \$30,000. The minimum loan amount will be \$2,000.

Interest rates may range between 0% and 3%. Loans may be amortized or deferred. Deferred loans will be due in 30 years or upon sale or transfer, and deferred loans may require monthly payments after the senior mortgage loan has been paid off. For amortizing loans, the amortization period can extend up to 20 years, but the payment must be at least \$50 per month and must cover interest.

A lien will be recorded against the home. The Director may forgive all or part of the loan if the home sells for less than existing liens against the home and repayment of the loan would cause significant hardship to the Low-Income homeowner.

#### **iv. Program Administration**

OH may issue a competitive Request for Proposals (RFP) or a Request for Qualifications (RFQ) to select a program administrator with the necessary experience in underwriting, originating, and/or servicing loans. The selected administrator will have a strong track record of lending services, working successfully with the network of Seattle area housing counseling agencies, and service to the community. The administrator will have demonstrated experience and capacity for affirmative marketing, record keeping and reporting, customer service, fair lending, and portfolio management in accordance with all applicable laws, regulations, codes, contracts, and funding requirements.

## V. Long-Term Preservation of City-Funded Rental Housing

OH conducts long-term monitoring and compliance on affordable rental housing buildings supported by City funds. As these buildings approach the end of their agreed terms of affordability and/or need rehabilitation to continue operating, OH seeks to preserve City-funded housing whenever possible. This Chapter outlines potential pathways to either extend the operational life of such buildings and retain permanent affordability, or else release ownership of these buildings in a way that provides adequate consideration for current residents and allows for the subsequent creation of replacement homes. Potential pathways may include, but are not limited to:

- Preserve the building as affordable rental housing by extending the loan, restructuring debt, facilitating the transfer to another owner-operator, and/or making additional City investment to address both capital and operational needs while extending the mandated affordability period.
- Preserve the site that the property occupies for affordable rental or ownership housing through redevelopment with new affordable homes on the site. This pathway should include a plan for relocation of current residents.
- Explore options for community and resident ownership if buildings can be adequately renovated and offered to residents.
- If all other options have been exhausted, allow for the sale of City-funded properties. This pathway should include a plan for relocation of current residents and maximum possible reinvestment of the OH share of equity in new affordable rental housing.

In determining the appropriate pathways for City-funded rental housing, OH will consider factors such as other public funder requirements, the capital needs of the building, the building's operational efficiency, and the overall financial sustainability of the provider. OH will also consider the availability of City funding and other resources, including the costs and benefits of preserving existing affordable housing versus investing in the production of replacement housing elsewhere at similar affordability levels. Generally, OH will only approve reinvestment in existing rental housing when the cost to preserve is less than or equal to the cost to produce replacement housing at similar affordability levels, and when preservation will not adversely impact the ability of the provider to maintain the rest of its portfolio or to create new, needed affordable homes.

There may be instances where OH chooses to reinvest in existing buildings even if the cost to preserve is greater than the cost to produce comparable replacement homes. Factors OH may consider in these instances include, but are not limited to:

- Cost of preserving existing affordable homes.
- Existing affordable homes are located in an area that:
  - Has experienced displacement
  - Is at high risk of displacement.
  - Provides access to opportunity.

- Has not received significant public investment for affordable housing.
- Unique opportunities to convert projects to permanently affordable homeownership or community ownership.

## **VI. JumpStart/PET Community Self-Determination Fund Program**

The JumpStart/PET Community Self-Determination Fund (JumpStart/PET CSDF) provides short-term or permanent funding to community-based organizations for strategic property acquisition, development, and preservation of low-income housing. JumpStart/PET CSDF loans can be made for acquisition of land or buildings and can support development of affordable rental or for-sale housing. Program resources may be used to purchase buildings identified through Seattle’s Notice of Intent to Sell ordinance. Loans are intended to be repaid with permanent project financing, which may or may not include City fund sources. The total outlays under the JumpStart/PET CSDF may not exceed the funding allocated to the JumpStart/PET CSDF. Permanent financing availability must align with funding needs created by CSDF short-term financing and Levy-funded short-term financing.

An additional element of the JumpStart/PET CSDF is the JumpStart/PET Community-Based Organization (CBO) Capacity and Grant Program, which will set aside funds for third-party intermediaries to provide technical assistance and capacity support for CBOs and new developers.

### **1. JumpStart/PET CSDF Program Objectives**

- Support CBOs who are new to housing development and may not meet the eligibility requirements of the existing rental or for-sale housing Short-Term Loan Programs.
- Support equitable housing development that aims to redress past harms in communities where housing markets have been disproportionately negatively impacted by government and financial institutions.
- Provide more flexible development timelines for community-based development.
- Reduce barriers for CBOs to enter the affordable housing sector, particularly for those CBOs that have traditionally been excluded from the industry.
- Enable more community driven projects to be realized by communities living with the past and present impacts of displacement and housing discrimination.
- Acquire and preserve existing affordable housing, including occupied buildings that are subsidized rental housing or affordable private market housing, particularly such occupied buildings where low-income residents may be at risk of displacement.
- Affirmatively further fair housing and advance the City’s equitable development goals, including by prioritizing investments in areas where residents have experienced and/or are at risk of displacement (particularly for communities that have been disproportionately negatively impacted by systemically racist practices such as redlining), that provide high access to opportunity, or that have not received significant public investment for affordable housing previously.
- Produce or preserve low-income housing in high-capacity transit station areas and locations with high-frequency transit service, to provide access to employment and services.

- Support cost-effective housing investment, particularly where short-term acquisition financing is critical to achieve cost savings.
- Leverage 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.

## 2. JumpStart/PET CSDF Program Policies

The following program policies apply to JumpStart/PET CSDF loans. A loan must be used for Site Acquisition, including acquisition of improved or unimproved property, or both, to assist in the development or preservation of low-income rental or homeownership housing.

### A. Notice of Funds Available

OH will issue a Notice of Funds Available (NOFA) and may accept applications on a rolling basis. The NOFA will specify application requirements similar to the Rental Housing and Homeownership program applications. Pre-application meetings with OH staff will be mandatory. JumpStart/PET CSDF loans may be made only when, in the judgment of the OH Director, there is a high likelihood that an acceptable development plan and permanent financing for low-income housing will be available within five years.

### B. Eligible Borrowers

To be eligible for a JumpStart/PET CSDF loan, the applicant must meet the following criteria:

- A participant in the JumpStart/PET CBO Grant Program (as described below).
- Community-Based Organizations and Community Development Corporations.
- Funds will be prioritized for organizations that are working directly with vulnerable and low-income communities who have been most negatively impacted by discriminatory housing practices.
- Organizations with annual organizational housing revenue below \$8 million will be prioritized.
- Documented Board intent to own and operate multifamily rental and/or steward Resale-Restricted homeownership.
  - To be eligible for the JumpStart/PET CBO Capacity and Grant Program, Board intent may be established by a resolution.
  - To be eligible for the JumpStart/PET CSDF Loan Program, Board intent must be established in the organizational mission statement and/or by-laws.

Project criteria:

- Funds will be prioritized for projects that advance equitable development goals and address displacement, including those proposed or supported by local, community-based, non-profit organizations that are culturally relevant and historically rooted, particularly when the project site is in an area that is at high risk for displacement.
- A development plan must be in place within five years of receiving acquisition funding.

The applicant and its Affiliated Entities must be in Good Standing on any OH loans. Applicants who have, or whose Affiliated Entities have, an outstanding CSDF loan will generally not be eligible unless permanent financing for the outstanding loan has been secured. Each applicant and its Affiliated Entities are allowed one JumpStart/PET loan at any given time.

### **C. Loan Rate and Terms**

- For vacant land, the loan to value shall generally be up to 95% and may be up to 100% subject to criteria identified in the NOFA. Loan to value shall be up to 80% on improved income producing property but may be up to 100% for properties that are not producing income sufficient to cover debt. OH will generally expect City funds to be leveraged with other acquisition sources.
- The interest rate shall be 1% to 3% simple interest. Accrued interest shall be paid in full when the loan is repaid.
- Loans generally will be made on a non-recourse basis. OH may require recourse to the borrower or a guarantor, or both, if for any reason the Director deems it necessary or prudent in order to minimize risk.
- Borrowers must agree to terminate a use other than low-income housing, upon OH request.
- The loan term shall be up to 5 years. The Director shall have the option to allow extensions, or to classify the CSDF loan as permanent financing. The project will apply through a competitive procurement process for future development gap financing. Any extensions may be conditioned on the borrower submitting an updated proposal for approval by OH.
- A 20-year covenant will be recorded against the property that will require use of the property wholly or in part for low-income housing. Low-income rental housing shall provide an Affordable Rent for households with incomes up to 60% of Median Income. When a loan is used to acquire an occupied building, low-income rental housing may provide an Affordable Rent to existing tenant households up to 80% of Median Income and will be required to provide an Affordable Rent to households with incomes at 60% of Median Income upon unit turnover. Resale Restricted for-sale homes shall be sold to eligible homebuyers with household incomes of no more than 80% of Median Income for Resale Restricted Homes.

When a JumpStart/PET CSDF participating Community Development Financial Institution (CDFI) contributes financing to the acquisition, the Director may allow the regulatory agreement to be in a subordinate position on vacant land or land to be redeveloped, to allow a higher loan-to-value for the

participating CDFI. In this case, the CDFI will partner with OH in workout scenarios to facilitate a new affordable housing partnership, if feasible. Otherwise, the covenant shall continue and shall remain in first position when the loan is repaid or discharged. If OH provides permanent financing for the project, the covenant will be amended and restated to comply with Rental Housing or Homeownership program policies as then in effect. However, the Director may release the covenant, wholly or in part, in connection with a sale of the property approved by the Director, if the property is not in housing use and the Director determines that development of low-income housing is infeasible and that the loan must be repaid.

### **3. JumpStart/PET Community-Based Organization Capacity and Grant Program**

The JumpStart/PET CBO Capacity and Grant Program (CGP) establishes a fund of up to \$2 million annually that will be administered by third-party intermediaries, which will provide technical assistance and capacity support for CBOs interested in developing affordable housing. This Grant Program will provide education, training, technical assistance, capacity building, access to working capital, connections to other developers and potential partners, and other services that will support CBOs to successfully develop affordable housing projects.

The JumpStart/PET CGP will offer two primary phases of technical assistance and funding to support CBOs interested in acquiring and developing affordable housing.

Phase I, Technical Assistance: Grants of up to \$250,000 for interested organizations.

Eligible costs in this grant program include:

- Project specific Pre-Development expenses.
- Trainings (examples include: Development 101, Fair Housing, Operations Budgeting).
- Working capital.
- Capacity building and technical assistance.
- Approved consultants and partnership fees.
- Administrative fee for intermediary (10% cap).
- Origination fee (1.5% cap).
- Other activities related to launching the acquisition and development of affordable housing.

Phase II, Development: Organizations that enroll and participate in JumpStart/PET CGP will be eligible to apply for a JumpStart/PET loan, including up to \$500,000 additional Developer Fee to support organizational capacity tied to a specific awarded project. The additional Developer Fee is awarded at closing, after the permanent NOFA award, when construction of the project begins.

OH will report annually on the JumpStart/PET Program, including key metrics and data such as the number and amount of grants and loans distributed.

## **VII. Home Repair and Weatherization**

### **1. Home Repair Program Objectives and Priorities**

The Home Repair Program provides low-interest loans and grants to address immediate health and safety issues and structural deficiencies of homes occupied by low-income homeowners. Weatherization grants also may be provided to improve energy efficiency, reduce utility costs, convert homes from oil to electric heating and address indoor air quality issues for low-income owners. Except as otherwise required for particular fund sources, the following program policies apply to all funds administered by OH for home repair purposes, including funds from prior Levies, federal Community Development Block Grants (CDBG) funds, other local sources, and Program Income from loan repayments to be used for home repair loans and grants; and Housing Levy Homeownership Program funds to be used for home repair grants.

- Assist low-income homeowners to remain in their homes and communities, especially low-income seniors on fixed incomes and other homeowners at risk of displacement.
- Assist low-income homeowners make health and safety repairs, including repairs that will enable the homeowner to access free weatherization upgrades that reduce the owner’s housing costs through utility cost savings.
- Prioritize repairs that are most urgent, including those that address immediate health and safety issues, and other urgent repair needs that will result in increased repair costs and unhealthy living conditions if left unaddressed.

### **2. Home Repair Loan Policies**

#### **A. Loan Amounts**

The maximum home repair loan is \$24,000. A homeowner may apply for additional loans provided that total outstanding loans for repair of any home generally may not exceed \$45,000. If a home has additional health and safety needs that cannot be addressed within this amount, the Director may allow up to \$55,000 in total outstanding loans for repair of any home.

#### **B. Homeowner Eligibility**

Homeowners with incomes up to 80% of Median Income may be eligible for assistance.

The home must be owner-occupied and must be the owner’s principal residence. The home may be a single-family home, duplex, triplex or fourplex, or an individual condominium unit, townhome, or cooperative unit. Manufactured homes affixed permanently to a foundation may be eligible, as long as the homeowner owns the land as well as the home. Depending on structure type, some home repairs may not be eligible. If the home has a rental unit(s), funding may be used solely to pay for exterior measures and any work needed in the unit occupied by the homeowner.

### **C. Loan Terms**

Interest rates generally are set at 0%. Loans may be amortized or deferred depending on borrower income, debt, and ability to pay debt service to the City in addition to other obligations. If a loan will be used to create a City-approved accessory dwelling unit, loan terms will include income and rent restrictions for the rental unit.

### **D. Priority Uses of Funds**

Program funds may be provided for the following activities:

- Measures that address health, life and safety concerns and/or address the structural integrity of the home. OH staff will conduct a visual inspection of the home to identify needed repairs that are eligible for assistance under the Program. OH will prioritize urgent repairs that address immediate health and safety issues or prevent increased repair costs and unhealthy living conditions. Other health and safety repairs, including repairs that will enable the homeowner to access free weatherization upgrades that reduce the owner’s housing costs through utility cost savings, may also be included in the scope of work.
- Measures that improve or increase the habitable space in the home or in an accessory structure. OH may approve repairs and improvements for purposes of providing suitable living space for current or additional household members, or for generating rental income to support housing stability for Low-Income households. OH will set priorities for the scope of work, including features such as basement egress, on a case-by-case basis.

### **E. Funding Process**

OH will accept homeowners’ applications for home repair loans on a rolling basis. Applications must meet underwriting criteria established by OH including loan to value ratio, ability to make housing-related payments, and financial condition of the borrower. OH will also assess the immediate health and safety impact of the needed repair and/or impact of improvements to the habitable space in the home or in an accessory structure

### **3. Home Repair Grant Policies**

#### **A. Grant Amounts**

OH may provide grants of up to \$20,000. A home may receive multiple home repair grants over time, but total lifetime grant amounts for repairs to any home cannot exceed \$20,000. There will be no minimum grant amount, but if the repair need is small, the homeowner will be encouraged to use other existing programs if available.

#### **B. Homeowner Eligibility**

Homeowners at or below 80% of Median Income may be eligible for assistance. In addition to income limits, OH will generally limit liquid assets to no greater than \$50,000.

The home must be owner-occupied and must be the owner's principal residence. The home may be a single-family home, duplex, triplex or fourplex, or an individual condominium unit, townhome, or cooperative unit. Manufactured homes may be eligible, as long as the homeowner owns the home itself. Depending on structure type, some home repairs may not be eligible. If the home has a rental unit(s), grant funding may be used solely to pay for exterior repairs such as roof or siding, and repairs needed in the unit occupied by the homeowner.

#### **C. Recoverable Grants Terms**

Grant terms may require the homeowner to repay a portion or the entire grant at time of sale if the property is sold within three years of the date of the award and there are positive net proceeds from the sale.

#### **D. Eligible Uses of Grant Funding**

The program can be used to fund interior or exterior repairs to a home necessary to maintain or improve homeowner health and safety. The priority uses for the program will be:

- Emergency repairs that address an immediate threat to health and safety
- Repairs that cannot be funded by other available home repair programs, including repairs that enable the homeowner to access free weatherization grants

OH staff will conduct an inspection of the home and must approve the scope of work.

## **E. Application Process**

OH will accept applications for home repair grants on a rolling basis. OH will assess a homeowner's eligibility for a home repair loan prior to considering a grant award. A grant may be approved if the homeowner is ineligible for a home repair loan from OH or if the cost of essential repairs exceeds the amount OH determines that the homeowner is qualified to borrow. Homeowners will immediately be considered for a grant if (1) the cost of repairs is less than \$3,000 or (2) the repair need must be addressed immediately due to health or safety concerns.

## **4. HomeWise Weatherization Services**

The HomeWise program provides funding and project management services in support of residential energy efficiency upgrades, including converting homes from oil to electric heat. The program actively supports preservation of existing affordable housing and reduces costs for both income-qualified homeowners and affordable rental housing residents and owners.

Single-family homes and multi-family apartment buildings with income-qualified residents may receive weatherization services. Income limits vary by fund source, with most funds available for residences occupied by households with incomes at or below 60% of the state median income as published by the State of Washington based on data from the U.S. Department of Health and Human Services, or at or below 80% of Median Income as defined in Chapter XI, adjusted for household size. OH shall publish income limits in HomeWise application materials and on OH's website. HomeWise serves eligible oil and gas heated homes located in Seattle, and eligible electrically heated homes in Seattle and elsewhere in the Seattle City Light service territory.

Policies governing HomeWise weatherization services are specified in individual grant agreements between the City and the entity providing funds, including Seattle City Light and Washington State. OH receives multiple grants from the State Department of Commerce, which are subject to rules and regulations contained in the State's Weatherization Manual, including but not limited to income eligibility restrictions, project prioritization criteria, technical certifications, and restrictions on permissible weatherization, health and safety, and repair measures.

## **VIII. Housing Development on Publicly Owned Sites**

Publicly owned sites provide an opportunity for affordable rental and ownership housing development, including affordable housing combined with other public facilities and amenities. When a suitable site that is owned by the City or another public agency has been designated for affordable housing development, OH may follow the policies in this Chapter to competitively select an affordable housing developer and award OH funding, in lieu of awarding funding from the Rental Housing or Homeownership program through an annual NOFA process.

### **1. Housing Development on Publicly Owned Sites Policy Objectives**

The objectives for these developments include:

- Utilize well-located publicly owned properties for affordable rental or ownership housing, particularly properties located near transit station areas and high-capacity transit service.
- Co-locate affordable housing, when feasible, with facilities that complement broader community development goals (including, but not limited to, affordable commercial space), and facilities necessary to meet residents' everyday needs such as community centers, childcare centers, health and human services, commercial or non-profit groceries, fresh/healthy food merchants, home goods, cultural anchors, and other desired community services.
- Achieve cost-savings for affordable housing development through favorable purchase terms, and efficient funding and disposition processes.
- Align housing funding processes with broader community development goals and local community needs. Coordinate with other City departments, when appropriate, to facilitate and coordinate different funding sources and requirements of mixed-use projects.
- Serve the priority populations described in Chapter II, Section 1 of these policies.
- Encourage partnerships and prioritize development proposals submitted by organizations led by and accountable to communities most impacted by displacement when available sites are located in neighborhoods with high displacement risk.

### **2. Housing Development on Publicly Owned Sites Funding Policies**

OH may award funding from the Rental Housing Program for a rental housing development, or the Homeownership Program for homeownership development, for a site specific development opportunity that utilizes publicly owned property. The following policies shall apply:

## **A. Competitive Process**

Funds shall be awarded through an open, competitive process such as a Request for Proposals (RFP). In addition, OH may utilize a Request for Interest (RFI) or Request for Qualifications (RFQ) process prior to an RFP to help generate interest in a property and/or define the field of interested or qualified applicants.

## **B. Funding Amounts**

OH may publish an “up to” funding amount that provides sufficient resources to achieve program goals for affordability and overall production, while encouraging competition based on cost effectiveness.

## **C. Coordination with Other Public Agencies**

When allocating City funds for development on a site owned by another public agency, OH will coordinate with partner agencies to release a joint RFP or coordinated RFPs that award site control and funding, incorporating City housing goals, policies, and priorities into the selection process.

## **D. Evaluation Criteria**

Evaluation criteria shall be published in offering documents, and shall include factors such as conceptual soundness, financial feasibility, organizational capacity, and ability to advance affordability goals and meet program objectives. OH will prioritize projects proposed by local community-based, non-profit organizations that are culturally relevant and historically rooted, particularly when the project site is in an area that is at high risk of displacement. Additional consideration will be given to projects already receiving funding through the Equitable Development Initiative. OH may allow for consideration of other public benefits in addition to affordability as part of the evaluation process provided that OH funds are limited to eligible housing uses, and promotion of such non-housing goals is not at the expense of achieving affordable housing goals for the project.

## **E. Review Panel**

Proposals shall be evaluated by a review panel that includes OH staff, and may also include other City staff, partner agency staff, and other technical advisors as deemed appropriate by the Director for the development site.

## **F. Decision-Making**

Funding decisions shall be made by the Director based on the strengths of each proposal in meeting the published goals, priorities and evaluation criteria specified in offering documents.

## **G. Applicable Funding Policies**

Rental Housing Program and Homeownership Program policies shall apply to funds awarded through a site-specific RFP process, except where those policies conflict with policies stated in this Section. General policies for capital funding in Chapter X apply under this Chapter.

## **H. Community Relations**

Winning applicants shall comply with the Community Relations Policy in Chapter X below, except that neighborhood notification shall begin upon award of OH funding, rather than prior to application for funding.

## **I. Pre-Development Funding**

OH may pay for Pre-Development expenses as defined in the Glossary.

## IX. Market Incentives and Land Use Reporting

On an annual basis, OH shall provide a report to City Council on affordable housing produced according to the City’s Market Incentives and Land Use (MILU) code requirements (e.g., Incentive Zoning and Mandatory Housing Affordability Program (MHA)). The report is due on June 30 and shall include the following information about activities during the prior calendar year:

- For projects with building permits issued the prior calendar year, the share of projects that selected on-site performance, off-site development, or payment.
- Total dollar amount of:
  - payments committed.
  - payments received.
  - funding awarded for low-income housing production and preservation.
- The total number of units by affordability level for performance projects and for low-income housing awarded payment funds.
- The cumulative amount of MHA funds received compared to awarded to date.

MILU funds are awarded for low-income housing according to the Housing Funding Policies for the Rental Housing Program and Homeownership Program, consistent with land use code and any other legal requirements applicable to the funds.

Per SMC 23.58C.040.B3, for purposes of determining low-income housing to be awarded MHA funds, the City considers the extent to which the housing would advance the following:

- a. Affirmatively furthering fair housing choice.
- b. Location within an urban center or urban village.
- c. Location in proximity to frequent bus service or current or planned light rail or streetcar stops.
- d. Furthering City policies to promote economic opportunity and community development and addressing the needs of communities vulnerable to displacement.
- e. Location near developments that generate cash contributions.

For purposes of allocating MHA payment funds, OH shall prioritize low-income housing located within geographic areas where development has generated payment contributions, particularly when there is a significant imbalance between the amount of MHA payments received and OH capital investments made.

In addition, OH’s Annual MHA Report shall tally the cumulative amounts of MHA funds received compared to awarded to date by the following geographic groups:

- Belltown, Chinatown-ID, Commercial Core, Denny Triangle, Pioneer Square

- South Lake Union
- 12th Avenue, Capitol Hill, Eastlake, First Hill
- Lake City, Northgate
- Ravenna, Roosevelt, University District
- Queen Anne, Uptown
- Admiral, Morgan Junction, South Park, West Seattle Junction, Westwood-Highland Park
- Columbia City, Mount Baker, Beacon Hill, Othello, Rainier Beach
- 23<sup>rd</sup> and Union-Jackson, Madison-Miller
- Fremont, Green Lake, Wallingford
- Ballard, Crown Hill, Greenwood-Phinney Ridge
- Aurora-Licton Springs, Bitter Lake

## **X. General Policies for Capital Funding**

The following policies apply to all OH-funded affordable rental and homeownership projects except to the extent otherwise provided in these Policies, where otherwise required for use of a fund source, or where a more limited class of projects is identified below, but do not apply to projects involving only weatherization and home repair.

### **1. Development Siting Policy**

The Development Siting Policy is intended to promote development and preservation of housing for Seattle’s lowest-income and most vulnerable populations throughout the city, including in our most amenity-rich neighborhoods in terms of transit, schools, parks, retail, and other services. The policy supports City efforts to affirmatively further fair housing for Extremely Low-Income people who have disabilities and other significant barriers to housing.

#### **A. General Policy**

OH generally will not provide funding for additional units of housing for Extremely Low-Income residents if a significant amount of such housing is located in the immediate area. OH will make an initial assessment to determine if, upon completion of the proposed development, housing units for Extremely Low-Income households would exceed 20 percent of total number of housing units in the Census Block Group, using the following data:

- The total number of housing units includes existing housing units and housing units for which permits have been issued according to the latest data available from the Department of Construction and Inspections (SDCI), housing units in the proposed project, any proposed new rental housing units funded by or otherwise known to OH but not yet captured in SDCI’s data.
- Housing units for Extremely Low-Income households are units in projects with capital subsidies from public agencies that are restricted to residents with incomes at or below 30% of Median Income, according to the latest data available from OH, which includes existing City-funded projects, and any proposed new units funded by or otherwise known to OH but not yet constructed or occupied, and non-City funded projects as reported periodically by county, state and federal agencies.

#### **B. Alternative Conditions**

OH may consider additional factors when determining consistency with this policy to ensure that funding programs affirmatively further fair housing, including but not limited to:

- The housing will be located close to significant existing or planned services needed by residents, such as health care or other supports for people with disabilities.
- Housing units for Extremely Low-Income households located in the area are restricted, such as senior-only buildings, and are therefore not available to residents of the proposed development.
- Natural or artificial barriers (e.g., a bluff, waterway, or freeway) physically separate the proposed project from existing housing for Extremely Low-Income households.
- Significant market rate housing development is expected to occur soon, for example, due to nearby transit investment.
- A different geographic area, such as an area defined by distance from the proposed development, should be considered rather than the Census block group, given the physical characteristics of the area, land use and development patterns.

### **C. Siting Determination**

A project sponsor may request a determination under this policy (“Siting Determination”), which OH will provide in the order requested if more than one sponsor is seeking a siting determination in the same area. The request must specify a project location, a maximum number of rental housing units for Extremely Low-Income households, and, if applicable, a minimum number of other proposed housing units. Requests should be made as soon as details on unit income and rent restrictions for the proposed project are reasonably solidified and the sponsor knows that they will apply to OH for funding. The Siting Determination shall be in effect for up to one year, during which time any request for a certification of the project’s compliance with these Policies and any application to OH for funding may rely on the determination, provided that the parameters of the proposed project remain reasonably consistent with the project description at the time of the determination, even if the number of housing units or other Extremely Low-Income units in the Census Block Group has changed. A sponsor may and should withdraw a Siting Determination prior to its expiration if they decide not to proceed with the project and/or not to request funding from OH.

This policy does not apply to proposed housing developments in the Yesler Terrace Redevelopment Area, or located within the Downtown, Uptown and South Lake Union Urban Centers. In addition, the policy does not apply to housing developments previously funded by the City or to proposed replacement housing developments or other housing that must be developed in a designated geographic area to meet community benefit requirements of a Major Institutions Master Plan.

## **2. Community Relations**

The City of Seattle supports affordable housing production and preservation in neighborhoods throughout the city. Organizations seeking OH funding for a housing development must give neighbors and local community members opportunities to learn about the project, provide input, and maintain communication during construction and operations. The policy applies to all rental housing projects and to homeownership developments with four or more for-sale homes. It applies to applications for

permanent and bridge financing for new construction and acquisition/rehabilitation projects. Applications for projects that will renovate an existing building without a change in ownership must conduct only Neighborhood Notification.

## **A. Community Relations Policy Objectives**

- Promote open, ongoing communication between developers and neighbors. This requires cooperation by developers, the City, and neighborhood residents. A positive, open relationship between housing developers and neighbors can prevent misunderstandings, facilitate prompt resolution of any inadvertent misunderstandings, and provide a fair, thoughtful, dependable means of ironing out differences.
- Provide information about the proposed project including the design, permitting and construction schedule, opportunities to provide input and submit comments, and eligibility requirements and application process for those interested in renting or purchasing the affordable housing.
- Give neighbors and community members an opportunity to communicate any concerns about design, construction, operation, and management of a project and to work collaboratively with housing developers and/or residents to identify ways to address those concerns.

The City supports affordable housing projects that will preserve and enhance the strengths of Seattle’s neighborhoods. Housing developers and neighbors should keep OH informed of any issues or concerns throughout the development and operation of the project. It is the policy of The City of Seattle that OH funding of affordable housing is not refused solely on the basis of concerns expressed by neighbors and other community members. The City supports and is committed to promoting diversity in Seattle neighborhoods. Consistent with local, state, and federal fair housing law, housing may not be excluded from a neighborhood based on characteristics of the persons who will live there.

## **B. Notification And Community Relations Requirements**

The steps outlined below describe minimum notification and community relations requirements. Project sponsors should tailor community relations efforts to best serve each individual project and neighborhood. OH may make exceptions to these requirements due to the unique circumstances of a proposed project (e.g., housing for victims of domestic violence with confidential location).

### **i. Consultation**

Prior to releasing purchase and sale agreement contingencies for site acquisition:

- Consultation with OH: OH will help identify developers of other affordable housing in the neighborhood(s) being considered and suggest organizations to contact, which will include both neighborhood-based organizations and other community groups who may be interested in the project.

- Contacts with other affordable housing owners. Housing owners in or near the neighborhood can provide information about a neighborhood’s historical and current housing- and development-related concerns.

## **ii. Neighborhood Notification**

Prior to submitting a funding application:

- Neighborhood notification: Notify neighbors (including all residential and commercial property owners, and tenants as feasible) within at least 500 feet of the site using a written notice, letter, or flyer (“notification letter”). Include basic information about the sponsor organization and proposed project (e.g., estimated schedule, contact person, and neighborhood organizations that have also been notified about the project). The neighborhood notification letter must be sent within one year before the application is submitted.

## **iii. Draft Community Relations Plan**

Included in the application for funding, a summary of completed activities and a plan for actions to be undertaken following a funding award:

- Documentation of completed notification: include a copy of the neighborhood notification letter and a list of recipients.
- Community outreach: Completed outreach and planned future activities for maintaining ongoing communication with immediate neighbors and community organizations throughout the project’s planning, design, construction, and operation phases.
- Inclusive community engagement: strategies for engaging historically underrepresented communities, including communities of color and communities for which English is a second language. This community engagement can be designed to meet affirmative marketing requirements in Section 4 below, particularly when a project is in an area at high risk of displacement.

## **iv. Strategies for Communication with Neighbors and Community Organizations**

The community relations plan may include presentations at regularly scheduled neighborhood organization meetings, invitation to a meeting hosted by the housing developer, formation of an advisory committee, and/or regular project updates in neighborhood organization publications or posted at local libraries, community centers, etc.

Information the housing developer should provide at meetings includes the following, to the extent that it does not compromise the safety, confidentiality, or well-being of the residents:

- Project design and intended resident population and planned supportive services for residents if applicable.

- Estimated schedule for construction and completion.
- Experience of the project team in developing and operating affordable housing.
- Information about eligibility, affirmative marketing and how to apply for housing.
- Opportunities to provide input on the project.
- Mechanisms for ongoing communication once the housing is operational.

#### **v. Communication During Construction and After Opening**

During development and, for rental housing developments, once the housing is operational, applicants must implement the Community Relations Plan and maintain communication with neighborhood organizations and neighboring residents and businesses. This may include updates on any changes to design or construction timing and invitations to any project open houses or other events. Rental housing owners should also keep OH apprised of any issues related to the building, promptly address emerging issues, and share stories of success during the operation of the building.

### **3. Relocation, Displacement, and Real Property Acquisition**

Development of affordable rental and homeownership housing, and acquisition of property for such development, should minimize displacement of households. Any temporary relocation or permanent displacement of households must comply with all applicable provisions of law and fund source requirements, including without limitation the following, as applicable: (a) Seattle Municipal Code 20.84– Relocation Assistance; (b) the City’s Just Cause Eviction Ordinance; and (c) for projects using federal funds, the federal Uniform Relocation Act (URA), Section 104(d) of the Housing and Community Development Act of 1974, the City’s Residential Anti-displacement and Relocation Assistance Plan (RARAP), and any other relocation regulations and handbooks applicable to the particular funding program. This policy does not apply to acquisition of owner-occupied or vacant homes by homebuyers using Homeownership Program assistance, unless required by applicable laws or regulations.

These policies, laws and regulations contain, among other requirements, different timelines under which households must be given various notices and provided financial assistance under certain circumstances. Consultation with OH staff prior to submission of applications for funding is required for any applicant whose project will involve acquisition, demolition, rehabilitation, or temporary or permanent relocation activities. In order to reduce the risk of impairing eligibility for funding, applicants should not take any action regarding these activities prior to consultation with OH staff. Applicants are responsible for assuring and documenting compliance.

### **4. Affirmative Marketing and Community Preference**

OH is committed to affirmatively furthering fair housing to address past discriminatory policies and practices, including government actions. Affirmatively furthering fair housing includes increasing

affordable housing options, ending segregation and discrimination, and addressing displacement. Policies on Affirmative Marketing and Community Preference can advance that commitment.

Owners are required to affirmatively market affordable rental and homeownership housing, taking proactive steps to promote fair access and equal opportunity, so that individuals of similar economic levels in the same housing market area have a range of housing choices regardless of their race, familial status, disability, or other protected class status. Project sponsors must submit a draft Affirmative Marketing Plan following a funding award for a rental or homeownership development, and a final Affirmative Marketing Plan prior to leasing or sales. Funded organizations will be required to maintain records of their affirmative marketing efforts. Owners may propose a community preference for a portion of the housing units to address displacement, in some cases, consistent with fair housing law. Housing owners with units with required tenant referral arrangements, including use of a coordinated entry system, will continue to receive referrals through the system approved by service funders.

**The objectives of the affirmative marketing policy are:**

- Promote robust, effective affirmative marketing to ensure fair access to affordable housing opportunities for diverse racial and ethnic communities and other protected classes, consistent with local, state, and federal fair housing laws.
- Sustain and foster integrated, inclusive communities through effective outreach and advertising of affordable housing opportunities (including through use of language translation, as needed), and through preference policies that prioritize certain housing applicants in high risk of displacement areas when determined to be consistent with fair housing law.
- Encourage early engagement with local organizations in low-income communities of color that are at high risk of displacement to help address historical housing discrimination and prevent displacement of current residents.
- Increase opportunities for people experiencing homelessness (who are disproportionately people of color, people with disabilities, LGBTQ individuals, and others who face barriers to housing) through voluntary agreements with service providers for set-aside units and through affirmative marketing of non-set-aside housing units.
- Promote communication and referral relationships so that accessible units are available to people with physical disabilities and units with multiple bedrooms are available to families with children.

**The objectives of community preference are:**

- Affirmatively further fair housing choice across the city, including by sustaining and/or restoring inclusive communities, through preference policies that prioritize certain housing applicants in high risk of displacement areas when determined to be consistent with fair housing law.
- Help address displacement in high risk of displacement communities.

Applicants are encouraged to consult with OH early in project planning about community-based organizations and resources that may be part of an affirmative marketing effort. An Affirmative Marketing Plan must include the following:

1. **Project location and populations needing targeted outreach.** Analysis of the demographic make-up of the local area in comparison to citywide demographics. Determination of whether the proposed project location is in an area designated as high risk of displacement or an Equity Area. Identification of groups to receive targeted outreach to provide awareness and access to housing.
2. **Outreach to community-based organizations.** Description of completed and planned outreach to specific organizations. Description of efforts to seek input and, as appropriate, assistance with marketing, from organizations serving populations needing target outreach.
3. **Lease up or sales procedures.** Description of application process and how procedures provide fair access, including to populations identified for targeted outreach. Description of how demographic and other information will be used to assess the impact of affirmative marketing efforts. Projects located in areas identified as high risk of displacement may propose a community preference for a portion of the housing units, and provide data and analysis as required by OH’s published guideline, to be reviewed by OH and the Seattle Office for Civil Rights for consistency with fair housing requirements.
4. **Advertising and marketing.** Description of planned marketing such as working with community-based partner organizations, nearby schools, and social services agencies; targeted advertising such as local and culturally specific media; marketing through local employers with low-wage workforce; materials distributed at local and culturally specific events and locations; translated materials.
5. **Other strategies to address barriers and support applicants.** May include training and other support to community partners assisting with marketing, assistance with completing applications, voluntary referral agreements with organizations serving disadvantaged groups, and flexible screening criteria.

## 5. Fair Contracting Practices, WMBE Utilization, and Section 3

Sponsors must comply with the City’s Fair Contracting Practices Ordinance. Sponsors and their general contractors shall be encouraged to take actions, consistent with that ordinance, which would increase opportunities for women and minority business enterprises (WMBE). A combined WMBE aspirational goal of 14% of the total construction and other contracted services contracts shall apply for all affordable rental housing capital projects funded by OH. OH shall encourage additional efforts to increase WMBE participation including mentoring programs and participation in apprenticeship and other training opportunities.

In addition, projects that are awarded federal funds must comply with applicable regulations under Section 3 of the Housing and Urban Development Act of 1968, as amended, which is intended to ensure

that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing federal, state and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns that provide opportunities to low-income persons. Borrowers and their contractors on projects covered under Section 3 regulations must develop a Section 3 plan stating numerical goals for contracting and hiring that meet federal targets as well as a description of the efforts they will make to achieve these goals. OH will provide connections to agencies serving Section 3 businesses and workers to assist in these efforts.

## XI. Definitions

In the Housing Levy Administrative & Financial Plan and Housing Funding Policies, the following terms, when capitalized, shall have the following meanings unless the context clearly suggests a different meaning:

**“Affiliated Entity”** of a person means any organization that, directly or indirectly, is controlling, controlled by, or under common control with, that person. In this definition, “organization” includes, without limitation, any type of legal entity and any partnership, joint venture, unincorporated association, or sole proprietorship; “person” includes any natural person or organization.

**“Affordable Rent”** for Low-Income tenant households means annual Rent not exceeding 30% of 80% of Median Income; Affordable Rent for tenants with income not exceeding 60% of Median Income means annual Rent not exceeding 30% of 60% of Median Income; Affordable Rent for Very Low-Income tenants means an annual Rent not exceeding 30% of 50% of Median Income; and Affordable Rent for Extremely Low-Income tenants means annual Rent not exceeding 30% of 30% of Median Income.

**“Director”** means the Director of the City of Seattle Office of Housing.

**“Extremely Low-Income”** means Income not exceeding 30% of Median Income.

**“Finding”** is defined in Chapter II, Section 1.L.ii.

**“First Time Homebuyer”** means:

- a) An individual or the individual's spouse who has had no ownership in a principal residence during the three-year period ending on the date of purchase of the property.
- b) A single parent who has only owned a home with a former spouse while married.
- c) An individual who is a displaced homemaker as defined in 24 C.F.R. Sec. 93.2 as it exists on July 23, 2023, or such subsequent date as may be provided by the Washington State Department of Commerce by rule, consistent with the purposes of this section, and has only owned a home with a spouse.
- d) An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
- e) An individual who has only owned a property that is determined by a licensed building inspector as being uninhabitable.

**“Housing First”** means a homeless assistance approach that prioritizes providing access to low or no barrier permanent housing to people experiencing homelessness, thus ending their homelessness, and serving as a platform from which they can pursue personal goals and improve their quality of life. This approach is guided by the belief that people need basic necessities like food and a place to live before attending to other important health and life goals, such as getting a job, budgeting properly, or attending

to substance use issues. Additionally, Housing First is based on the theory that client choice is central in housing selection and supportive service participation, and that exercising that choice is likely to make a client more successful in remaining housed and improving their life.

**“Initial Purchase Price”** is defined in Chapter IV, Section 2.D.ii.

**“Low-Income”** means household income not exceeding 80% of Median Income.

**“Median income”** means the annual median family income imputed for the Seattle area based on income limits published from time to time by the U.S. Department of Housing and Urban Development (HUD), with adjustments according to household size based upon a method used by HUD to adjust income limits for subsidized housing, and which adjustments for purposes of calculating rent and sales price limits shall be based on an average size of household of one person for zero-bedroom units and 1.5 persons per bedroom for other units, all as determined by the Director of Housing.

**“Permanent Supportive Housing”** or **“PSH”** means permanent housing prioritized for households exiting long term homelessness or chronic homelessness who are living with serious physical and behavioral health conditions and generally require onsite services and healthcare, paired with long-term rental subsidy, to maintain housing stability. Some level of residential services are typically available 24/7, with more enhanced case management and clinical services onsite during business hours.

**“Pre-Development”** includes items such as feasibility studies, soil assessment, historical review, architectural/engineering assessment, demolition costs, other consultants, community engagement, and other costs as relevant. Pre-development also includes ongoing, short-term holding costs of owning a property before it is ready for development, such as property management fees, security, graffiti removal, lawn maintenance, and other costs as relevant. This includes holding costs for current and future OH-owned properties. Holding costs for externally-owned properties would be incorporated into a larger OH short- or long-term capital loan to the developer.

**“Program Income”** means funds received by the City as payments on or with respect to a loan, or recovery from loan collateral, and may include interest and share of appreciation, as required under the terms of the loan.

**“Rent”** means all amounts charged to tenants for the use or occupancy of the housing unit (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 by the owner.

**“Resale Restricted Home”** is defined in Chapter IV, Section 2.D.

**“Site Acquisition”** includes the acquisition of interests in land or in improvements to land, or both; option and earnest money payments under contracts for such acquisitions; repayment of fund sources

initially used for acquisition; or transfer of OH funds to a City department or account in order to repurpose City property for low-income housing.

**“Siting Determination”** is defined in Chapter X, Section 1.C.

**“Very Low-Income”** means Income not exceeding 50% of Median Income.

**“Yesler Terrace Cooperative Agreement”** means Exhibit A to C.B. 117536 as approved by the City Council on September 4, 2012, as it may be amended.

**“Yesler Terrace Redevelopment Area”** is as defined in Exhibit A to C.B. 117536 as approved by the City Council on September 4, 2012.

**“Yesler Terrace Relocation Plan”** is as defined in Exhibit A to C.B. 117536 as approved by the City Council on September 4, 2012, as it may be amended.

**“Yesler Terrace Replacement Housing”** means one or more of the first 561 housing units constructed or rehabilitated in the Yesler Terrace Redevelopment Area that are restricted to occupancy solely by residents who must relocate due to demolition and construction or households with incomes no higher than 30 percent of Median Income, and that satisfy the additional requirements of the Yesler Terrace Cooperative Agreement.

The Director may adopt further refinements or interpretations of the above definitions, consistent with the intent of the ordinance adopting these Policies.

## Summary and Fiscal Note

### 1. Legislation Summary

**Department:** Office of Housing

**Title:** An ordinance relating to housing for low-income households; adopting the 2023 Seattle Housing Levy Administrative and Financial Plan for program years 2026-2028; adopting Housing Funding Policies for program years 2026-2028 for the 2023 Seattle Housing Levy and other fund sources; authorizing actions by the Director of Housing regarding past and future housing loans and contracts; and ratifying and confirming certain prior acts.

**Background:** Ordinance 126837, passed by City Council on June 13, 2023, authorized a property tax levy for seven years, 2024 through 2030, and placed the 2023 Seattle Housing Levy on the November 2023 ballot for voter approval. The ordinance also directed the Office of Housing (OH) to prepare an Administrative and Financial Plan (A&F Plan) every two years beginning in 2024 to govern the use of Levy funds and establish other administrative requirements. The A&F Plan is accompanied by the Housing Funding Policies (HFP), which together constitute the policies that govern the use of funds administered by OH. The HFP applies to Levy funds and other housing funds administered by OH as specified for each program. The A&F Plan and HFP for program years 2024-2026 were adopted Ordinance 127051. The current legislation updates the A&F Plan and HFP by effectuating various required technical changes as

well as other clarifications and improvements. The proposed updates make no major changes to Levy or other program funding allocations or goals.

---

## 2. Capital Improvement Program (CIP)

**Does this legislation create, fund, or amend a CIP Project?**

Yes

No

---

## 3. Summary of Financial Implications

**Does this legislation have financial impacts to the City?**

Yes

No

---

## 4. Other Impacts

**a. Does this legislation require a public hearing?**

Yes

No

**b. Does this legislation require a notice to be published in The Daily Journal of Commerce and/or The Seattle Times?**

Yes

No

**c. Does this legislation affect a piece of property?**

Yes

No

d. Race and Social Justice Initiative impacts:

**1. How does this legislation affect vulnerable or historically disadvantaged communities? How did you come to this conclusion? Please consider both impacts within City government (like employees and internal programs) and in the broader community.**

OH's funding programs address racial disparities in housing cost burden, homeownership rates, and homelessness. Demographic data of residents in OH funded rental and ownership housing continues to demonstrate the value of these investments in providing housing stability and mobility for communities of color who have been disproportionately impacted by inequitable access to housing opportunities, lack of sufficient affordable housing, neighborhood displacement, homelessness, and poverty.

**2. Please attach any Racial Equity Toolkits or other racial equity analyses used to develop or assess this legislation.**

N/A

**3. What is the Language Access Plan for communicating with the public about this legislation?**

The A&F Plan and Housing Funding Policies are technical policy documents whose primary audiences are policymakers, housing owners and operators, service providers, and City staff. No dedicated language access plan is needed.

e. Climate change impacts:

**1. Emissions: Will this legislation significantly increase or decrease carbon emissions? Attach any studies or materials that inform your answer.**

This legislation will not significantly increase or decrease carbon emissions.

**2. Resiliency: Will this legislation make Seattle more or less able to adapt to climate change? If it reduces resiliency, explain what can be done to lessen the impact.**

This legislation will not make Seattle appreciably more or less climate resilient.

**f. If this legislation creates a new program or expands an existing one, what are the long-term, measurable goals? How will this legislation help achieve those goals? What methods will be used to track progress?**

This legislation does not create or expand any programs.

**g. Does this legislation create a non-utility CIP that involves shared funding with a non-City partner or organization?**

No.

# Updates to Housing Levy Administrative & Financial Plan and Housing Funding Policies

Kelli Larsen – Director of Policy and Planning

Nathan Antonio – Policy, Planning, and Data Analyst

# Agenda

1. About the Administrative & Financial Plan and Housing Funding Policies
2. Process for updating policies
3. Summary of proposed updates
4. Q&A



# Housing Levy Administrative & Financial Plan (A&F Plan)

- Guides the use of funds from the 2023 Housing Levy
- Adopted by Ordinance after each Housing Levy approval by voters and updated every 2 years
- Specific goals associated with each Housing Levy program, established in Ordinance 126837 with additional direction in Resolution 32093
- No notable policy changes proposed

# Housing Funding Policies (HFP)

- Guides the use of all City funds for affordable housing, across all Office of Housing programs
- Adopted by Ordinance every 2 years, with major updates every 7 years
- Several proposed technical and procedural changes

# A&F Plan and HFP Update Process

## **July 2024 – Oct 2025**

Ongoing issue identification

## **Oct – Dec 2025**

Internal conversations, planning, and early policy development

## **Jan – Feb 2026**

In depth issue research and discussion, detailed policy drafting

## **Mar – April 2026**

Draft finalized, final internal review, Oversight Committee and Executive Review

## **May – June 2026**

Final approvals, Council engagement

## **June 2026**

Committee and Council consideration and adoption

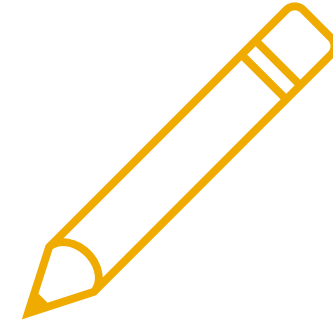
# Summary of proposed updates



Technical updates and fixes



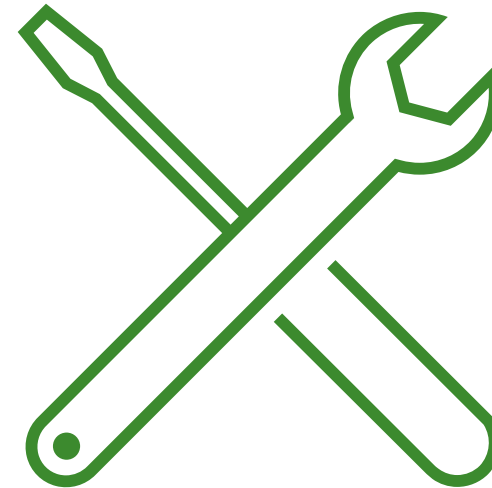
Procedure clarification



Minor edits and cleanup

# Technical updates and fixes

- Increased Homeownership development per-unit funding caps
- Clarified language about Housing Levy Operating, Maintenance, and Services (OMS) subsidies per-unit funding amounts
- Clarified rare circumstances when 50% AMI rents may be charged on units receiving operating subsidies
- Detail about AMI restrictions by fund source for OMS programs



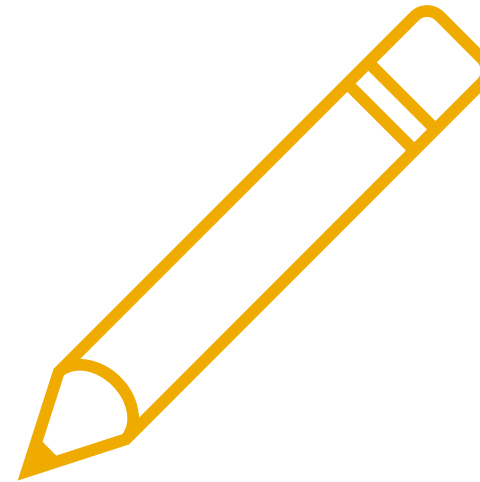
# Procedure clarification

- OMS subsidy review, renewal, and invoicing sections and language reorganized and clarified
- OMS subsidy uses clarified and aligned with contract language
- Stating standing practice of allowing administrative costs in OMS contracts
- Operations stabilization section language updated to reflect usage
- Clarifying updates to the rental housing funding award process and prevailing wage sections



# Minor edits and cleanup

- More consistent terminology for OMS operating subsidies and Operations Stabilization
- Aligned definition of Median Income with Land Use Code
- Old and irrelevant references to policy and procedure removed
- Reformatting and editing for accessibility requirements
- Various other clean up to terminology and text



Thank you

SEATTLE  
CITY HALL



Screen Reader Users: Make sure settings include reading strikethrough and underline font attributes.

## **Amendment 1 Version 1 to CB 121218 - OH Housing Funding Policies and A&F Plan ORD**

**Sponsor:** Councilmember Foster

Provide additional details to the supplemental funding section of the Housing Funding Policies regarding debt restructure stabilization loans and funding adjustments

**Effect:** The Housing Funding Policies currently contain a section on supplemental funding for projects funded by the Office of Housing. This amendment provides more detail on debt restructure stabilization loans, which OH made in 2025 for the first time as part of their 2025 Notice of Funding Availability awards. It also clarifies that OH may make supplemental funding adjustments to facilitate construction finance closing or conversion from construction to permanent financing and provides discretion to OH as to when to require such funding adjustments to be made administratively versus going through a competitive process.

Amend Chapter II, Section 2.G of Attachment B (Housing Funding Policies) to CB 121218 as follows and renumber subsequent sections as appropriate:

### G. Supplemental Funding

For over 30 years the City has been funding affordable housing development with a strategy that included the acquisition of older buildings. As these buildings have aged, OH has encouraged owners to prepare detailed capital needs assessments of their housing portfolio, strengthen replacement reserves, and identify available fund sources for necessary upgrades. City funds may be used to assist with capital improvement projects which will improve living environments for residents, reduce building operating costs, and achieve energy savings. City funds may also be used to improve the financial performance of a building by resizing existing debt. Both types of investment will extend the useful life of the asset, either through improving the physical condition of the building or by improving long-term operations and financial conditions. **Unless otherwise stated in this Section, Rental Housing Program policies will apply.**

#### *i. Notice of Funds Available*

~~Unless otherwise stated in this Section, Rental Housing Program policies will apply.~~ Consistent with Section D, above, OH will issue a NOFA at least once a year, which will be the primary opportunity for project owners to apply for supplemental funding. In deciding how to allocate supplemental funding within NOFA availability, OH will prioritize new production of affordable rental developments and balance remaining funds between preservation activities and supplemental funding for debt restructuring based on need in competitive NOFA applications.

The Director may approve a supplemental funding award outside of the ~~annual regular~~ NOFA process to address emergency or time-sensitive needs where the health and wellbeing of the residents are at risk or to protect the City's collateral. After a project receives its original award, supplemental funding adjustments may also be considered outside of the regular NOFA process to facilitate construction finance closing or conversion from construction financing to permanent loan financing. OH may require that such supplemental funding adjustments go through a competitive NOFA process if the adjustments would exceed \$3 million or 20% of the original award, whichever is less.

ii. Project Selection

Consistent with Section E, above, project owners must demonstrate that they have operated the housing in compliance with their loan and regulatory agreements, and either that they have the ability to complete ~~the any~~ rehabilitation work and effectively manage the housing or that they propose an appropriate relationship with an entity that will provide the necessary support.

Project sponsors must demonstrate that the ~~housing has capital needs that cannot be addressed through the~~ project's cash flow, reserves, or other available resources are insufficient to cover ongoing operational expenses, including debt service, or to address documented capital needs. OH will give priority to proposals that meet at least one of the following additional criteria:

- Projects that are at or near the end of their existing City loan terms if the owner is considering discontinuation of the project's use as affordable housing, unless the project can be rehabilitated.
- Proposals that present leverage opportunities that would allow a substantial rehabilitation of an existing project.
- Proposals whose scope of work includes items that, in addition to extending the useful life of the building by 20 years or more, will also improve the operational efficiency of the building.
- Proposals that resize existing debt through reasonable investment of additional public funds in a refinance transaction to account for increased interest rates, construction costs, or operating expenses, decreased income, or a balloon payment due within 24 months that put the building at significant immediate risk of foreclosure, sale, or adverse impact to the sponsor's other properties in OH's portfolio.

- Proposals that address elevated vacancy levels (10% or more) by revising market rent assumptions, changing staffing structure, or making other changes that address the underlying reasons for high vacancy.

OH may work with the sponsor of the project regarding the distribution of excess cash flow resulting from supplemental funding, to strategically and equitably balance the needs of the project, the sponsor, and the broader OH portfolio. Supplemental funding is not intended to protect or increase the returns of any other parties, such as lenders and investors. If supplemental funding is needed due to lender, investor, or transaction-related charges, the sponsor must show that those parties have taken proportional steps to reduce the resulting funding gap.



Legislation Text

---

**File #:** CB 121236, **Version:** 1

---

Screen Reader Users: Make sure settings include reading strikethrough and underline font attributes.

## The City of Seattle

### Ordinance

#### Council Bill

**An ordinance** relating to the Office of Housing; granting a ground lease of real property located at 2929 27th Ave South; authorizing the Director of the Office of Housing to grant a lease of the real property to MBTOD Phase One LLLP, an affiliate of Mercy Housing Northwest and El Centro de la Raza; and authorizing related agreements and actions to support the development of affordable housing and commercial space intended to be used for early learning, childcare center, and associated uses.

#### **Recitals:**

The University of Washington transferred jurisdiction over surplus real property located at 2929 27th Ave South to the Office of Housing with the adoption of Ordinance 126101.

Ordinance 126101 adopted the Office of Housing's Housing Funding Policies that include a commitment to utilizing well-located publicly owned properties for affordable housing and achieving cost savings for affordable housing development through favorable purchase terms.

Pursuant to Resolution 31609, the City Council resolved to pursue use of publicly owned properties for development of affordable housing, including authorizing the transfer of specific City-owned properties for the development of housing.

Mercy Housing Northwest and El Centro de la Raza were the successful respondents to a request for proposals (RFP) for affordable housing and ground floor uses by the University of Washington with the Rainier Valley Early Learning Center.

MBTOD Phase One LLLP's mission is to produce affordable housing for low-income families and individuals and by preserving, developing, and operating safe, quality affordable housing.

The Office of Housing and Mercy Housing Northwest and El Centro de la Raza have negotiated in good faith the terms for a long-term lease of the surplus property at 2929 27th Ave South Seattle, WA 98144 for construction and operation by MBTOD Phase One LLLP of income-restricted affordable housing for families and individuals and community uses such as an early learning center and retail space.

The site will be subdivided through a leasehold condominium regime (Condominium) consisting of two separate condominium units: (1) the Residential Unit and (2) the Commercial Unit. The elements of the Project are envisioned as compatible uses that will be operated in one building with separate entrances.

A condominium declaration will be recorded after the conclusion of construction and MBTOD Phase One LLLP will convey the Commercial Unit to the University of Washington or an affiliate thereof according to the terms of a Lease and Option to Purchase Agreement. Therefore,

**Be it ordained by The City of Seattle as follows:**

Section 1. The Director of Housing or designee (Director) is authorized on behalf of The City of Seattle (City) to execute such documents as deemed necessary for The City of Seattle to enter into a ground lease for a period of no more than 99 years lease that certain real property situated in the City of Seattle, County of King, State of Washington and identified as King County parcel number 713880-0025 and 713830-0015 as further described in the legal description attached to this ordinance as Attachment 1, between the City, as a lessor, and MBTOD Phase One LLLP, an affiliate of Mercy Housing Northwest and El Centro de la Raza, as a lessee, to provide for the long-term use and occupancy of the property for the purposes of providing affordable housing for households with low incomes according to terms substantially consistent with the Term Sheet attached to this ordinance as Attachment 2.

Attachments:

Attachment 1 - Property Full Legal Description

Attachment 2 - Ground Lease Term Sheet

This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council and signed in open session in authentication of its passage on .

President of the City Council  
on .

Katie B. Wilson, Mayor

Attested on .

Scheereen Dedman, City Clerk

Seal

Attachment 1 – Property Full Legal Description

LOTS 3 THROUGH 14 IN BLOCK 6 OF RAINIER VALLEY SECOND ADDITION TO THE CITY OF SEATTLE, ACCORDING TO PLAT RECORDED IN VOLUME 13 OF PLATS AT PAGE 77, IN KING COUNTY, WASHINGTON;

EXCEPT THE SOUTH 30 FEET OF LOTS 3 THROUGH 8 CONDEMNED IN KING COUNTY SUPERIOR COURT CAUSE NUMBER 83253 FOR STREET PURPOSES, AS PROVIDED FOR BY CITY OF SEATTLE ORDINANCE NUMBER 25148;

TOGETHER WITH THAT PORTION OF VACATED EAST AND WEST ALLEY ADJOINING OF ABUTTING THEREON, WHICH UPON VACATION, ATTACHED TO SAID PREMISES BY OPERATION OF LAW. AS PROVIDED FOR CITY OF SEATTLE ORDINANCE NUMBER 82793;

AND TOGETHER WITH THAT PORTION OF VACATED 27TH AVENUE SOUTH ADJOINING OF ABUTTING THEREON. WHICH UPON VACATION, ATTACHED TO SAID PREMISES BY OPERATION OF LAW. PURSUANT TO CITY OF SEATTLE ORDINANCE NUMBER 91132. LYING SOUTHERLY OF THE SOUTH MARGIN OF SOUTH STEVENS STREET AND NORTHERLY OF THE NORTH MARGIN OF SOUTH WINTHROP STREET AS ESTABLISHED IN KING COUNTY SUPERIOR COURT CAUSE NUMBER 83253, AS PROVIDED FOR BY CITY OF SEATTLE ORDINANCE NUMBER 25148;

AND TOGETHER WITH THAT PORTION OF PARCEL A, OF LOT BOUNDARY  
ADJUSTMENT NUMBER 2400996. RECORDED UNDER RECORDING NUMBER  
20040331900021, IN KING COUNTY, WASHINGTON. LYING SOUTH AND EAST OF  
THE

FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE WEST RIGHT OF WAY MARGIN OF 27TH AVENUE  
SOUTH AND THE EAST LINE OF SAID PARCEL A, WHICH BEARS  
SOUTH 01°03'27" WEST, A DISTANCE OF 73.94 FEET FROM THE NORTHEAST  
CORNER OF SAID PARCEL A;

THENCE NORTH 88°54'09" WEST. A DISTANCE OF 161.05 FEET;

THENCE SOUTH 01°05'51" WEST, A DISTANCE OF 158.64 FEET;

THENCE SOUTH 26°13'50" EAST, A DISTANCE OF 119.25 FEET;

THENCE SOUTH 63°46'10" WEST, A DISTANCE OF 74.58 FEET;

THENCE SOUTH 01°05'51" WEST, A DISTANCE OF 136.88 FEET TO THE SOUTH  
LINE

OF SAID PARCEL A AND THE TERMINUS OF THIS DESCRIBED LINE;

THE TERMINUS OF THE ABOVE-DESCRIBED LINE BEARS NORTH 88°54'09"  
WEST, A

DISTANCE OF 197.86 FEET FROM THE SOUTHEAST CORNER OF SAID PARCEL  
A.

AND EXCEPT THAT PORTION CONVEYED TO CENTRAL PUGET SOUND  
REGIONAL

TRANSIT AUTHORITY BY DEED RECORDED UNDER RECORDING NUMBER  
20110901000445. BEING A RERECORDING OF 20050331002461.

Attachment \_\_\_\_\_: Term Sheet

LEASE OF PROPERTY FROM THE CITY OF SEATTLE TO  
MBTOD PHASE ONE LLLP, AN AFFILIATE OF  
MERCY HOUSING NORTHWEST AND EL CENTRO DE LA RAZA

This term sheet describes the basic terms of the proposed lease (the "Ground Lease") of property located at 2929 27th Ave S, Seattle, WA 98144 (the "Property") between THE CITY OF SEATTLE (the "City") and MBTOD PHASE ONE LLLP, a Washington limited liability limited partnership ("Lessee"), a subsidiary of MERCY HOUSING NORTHWEST, a Washington nonprofit corporation ("Mercy") and EL CENTRO DE LA RAZA ("El Centro", and together with Mercy, the "Sponsors"). The Ground Lease will be entered into subject to the conditions set forth below and on the following terms:

1. **Ground Lease.** The Ground Lease term shall be for 99 years.
  
2. **Consideration.** In consideration for the City leasing the Property to Lessee for rent of \$1/year, Lessee shall agree to construct or cause to be constructed within the Property improvements substantially as described in those plans and specifications prepared by Runberg Architecture Group, PLLC more specifically described in SDCI Permit Nos. \_\_\_\_\_ (collectively, the "Project"). Which improvements shall include 239 units of Low-Income Housing, along with approximately 31,728 square feet of commercial space intended to be used as an early learning research facility known as the Rainier Valley Early Learning Campus operated by the University of Washington's College of Education, and a portion of which will serve as a licensed childcare center, common spaces, and associated uses. Sponsors intend to develop an adjacent affordable housing project as a second phase of development to be governed by a separate ground lease.
  
3. **Conditions of the City's Ground Lease of the Property:**
  - a. Lessee shall have obtained approval from the Director of the Office of Housing (the "Director") of the final plan set for the Project and development budget for development of the Project.
  - b. Lessee shall have obtained permits for the development of the Project consistent with the designs approved by the Office of Housing.
  - c. Lessee shall have provided evidence satisfactory to the Office of Housing that Lessee has secured all necessary construction financing to fund the construction of the Project. The Sponsors will be responsible for securing the balance of funding needed to fully fund the Project.
  
4. **Other conditions.**

- a. The Ground Lease will contain other conditions determined by the Director to be necessary to provide the desired outcomes.
- b. The Ground Lease of the Property shall be "AS IS," without any warranty as to any matters related to title or the condition of the Property, including without limitation the presence of any encroachments, hazardous materials or any other environmental matters of the Property. Notwithstanding the foregoing, the City shall provide easements and/or licenses on adjacent property owned by the City reasonably necessary for construction and operation of the Project.
- c. The permitted use under the Ground Lease will require, for at least 50 years, development and operation of 239 units of housing for Low-Income Housing built on the Property and dedicated space for approved commercial uses, including the planned community retail space and the early learning research facility to be located on the ground and first floors.
- d. The parties shall agree on a form of documents to create the condominium ownership structure at the Property that will allow for the creation of the condominium units that will contain (1) the community retail space to be conveyed to El Centro or an entity created by Grow America, and (2) the early learning center to be conveyed to El Centro and allow the further conveyance or lease of such condominium unit to the University of Washington (the "Condominium Documents").
- e. The Ground Lease shall provide commercially reasonable mortgagee protections and notice and cure rights in the event of default for the Lessee's investor limited partner.

## Summary and Fiscal Note

### 1. Legislation Summary

**Department:** Office of Housing

**Title:** An ordinance relating to the Office of Housing; granting a ground lease of real property located at 2929 27th Ave South; authorizing the Director of the Office of Housing to grant a lease of the real property to MBTOD Phase One LLLP, an affiliate of Mercy Housing Northwest and El Centro de la Raza; and authorizing related agreements and actions to support the development of affordable housing and commercial space intended to be used for early learning, childcare center, and associated uses.

**Background:** Under Ordinance 126101 the University of Washington transferred to The City of Seattle three real property parcels that were used for the University of Washington Consolidated Laundry Services, informally known as the “UW Laundry site” for the purpose of development affordable housing. The site is located at 2929 27<sup>th</sup> Ave South, in Seattle’s District 2. This legislation authorizes OH to execute the ground lease with the developing entity that will own and operate the development on City owned land.

The proposed project will serve low income families with incomes at or below 60% of Area Median Income. The following is the breakdown of units by bedroom size and income level served.

**Unit Breakdown by AMI & Bedroom Type**

	<b>Summary</b>			
	<b>30%</b>	<b>50%</b>	<b>60%</b>	<b>Totals</b>
Studio		27		<b>27</b>
1 BR		32	39	<b>71</b>
2 BR	37	11	23	<b>71</b>
3 BR	27	8	21	<b>56</b>
4 BR	8	3	3	<b>14</b>
<b>Summary Totals</b>	<b>72</b>	<b>81</b>	<b>86</b>	<b>239</b>
	30%	34%	36%	

**Summary Attachments:**

Summary Attachment 1 – Property Map

---

**2. Capital Improvement Program (CIP)**

**Does this legislation create, fund, or amend a CIP Project?**

- Yes
- No

---

### 3. Summary of Financial Implications

#### **Does this legislation have financial impacts to the City?**

- Yes
- No

There are no financial implications as the terms of the lease anticipate a rental payment of \$1 per year.

#### 3d. Other Financial Impacts

**a. Does this legislation create any other financial impacts for The City of Seattle, such as direct or indirect costs, one-time or ongoing, that aren't mentioned above? If yes, please explain these impacts.**

This legislation does not create new financial impacts for the City of Seattle. After a competitive process, OH awarded \$32.7 million capital investment to the development entity for the first phase of the Mt Baker UW Laundry site to a mixed-use development.

**b. If the legislation has costs that can be covered within the current budget, explain how. Does the department have extra resources in its budget to handle these costs? Or does the department need to shift resources away from other work to handle these costs?**

No costs associated with this legislation.

**c. What financial costs or other impacts might happen if this legislation is not implemented?**

If the legislation is not implemented, the City of Seattle will lose the opportunity to develop permanently affordable homes on this site for many families facing pressures of displacement.

**d. How might this legislation affect other City departments besides the one that proposed it?**

No anticipated impacts to other City departments.

---

**4. Other Impacts**

**a. Does this legislation require a public hearing?**

Yes

No

**b. Does this legislation require a notice to be published in The Daily Journal of Commerce and/or The Seattle Times?**

Yes

No

**c. Does this legislation affect a piece of property?**

Yes, this legislation affects the development of the Mt Baker UW Laundry site. A map of the property is attached here as Summary Att 1 – Property Map.

**d. Race and Social Justice Initiative impacts:**

**1. How does this legislation affect vulnerable or historically disadvantaged communities? How did you come to this conclusion? Please consider both impacts within City government (like employees and internal programs) and in the broader community.**

This legislation will prevent displacement and enhance neighborhood diversity by facilitating development of permanently affordable rental homes in an area currently facing high rates of displacement. The development will serve the families living on the site and the community as a whole as it will be shape the area outside of the light rail station. The site will serve families and individuals earning up to 60% AMI and approximately 30% of those units will serve very-low-income families earning 0-30% AMI. This site will be using a Community Preference to serve families previously displaced.

**2. Please attach any Racial Equity Toolkits or other racial equity analyses used to develop or assess this legislation.**

A community engagement process was done after the transfer of the site that helped inform the RFP and the evaluation of the submission.

**3. What is the Language Access Plan for communicating with the public about this legislation?**

As we move through passage of the legislation, communication materials will be made available about the future development for preferred languages other than English on request. Translations will be made through the City's Smartcat platform with community review. The developer will adhere to Affirmative Marketing best practices, ensuring outreach efforts are inclusive, equitable, and representative of the diverse populations we aim to serve. By using affirmatively furthering fair housing principles, the development will be dedicated to promoting equal access to housing opportunities and removing barriers for communities that prefer languages other than English.

**e. Climate change impacts:**

**1. Emissions: Will this legislation significantly increase or decrease carbon emissions? Attach any studies or materials that inform your answer.**

This is a transit-oriented development increasing the accessibility for workers to reduce commute times and dependency on vehicles. The Mt Baker UW Laundry site development will be constructed at or above City of Seattle building green code. All the units within the project will have energy-efficient appliances.

**2. Resiliency: Will this legislation make Seattle more or less able to adapt to climate change? If it reduces resiliency, explain what can be done to lessen the impact.**

No.

**f. If this legislation creates a new program or expands an existing one, what are the long-term, measurable goals? How will this legislation help achieve those goals? What methods will be used to track progress?**

N/A

OH Ground Lease of Mt Baker UW Laundry Site SUM  
Jessica Gomez  
D1c

**g. Does this legislation create a non-utility CIP that involves shared funding with a non-City partner or organization?**

No.

Property Map



# OH Ground Lease of Mt Baker UW Laundry Site Ordinance

Housing, Arts, & Civil Rights Committee

Andréa Akita, Interim Director  
Jessica Gomez, Strategic Advisor

# Vision & Mission

## Vision

Everyone has a healthy and affordable home.

## Mission

We partner to create affordable housing by equitably investing to prevent displacement and increase opportunities for people to live in Seattle.



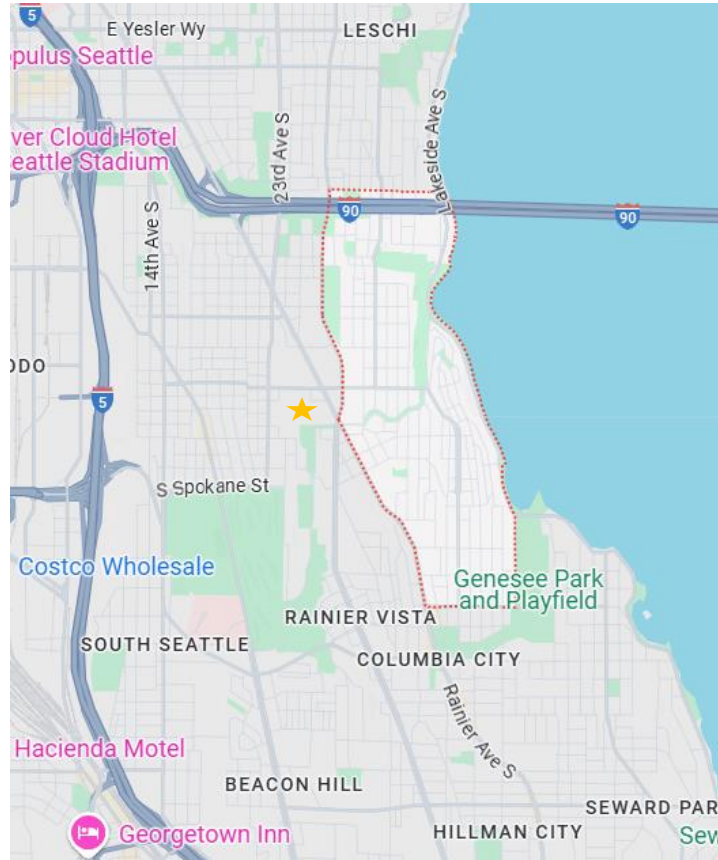
# Proposed Legislation

- Authorize OH to execute a ground lease at the Mount Baker Redevelopment Site for Phase 1
- The ground lease between the City and developer would be for no more than 99 years
- Lease terms require development and operation of 239 units of affordable housing for low-income households and dedicated space for an early learning research facility

# Project Timeline

- June 2020 - UW transfer of sites to City of Seattle
  - Uses: Affordable housing and education, research, and clinical uses, including early learning
  - Three parcels totaling 3.79 acres
- June 2023 – Request for Qualifications published
  - OH selects respondents to move onto Request for Proposals (RFP)
- October 2023 – RFP opens
- July 2024 – Developer designated
  - Mercy Housing Northwest and El Centro de la Raza
- June 2026 – Demolition begins
- October 2026 – Phase I construction begins

# Project Location



# Proposed Development



# Phase I Project Overview

- Mercy Housing and El Centro de la Raza are developers
- 241 affordable apartments
  - Close to 60% of the apartments have 2, 3, or 4 bedrooms
  - 0-30% AMI are all family sized apartments
- Rainier Valley Early Learning Center owned and operated by UW on the ground and first floors
- Community Workforce Agreement requirements

# Ground Lease Considerations

- Ground lease would allow for the land to stay in City ownership in perpetuity
- Developer would own and operate the development
  - Mercy Housing Northwest & El Centro de la Raza
  - Rainier Valley Early Learning Center of the University of Washington

# Montlake Homes

Housing, Arts, & Civil Rights Committee

Andréa Akita, Interim Director

Joy Hunt, Affordable Homeownership Advisor

# Proposed Legislation

- Authorizes OH to purchase of the Montlake Homes site from WSDOT for no more than \$6,050,000 for affordable housing development
- Places the property under the jurisdiction of OH, after purchase
- Authorizes OH to issue a competitive RFP to select a developer of 50+ permanently affordable homes
- Following the RFP, authorizes OH to transfer the site to the selected developer to construct and steward permanently affordable homes

# Investments in Affordable Homeownership

- Prevent displacement.
- Foster security and neighborhood connections for families.
- Ensure essential workers can live in the communities they serve.
- Maintain affordability at resale for 50+ years.



# Permanently Affordable Homeownership

- Eligibility below 80% AMI.
- Home prices aim to meet 65% AMI.
- To calculate price: 35% of pre-tax income used for housing cost.
- Housing cost includes principal, interest, property taxes, insurance, HOA dues, and stewardship fee.
- Current permanently affordable home prices for buyers: \$250-\$350K.



# How Permanently Affordable Homeownership Works

## HOME

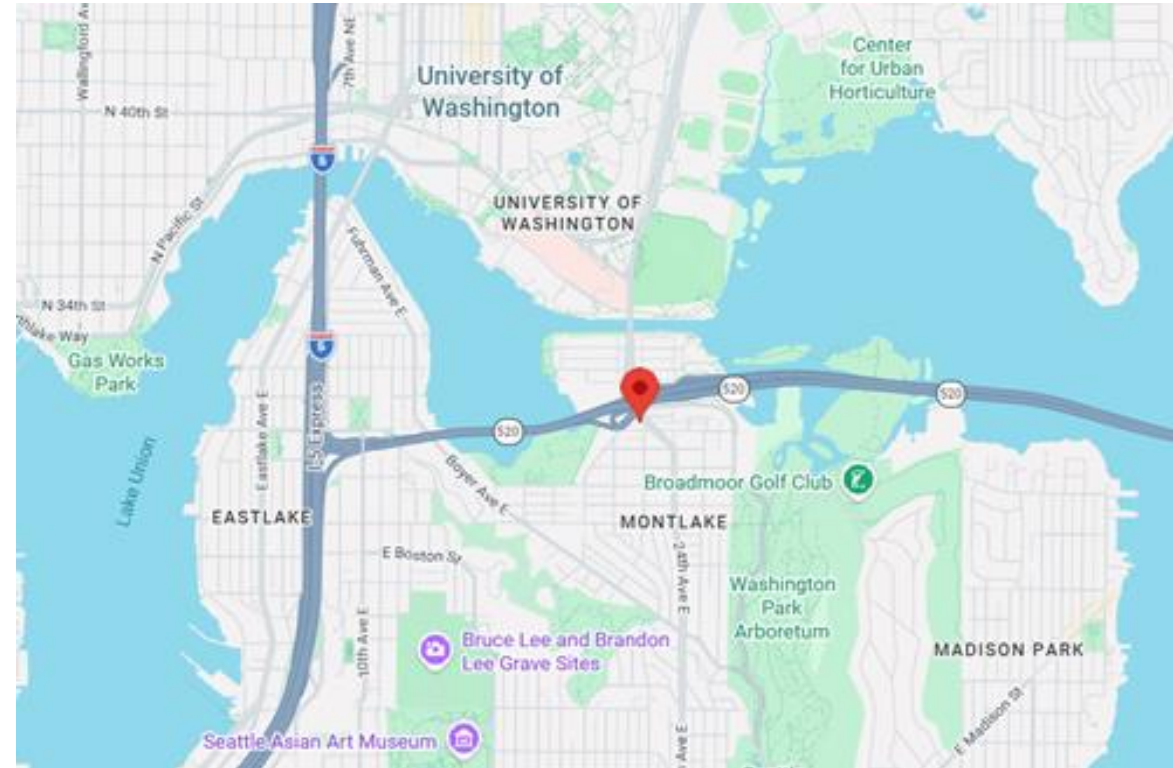
- Homebuyer purchases home.
- Homeowner leases the land in a long-term, renewable lease.
- Homeowner agrees to sell homes at restricted prices.

## LAND

- Owned by a nonprofit.
- Nonprofit provides long-term stewardship.
- Ensures homes are sold at affordable prices to income eligible buyers in perpetuity.

# Montlake Homes Opportunity

- 2625 East Montlake Place East
- WSDOT construction staging for SR 520
- Now vacant; considered surplus
- State legislature appropriated funds for OH to acquire site from WSDOT to develop at least 50 permanently affordable ownership homes
- WSDOT to lease site during predevelopment and permitting



# Montlake Homes Site

- Amenity-rich neighborhood, without affordable homeownership
- NC-2 zoning anticipated
- RFP to encourage:
  - 50 homes with 2+ bedrooms for families
  - Trees/greenery between the homes and 520, as well as other green building and pollution mitigation strategies
  - Ground-floor commercial if feasible
  - Creative strategies to mitigate congestion

# Harvey Apartments Transfer

Housing, Arts, & Civil Rights Committee

Andréa Akita, Interim Director

Joy Hunt, Affordable Homeownership Advisor



# Proposed Legislation

Authorizes the Office of Housing to:

- Acquire two parcels in the Central Area for the purpose of developing affordable housing;
- Enter a settlement agreement and accept a deed to the Harvey Apartments in lieu of foreclosure;
- Purchase the parcel adjacent to the Harvey Apartments; and
- Conduct a competitive process for redevelopment of these properties for affordable housing.

# Background

- Central Area Development Association (CADA) acquired the Harvey in 1999 and since that time has received over \$1.2 million in Office of Housing financing.
- CADA purchased the undeveloped parcel adjacent to the Harvey in 1999.
- The organization operated the Harvey until physical condition severely deteriorated. The building has been vacant since July 2025. All tenants have been relocated.
- CADA has been winding down operations and cannot pay off their OH debt.

# Property Map: 2615 E Cherry Street



The parcels are in the Central Area at the corner of E. Cherry Street & 27<sup>th</sup> Avenue East

- Parcel A is the Harvey Apartments building
- Parcel B is the adjacent property

# Future Redevelopment



The two parcels will be assembled into one development site



OH will engage with community for the equitable redevelopment of the site as affordable housing.



Request for Proposals will be released in 2027-2028.

**Thank you**

SEATTLE  
CITY HALL





Legislation Text

---

**File #:** CB 121237, **Version:** 1

---

Screen Reader Users: Make sure settings include reading strikethrough and underline font attributes.

## The City of Seattle

### Ordinance

#### Council Bill

**An ordinance** relating to the Seattle Office of Housing (OH); placing acquired real property in the Montlake neighborhood under the jurisdiction of OH; authorizing OH to issue a competitive request for proposals for selection of a preferred developer and to execute and deliver a contract for transfer of land, deed, and related documents to the selected developer; and ratifying and confirming certain prior acts.

#### Recitals:

Access to surplus publicly owned land for development of affordable housing for income-eligible households at key locations furthers The City of Seattle's fair housing goals and offers cost savings that increase project viability.

As of March 31, 2026 the median home sale price in Seattle was \$804,000 according to Zillow, which is out of reach for low and moderate-income households.

This site offers an opportunity to create affordable homeownership opportunities for low and moderate-income households in a high opportunity neighborhood.

Surplus real property in Seattle's Montlake neighborhood (Montlake Homes Site) is currently owned by Washington State Department of Transportation (WSDOT) to support the construction efforts for SR 520.

Now that such construction is complete, the land is vacant, and WSDOT seeks to sell and transfer the surplus property in accordance with Washington State Legislature budget provisos in Engrossed Substitute House Bill 2134, subsection 304(21)(b) (Chapter 310, Laws of 2024), and Substitute Senate Bill 6003, Section 1033 (Chapter 259, Laws of 2026).

The Washington State Legislature has appropriated \$6,050,000 to fund the Office of Housing's acquisition of the Montlake Homes Site from WSDOT for development of permanently affordable homeownership.

Therefore,

**Be it ordained by The City of Seattle as follows:**

Section 1. The Director of the Seattle Office of Housing or designee (Director) is authorized to execute such

documents as deemed necessary for The City of Seattle to purchase the Montlake Homes Site, as described in the legal description attached to this ordinance as Exhibit A, from the Washington Department of Transportation (WSDOT), together with all rights, privileges, and other property pertaining thereto and to pay any additional costs or fees related to such conveyance.

Section 2. The Director is authorized on behalf of the City of Seattle to pay an amount not to exceed \$6,050,000 to WSDOT and in exchange to accept from WSDOT a deed transferring the Montlake Homes Site to The City of Seattle.

Section 3. Upon acquisition by The City of Seattle, the Montlake Homes Site shall be under the jurisdiction of the Seattle Office of Housing (OH).

Section 4. The Director is authorized to conduct a competitive process to select a preferred development organization to develop the project, which shall include at least 50 permanently affordable homes on the Montlake Homes Site. Thereafter, the Director is authorized to negotiate and execute a property transfer agreement between OH and the selected development organization or, if approved by OH, the organization's designee or assignee (Developer) and any ancillary documents required to accomplish the transfer of ownership to the Developer, on the terms and subject to the conditions authorized in this ordinance, including those found in the Montlake Homes Request for Proposals Term Sheet, attached to this ordinance as Exhibit B.

Section 5. The Director is authorized to execute such other documents and to undertake all necessary actions and obligations necessary for development of permanently affordable homes on the Montlake Homes Site.

Section 6. The Director shall provide a summary of the selected proposal to the Chair of the Housing, Arts and Civil Rights Committee, or successor committee, once the competitive process is complete. The summary should identify the developer(s), number and size of units, and affordability levels of units.

Section 7. Any act consistent with the authority of this ordinance taken after its passage and prior to its effective date is ratified and confirmed.

Attachments:

Exhibit A - Montlake Homes Site Full Legal Description

Exhibit B - Montlake Homes Request for Proposals Term Sheet

This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council and signed in open session in authentication of its passage on .

President of the City Council  
on .

Katie B. Wilson, Mayor

Attested on .

Scheereen Dedman, City Clerk

Seal

Exhibit A – Montlake Homes Site Full Legal Description

Commencing at a point opposite Highway Engineer's Station (hereinafter referred to as HES) 60+58.85 on the SR 520 line survey of SR 520, SR 5 interchange vicinity to Montlake interchange vicinity and 355.11 feet southeasterly therefrom;

Thence southeasterly to a point opposite HES 60+73.20 on said line survey and 364.59 feet southeasterly therefrom, said point being the point of beginning for the tract of land herein being conveyed;

Thence southeasterly to a point opposite HES 61+37.82 on said line survey and 407.28 feet southeasterly therefrom;

Thence easterly to a point opposite HES 62+63.34 on said line survey and 455.44 feet southeasterly therefrom;

Thence northerly to a point opposite HES 63+49.67 on said line survey and 347.85 feet southeasterly therefrom;

Thence northwesterly to a point opposite HES 63+00 on said line survey and 315.94 feet southeasterly therefrom;

Thence northwesterly to a point opposite HES 62+73 on said line survey and 292.47 feet southeasterly therefrom;

Thence westerly to a point opposite HES 62+40 on said line survey and 280.40 feet southeasterly therefrom;

Thence southwesterly to a point opposite HES 61+80 on said line survey and 300.66 feet southeasterly therefrom;

Thence southwesterly to the point of beginning.

Exhibit B – Montlake Homes Request for Proposals Term Sheet

TRANSFER OF PROPERTY FROM THE CITY OF SEATTLE (“City”) TO  
SELECTED DEVELOPER OR ITS DESIGNEE OR ASSIGNEE (“Transferee”)

This term sheet describes the basic terms of the proposed transfer of property between Transferee and City. The Agreement will include the following terms:

1. Transfer. Any transfer of the property shall be by Quit Claim Deed following a competitive Request for Proposals process.
2. Consideration. In consideration for the City transferring the Property to Transferee, Transferee shall agree to construct or cause to be constructed at the Property improvements substantially as described in those plans and specifications submitted by Developer to the Office of Housing, which improvements shall include a minimum number of 50 housing units to be for sale and affordable to households with incomes at the time of sale of 80% or less of the area median income (AMI), as defined by The City of Seattle’s Office of Housing. The City will give priority to proposals that include a substantial number of family sized units. The selected proposal should also adequately address how it will mitigate environmental impacts and address pedestrian safety given the site’s proximity to State Route 520, including onramps and offramps, and other busy arterials.
3. Conditions precedent to the City’s obligation to transfer the property:
  - a. Transferee shall have obtained approval from the Director of the Office of Housing (Director) of the final plan set and development budget including projected sales prices.
  - b. Transferee shall have obtained permits for the development of the Property consistent with the designs approved by the Office of Housing.
  - c. Transferee shall have provided evidence satisfactory to the Office of Housing that Transferee has secured all necessary construction financing to fund the construction of the Project.

4. Other conditions.
  - a. The Agreement may contain other conditions determined by the Director to be necessary to provide the desired outcomes.
  - b. Upon transfer of title to the property, the Office of Housing shall require the transferee to accept the property “as-is, where-is, with all faults” and to release, indemnify, and hold the City harmless from any future claims regarding the condition of the property, including but not limited to any and all claims related to environmental conditions.
  - c. Transferee shall record a covenant in favor of the City requiring at least a 50-year covenant preserving the affordable housing units built on the Property as resale-restricted affordable homes. As such, all home sales shall only be to households with incomes at or below 80% of AMI at affordable prices for a period of no less than 50 years.

## Summary and Fiscal Note

### 1. Legislation Summary

**Department:** Office of Housing

**Title:** An ordinance relating to the Seattle Office of Housing (OH); placing acquired real property in the Montlake neighborhood under the jurisdiction of OH; authorizing OH to issue a competitive request for proposals for selection of a preferred developer and to execute and deliver a contract for transfer of land, deed, and related documents to the selected developer; and ratifying and confirming certain prior acts.

**Background:** The Washington State legislature appropriated funds for OH to acquire a site from WSDOT for the purpose of developing at least 50 owner-occupied permanently affordable homes. The site, informally called Montlake Homes, is located at 2625 East Montlake Place East, in Seattle's District 3. This legislation authorizes OH to contract with Commerce for funding appropriated by the legislature in the amount of \$6,050,000; enter into a Purchase and Sale Agreement with WSDOT to buy the site; pay \$6,050,000 to WSDOT to acquire the site; have jurisdiction over the site once it is acquired by the City; conduct a competitive process to select a developer for the site; and eventually transfer the site to the selected developer to build at least 50 permanently affordable homes.

**Summary Attachments:** Summary Attachment A – Site Photo and Map

## 2. Capital Improvement Program (CIP)

**Does this legislation create, fund, or amend a CIP Project?**

Yes

No

## 3. Summary of Financial Implications

**Does this legislation have financial impacts to the City?**

Yes

No

Revenue and appropriation related to this legislation is included in the Midyear Acceptance Ordinance.

### 3d. Other Financial Impacts

**a. Does this legislation create any other financial impacts for The City of Seattle, such as direct or indirect costs, one-time or ongoing, that aren't mentioned above? If yes, please explain these impacts.** This legislation does not create new financial impacts for the City of Seattle, except for those mentioned above. Funds allocated by the state legislature will be used to purchase the site. After the purchase is complete, OH will award Seattle Housing Levy or other existing capital funding to a qualified developer, selected through a competitive process, to build permanently affordable homes on the site.

**b. If the legislation has costs that can be covered within the current budget, explain how. Does the department have extra resources in its budget to handle these costs? Or does the department need to shift resources away from other work to handle these costs?** OH will subsidize development of the Montlake Homes

site using existing resources designated for the development of permanently affordable homes.

**c. What financial costs or other impacts might happen if this legislation is not implemented?** If the legislation is not implemented, the City of Seattle will lose the opportunity to development permanently affordable homes on this site.

**d. How might this legislation affect other City departments besides the one that proposed it?** No anticipated impacts to other City departments.

---

#### 4. Other Impacts

**a. Does this legislation require a public hearing?**

Yes

No

**b. Does this legislation require a notice to be published in The Daily Journal of Commerce and/or The Seattle Times?**

Yes

No

**c. Does this legislation affect a piece of property?** Yes, this legislation involves acquiring surplus property from WSDOT for the development of permanently affordable ownership homes.

**d. Race and Social Justice Initiative impacts:**

**1. How does this legislation affect vulnerable or historically disadvantaged communities? How did you come to this conclusion? Please consider both impacts within City government (like employees and internal programs) and in the broader community.** This legislation will prevent displacement and enhance neighborhood diversity by facilitating development of permanently affordable ownership homes in an amenity-rich area that does not currently have any homes of this type. The developer will also be encouraged to utilize Women, Minority and Emerging Small Business (WMBE) contractors for construction of the homes. Once construction is complete, homes will be affirmatively marketed to households least likely to apply, including communities of color that have historically faced discriminatory barriers to homeownership.

**2. Please attach any Racial Equity Toolkits or other racial equity analyses used to develop or assess this legislation.** Once a developer is

selected, racial equity analysis may be utilized to create their affirmative marketing plan.

**3. What is the Language Access Plan for communicating with the public about this legislation?** As we move through passage of the legislation, communication materials will be made available for preferred languages other than English on request. Translations will be made through the City's Smartcat platform with community review. For any in-person engagement done for the legislation, in-language interpreters will be made available upon request to ensure accessibility needs are met. Additionally, any developers selected for the redevelopment of this project will adhere to Affirmative Marketing best practices, ensuring outreach efforts are inclusive, equitable, and representative of the diverse populations we aim to serve. By using affirmatively furthering fair housing principles, the development will be dedicated to promoting equal access to housing opportunities and removing barriers for communities that prefer languages other than English.

**e. Climate change impacts:**

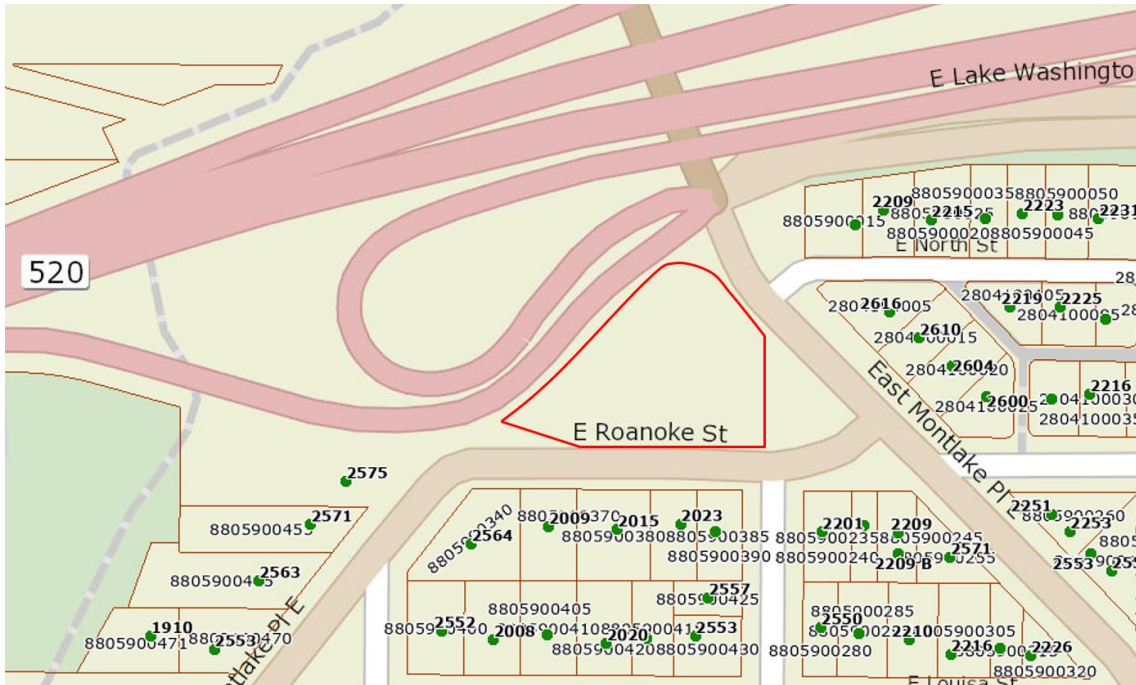
**1. Emissions: Will this legislation significantly increase or decrease carbon emissions? Attach any studies or materials that inform your answer.** The Montlake Homes project will make it easier for essential workers in Seattle to buy homes nearer to their places of employment, potentially reducing some worker commutes. This project will also increase density in a public transit-rich neighborhood.

**2. Resiliency: Will this legislation make Seattle more or less able to adapt to climate change? If it reduces resiliency, explain what can be done to lessen the impact.** These homes will be constructed near State Route 520 on a piece of surplus property originally used for staging for construction of a new SR 520 on-ramp. To offset pollution, OH will encourage planting a significant row of trees between the homes and SR 520 and installation of triple pane windows and the use of other green building techniques.

**f. If this legislation creates a new program or expands an existing one, what are the long-term, measurable goals? How will this legislation help achieve those goals? What methods will be used to track progress?** Outcomes for OH's homeownership program, including the number of permanently affordable homes created and sold, are reported to the Housing Levy Oversight Committee annually. In addition, homeownership program outcomes are reported in an OH Investments Annual Report transmitted to City Council each spring.

**g. Does this legislation create a non-utility CIP that involves shared funding with a non-City partner or organization?** No.

# Montlake Homes Map



# Montlake Homes

Housing, Arts, & Civil Rights Committee

Andréa Akita, Interim Director

Joy Hunt, Affordable Homeownership Advisor

# Proposed Legislation

- Authorizes OH to purchase of the Montlake Homes site from WSDOT for no more than \$6,050,000 for affordable housing development
- Places the property under the jurisdiction of OH, after purchase
- Authorizes OH to issue a competitive RFP to select a developer of 50+ permanently affordable homes
- Following the RFP, authorizes OH to transfer the site to the selected developer to construct and steward permanently affordable homes

# Investments in Affordable Homeownership

- Prevent displacement.
- Foster security and neighborhood connections for families.
- Ensure essential workers can live in the communities they serve.
- Maintain affordability at resale for 50+ years.



# Permanently Affordable Homeownership

- Eligibility below 80% AMI.
- Home prices aim to meet 65% AMI.
- To calculate price: 35% of pre-tax income used for housing cost.
- Housing cost includes principal, interest, property taxes, insurance, HOA dues, and stewardship fee.
- Current permanently affordable home prices for buyers: \$250-\$350K.



# How Permanently Affordable Homeownership Works

## HOME

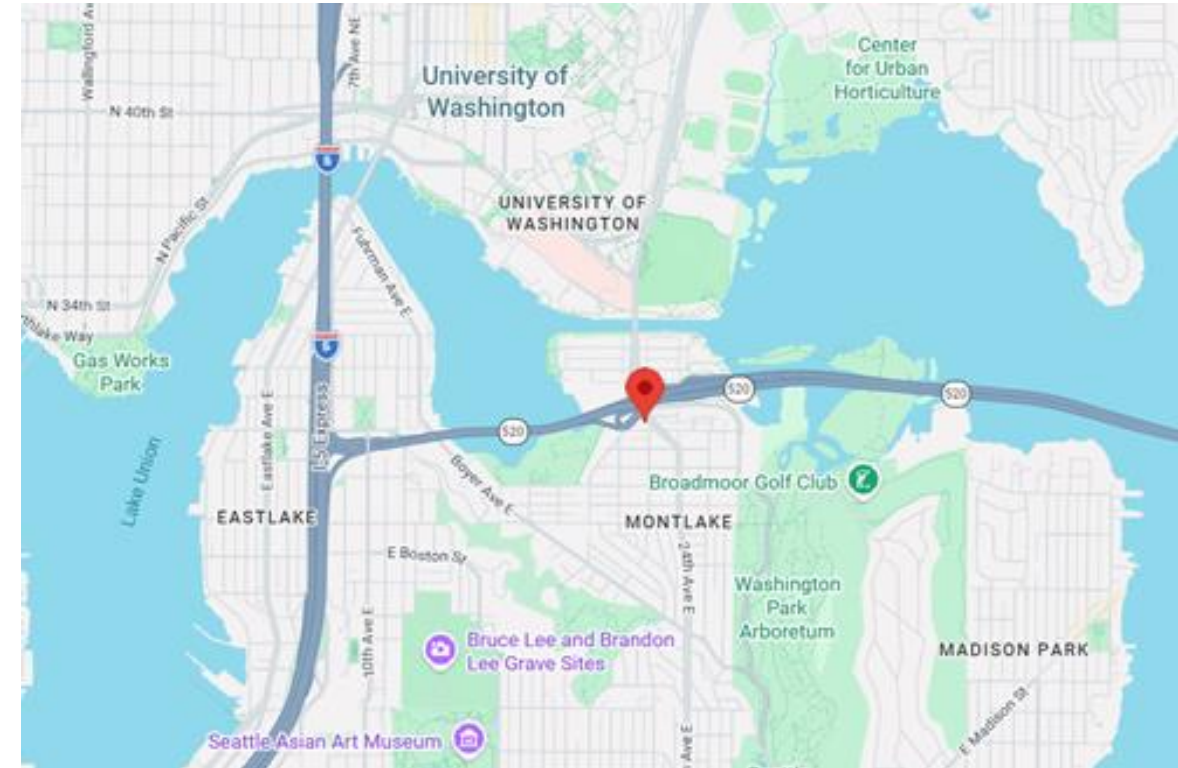
- Homebuyer purchases home.
- Homeowner leases the land in a long-term, renewable lease.
- Homeowner agrees to sell homes at restricted prices.

## LAND

- Owned by a nonprofit.
- Nonprofit provides long-term stewardship.
- Ensures homes are sold at affordable prices to income eligible buyers in perpetuity.

# Montlake Homes Opportunity

- 2625 East Montlake Place East
- WSDOT construction staging for SR 520
- Now vacant; considered surplus
- State legislature appropriated funds for OH to acquire site from WSDOT to develop at least 50 permanently affordable ownership homes
- WSDOT to lease site during predevelopment and permitting



# Montlake Homes Site

- Amenity-rich neighborhood, without affordable homeownership
- NC-2 zoning anticipated
- RFP to encourage:
  - 50 homes with 2+ bedrooms for families
  - Trees/greenery between the homes and 520, as well as other green building and pollution mitigation strategies
  - Ground-floor commercial if feasible
  - Creative strategies to mitigate congestion

# Thank you!

Joy Hunt, [joy.hunt2@seattle.gov](mailto:joy.hunt2@seattle.gov)





Legislation Text

---

**File #:** CB 121238, **Version:** 1

---

Screen Reader Users: Make sure settings include reading strikethrough and underline font attributes.

## The City of Seattle

### Ordinance

#### Council Bill

**An ordinance** relating to the Office of Housing; authorizing the acquisition of two parcels in the Central Area for the purpose of developing affordable homeownership units; placing the property under the jurisdiction of the Office of Housing; authorizing the Director of the Office of Housing or the Director's designee to issue a request for proposals and to select a developer and thereafter to execute and deliver a contract for transfer of land, deed, and related documents; and ratifying and confirming certain prior acts.

#### **Recitals:**

In 1999, the Seattle Office of Housing (OH) provided a loan of \$745,335 to the Central Area Development Association (Borrower) to facilitate the Borrower's acquisition and rehabilitation of the Harvey Apartments, a 20-unit 1909-era apartment building located at 2615 East Cherry Street in Seattle's Central Area.

The 1999 loan was secured by a deed of trust, assignment of rents, security agreement, and fixture filing recorded under Recording No. 9902264602 of King County, Washington.

The loan documents associated with the 1999 loan included a regulatory agreement, recorded under Recording No. 9902264600 of King County, Washington, which among other obligations required that the Borrower continuously maintain 18 City-funded units for low-income rental housing through the year 2039.

The Borrower owned and operated the Harvey Apartments until 2024 when the Borrower and OH jointly agreed that the building's physical condition had deteriorated to the point of no longer being habitable.

The Harvey Apartments has remained vacant since July 2025, when all remaining occupants were relocated to other OH-financed affordable rental housing, and at which point the Borrower could no longer meet its obligations to maintain City-funded units under the terms of the regulatory agreement. The Borrower separately acquired real property adjacent to the Harvey Apartments in 1999.

OH seeks to enter into a settlement agreement with the Borrower to (1) accept a deed to the Harvey Apartments property in lieu of foreclosure, and (2) enter into a purchase and sale agreement with the Borrower to acquire the real property adjacent to the Harvey Apartments.

Rapidly escalating housing costs have contributed to ongoing economic displacement of the Central Area's low-income residents as well as a dearth of homeownership opportunities affordable and available to low- and moderate-income households living or seeking to live in this historically affordable and racially diverse neighborhood.

Homeownership is far less common for Seattle's households of color than for the city's white households. A little over one third of households of color living in Seattle own their home compared to

slightly over one half of white households.

Seattle experienced an especially steep decline in homeownership rates among Black households with the rate declining by roughly 11 percentage points (from 37 percent as estimated in the 1990 Census to 26 percent as estimated in the 2019 five-year Comprehensive Housing Affordability Strategy dataset).

OH operates an affordable homeownership program that finances the development of for-sale homes that are affordable and available to low and moderate-income households earning up to 80 percent of area median income.

Securing sites appropriate for development of affordable housing is challenging throughout Seattle, but especially so in costly areas where existing residents are at high risk of economic displacement, including the Central Area.

OH expects to engage community stakeholders to inform a future vision for the redevelopment of the two parcels for new affordable for-sale housing.

Therefore,

**Be it ordained by The City of Seattle as follows:**

Section 1. The Director of the Office of Housing or designee (Director) is authorized on behalf of The City of Seattle to acquire real property (Parcel A) situated in the City of Seattle, County of King, State of Washington and identified as King County parcel number 121100-0195, together with all rights, privileges, and other property pertaining thereto:

The east 20 feet of Lot 1, Block 1, and Lot 24, Block 1, Burgert Addition to the City of Seattle, according to the plat thereof recorded in Volume 17 of Plats, page 51, Records of King County, Washington.

The east 20 feet of Lot 1, Block 1, and Lot 24, Block 1 Burgert Addition to the City of Seattle, according to the plat thereof recorded in Volume 17 of Plats, page 51, Records of King County, Washington.

The east 20 feet of Lots 2 through 3, Block 1 and Lot 23, Block 1, Burgert Addition to the City of Seattle, according to the plat thereof recorded in Volume 17 of Plats, page 51, Records of King County, State of Washington. Situate in the County of King, State of Washington.

Section 2. The Director of the Office of Housing or designee (Director) is authorized on behalf of the City of Seattle to acquire real property (Parcel B) which together with Parcel A is shown in Attachment 1 to this ordinance, situated in the City of Seattle, County of King, State of Washington and identified as King County parcel number 121100-0196, together with all rights, privileges, and other property pertaining thereto:

The east 20 feet of Lot 1, Block 1, and Lot 24, Block 1 Burgert Addition to the City of Seattle, according to the

plat thereof recorded in Volume 17 of Plats, page 51, Records of King County, Washington.

The east 20 feet of Lots 2 through 3, Block 1 and Lot 23, Block 1, Burgert Addition to the City of Seattle, according to the plat thereof recorded in Volume 17 of Plats, page 51, Records of King County, State of Washington. Situate in the County of King, State of Washington.

Section 3. For purposes of acquiring the real property described in Sections 1 and 2 of this ordinance, the Director is authorized to enter into a settlement agreement (the Settlement Agreement) with the Central Area Development Association (Borrower) consistent with the terms set forth in the Settlement Agreement Term Sheet attached to this ordinance as Attachment 2.

Section 4. In accordance with the Settlement Agreement, the Director is authorized to (1) accept a deed in lieu of foreclosure from the Borrower for Parcel A, in the form pursuant to the quitclaim deed attached to this ordinance as Attachment 3, and (2) enter into a purchase and sale agreement with the Borrower, substantially in the form attached to this ordinance as Attachment 4.

Section 5. The Director is authorized to take ownership of Parcel A subject to the existing State Housing Trust Fund deed of trust and covenant as encumbrances.

Section 6. The Director is authorized to accept and record deeds for Parcel A and Parcel B, and is further authorized to execute, deliver, administer, and perform additional agreements and record additional documents as the Director shall deem necessary or advisable for the purpose of completing the acquisition of Parcel A and Parcel B consistent with the terms outlined in the Settlement Agreement Term Sheet attached to this ordinance as Attachment 2 and subject to appropriation authority. Such other agreements or documents may include a settlement agreement, a purchase and sale agreement, and a priority and subordination agreement or other agreement with the Washington State Department of Commerce related to its interest in Parcel A.

Section 7. The Director is authorized to conduct a competitive process for development of

Parcel A and Parcel B for the development of homeownership units affordable to low- and moderate-income households.

Thereafter, the Director is authorized to negotiate a property transfer agreement and any ancillary documents required to accomplish the transfer of ownership to the selected developer (Developer), or with a designee or assignee of the Developer approved by the Director, on the terms and subject to the conditions authorized in this ordinance, including those found in Harvey Request for Proposal Term Sheet, attached to this ordinance as Attachment 5.

Section 8. The Director shall provide a summary of the selected proposal to the Chair of the Housing, Arts and Civil Rights Committee, or successor committee, once the competitive process is complete. The summary should identify the developer(s), number and size of units, and affordability levels of units.

Section 9. Any act consistent with the authority of this ordinance taken prior to its effective date is ratified and confirmed.

Attachments:

Attachment 1 - Property Map

Attachment 2 - Settlement Agreement Term Sheet

Attachment 3 - Quit Claim Deed Form

Attachment 4 - Purchase and Sale Agreement Form

Attachment 5 - Harvey Request for Proposal Term Sheet

This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council and signed in open session in authentication of its passage on .

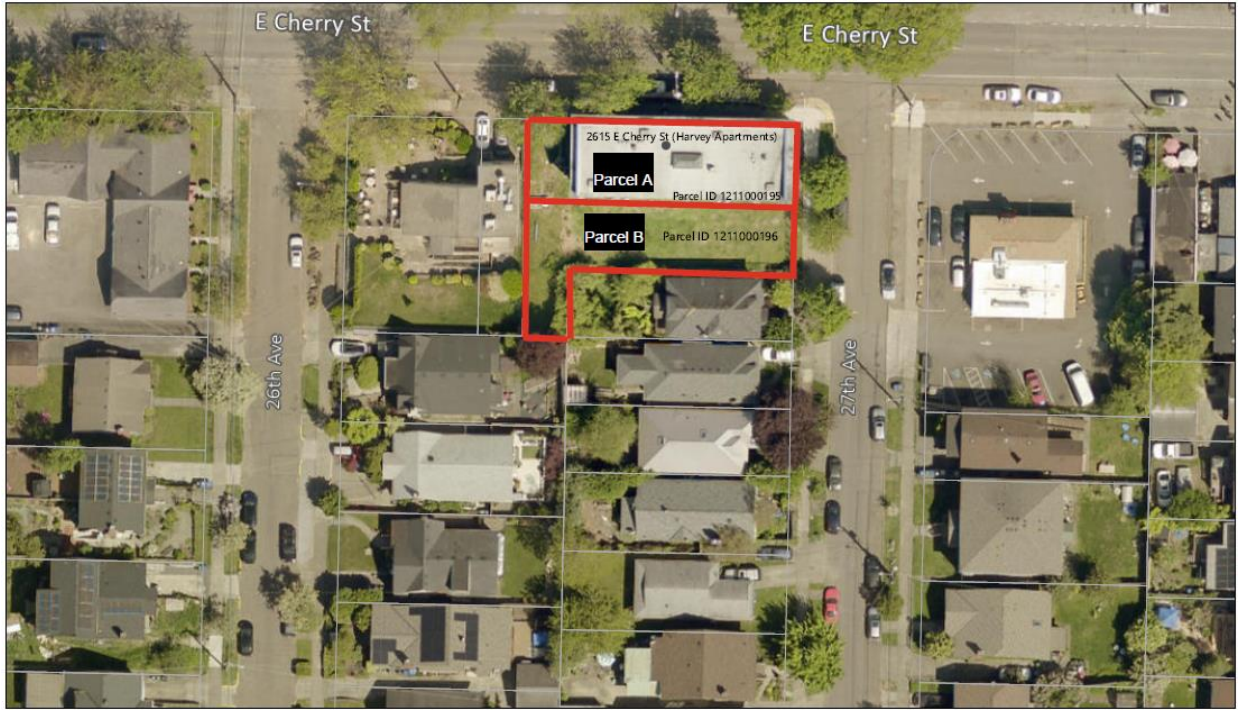
President of the City Council  
on .

Katie B. Wilson, Mayor

Attested on .

Scheereen Dedman, City Clerk

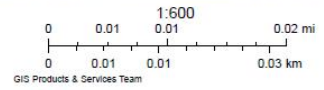
*Seal*



4/27/2026, 3:23:42 PM

Parcels

### Harvey Apartments Map 2615 E Cherry St



SDCI & Seattle IT GIS  
No warranties of any sort, including accuracy, fitness, or merchantability accompany this product.

## ATTACHMENT 2 - TERM SHEET

### Terms Agreed to between CADA and The of City of Seattle

This term sheet describes the substantive terms of the proposed settlement agreement between the Central Area Development Association (“CADA”), a Washington nonprofit corporation and the City of Seattle (“City”).

1. CADA is the owner of Harvey Apartments located at a 20-unit 1909-era apartment building located at 2615 East Cherry Street, Seattle, WA. The City previously loaned funds to CADA secured by the Harvey Apartments and the City loan has a current outstanding balance of \$1,210,350 (as of April 2026 inclusive of interest) (the “City Loan”).
2. In absence of CADA meeting the obligation to pay the City Loan has agreed to accept the transfer of the Harvey Apartments (“Parcel A”) to the City via a deed in lieu of foreclosure.
3. CADA also owns a vacant unencumbered parcel adjacent to Harvey Apartments (“Parcel B”, and together with Parcel A, the “Parcels”) and has agreed to transfer Parcel B to the City in exchange for a reduced purchase price of \$300,000 as part of the Settlement Agreement. CADA and the City will enter into a purchase and sale agreement that will govern the transfer of Parcel B. The transfer of both Parcels to the City (the “Harvey Transfers”) shall occur simultaneously and within ninety (90) days after execution of the Parcel B purchase and sale (“Closing”).
4. Additionally, the City has agreed to pay as part of the Harvey Transfers the following items on CADA’s behalf:
  - a. Property Taxes assessed on the Parcels through Closing
  - b. Insurance costs related to the Parcels through Closing
  - c. Excise Tax related to the Harvey Transfers

Any cost or expense not specifically set forth herein shall be paid by CADA, except as otherwise set forth in the purchase and sale agreement regarding closing costs and feasibility and due diligence expenses.

5. CADA has an outstanding loan with Department of Commerce Housing Trust Fund (“Commerce”) in the amount of (approximately \$378k) (the “HTF Loan”).

- a. Commerce has agreed to release CADA from the debt obligation and is considering full forgiveness/reconveyance of the HTF Loan. If Commerce releases CADA but requires that the HTF Loan remain in place, the City will take Parcel A subject to the Deed of Trust on record in connection with the HTF Loan. The City shall not assume the HTF Loan.
  - b. The City will take Parcel A subject to the HTF Regulatory Agreement that is currently on record.
  - c. In the event CADA is required to pay any portion of outstanding HTF loan or any other related cost to the HTF loan that cost shall be paid by CADA .
6. Transfer shall occur on or before January 1, 2027.
7. Failure of the City to comply with the terms set forth herein will result in the termination of all agreements set forth herein. CADA shall retain all rights and remedies available to them.

Failure of CADA to comply with the terms set forth herein will result in the City pursuing all rights and remedies available to them, which may include City's right to protect collateral, right to repayment of any expenditures, appointment of a receiver, and foreclosure. The City's rights and remedies as outlined in the City Loan Documents are cumulative and not mutually exclusive and not in any substitution for any rights remedies available in law or equity.

When recorded return to:

## QUIT CLAIM DEED

THE GRANTOR(S)

for and in consideration of

in hand paid, conveys and quit claims to

the following described real estate, situated in the County of \_\_\_\_\_,  
State of Washington

together with all after acquired title of the grantor(s) herein:

Abbreviated Legal: (Required if full legal not inserted above.)

Tax Parcel Number(s):

Dated:

State of \_\_\_\_\_  
County of \_\_\_\_\_

This record was acknowledged before me on (date) by (name(s) of individuals) as (type of authority, such as officer or trustee) of (name of party on behalf of whom record was executed).

(Signature of notary public)

(Stamp)

(Title of office)  
My commission expires:

(date)

**PURCHASE AND SALE AGREEMENT**

**BY AND BETWEEN**

---

**(“SELLER”)**

**AND**

**CITY OF SEATTLE**

**(“BUYER”)**

## PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this “*Agreement*”) is entered into as of \_\_\_\_\_, 2026 (the “*Effective Date*”), by and between \_\_\_\_\_, a Washington \_\_\_\_\_ (“*Seller*”), and THE CITY OF SEATTLE, a Washington municipal corporation, acting by and through its Office of Housing (“*Buyer*”).

### RECITALS

A. Seller is the owner of certain land located in King County, Washington and more particularly described on Schedule A attached hereto (the “*Land*”) and all of the buildings, structures, and other improvements located thereon (collectively the “*Improvements*”).

B. Seller desires to sell the Land, any Improvements and the other property described in this Agreement to Buyer, and Buyer desires to buy such property from Seller, on and subject to the terms and conditions of this Agreement.

### ARTICLE 1. PURCHASE AND SALE AGREEMENT

1.1 Agreement to Purchase and Sell. Seller hereby agrees to sell Seller’s right, title and interest in and to the Property to Buyer and Buyer agrees to purchase such right, title and interest in and to the Property from Seller, for the Purchase Price (defined below), payable as provided below and subject to adjustment as provided herein and otherwise on and subject to the terms and conditions of this Agreement.

### ARTICLE 2. THE PROPERTY

2.1 Description of the Property. The Property consists of the following:

(a) The Land legally described in Schedule A, together with all of the Improvements situated thereon, and all rights, privileges and easements appurtenant to the Land, including, without limitation all of Seller’s interest in the following: (i) all minerals, oil, gas, and other hydrocarbon substances on and under the Land; (ii) all development rights, air rights, water, water rights and water stock relating to the Land; (iii) all rights to any land lying in the bed of any existing dedicated street, road or alley adjoining the Land; (iv) all strips and gores adjoining the Land; and (v) all easements, rights-of-way, or appurtenances used in connection with the beneficial use and enjoyment of the Land and Improvements (collectively, the “*Appurtenances*” and, together with the Land and the Improvements, the “*Real Property*”); and

(b) To the extent assignable, all interest of Seller in any intangible personal property now or hereafter owned by Seller and used exclusively in the ownership, use and operation of the Real Property, including any property described in Schedule B attached hereto, including Seller’s rights under any permits and approvals, contracts, subcontracts, agreements, or other rights of Seller relating exclusively to the ownership, use and operation of the Real Property and all of Seller’s rights under any warranties, indemnities, or similar agreements, and

all payment, performance and surety bonds associated exclusively with the Real Property, if any (collectively, the “*Intangible Property*” and, together with the Real Property, the “*Property*”).

### **ARTICLE 3. PURCHASE PRICE; ADJUSTMENTS**

3.1 Purchase Price. The purchase price for the Property is \_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the “*Purchase Price*”). The entire Purchase Price is allocated to the Real Property.

3.2 Intentionally Deleted.

3.3 Payment of Purchase Price. On the Closing Date (defined below), Buyer shall pay the Purchase Price, subject to adjustment as specified herein, by wire transfer of immediately available federal funds.

3.4 Prorations of Taxes and Assessments. All real and personal property taxes and assessments attributable to the year in which the Closing Date occurs shall be prorated and adjusted as of the Closing Date (regardless of whether such taxes and special assessments are then due and payable or delinquent). Seller shall be responsible for payment of all real and personal property taxes and assessments accruing prior to the Closing Date, and Buyer shall be responsible for payment of all real and personal property taxes and assessments accruing from and after the Closing Date. If the tax statements for the tax year during which the Closing Date occurs are not finally determined, then the tax figures for the immediately prior tax year shall be used for the purposes of prorating taxes on the Closing Date, with a further adjustment to be made outside of escrow after the Closing Date as soon as such tax figures are finalized. Any tax refunds or proceeds (including interest thereon) on account of a favorable determination resulting from a challenge, protest, appeal or similar proceeding relating to taxes and assessments relating to the Property (i) for all tax periods occurring prior to the applicable tax period in which the Closing Date occurs shall be retained by and paid exclusively to Seller and (ii) for the applicable tax period in which the Closing Date occurs shall be prorated as of the Closing Date after reimbursement to Seller and Buyer, as applicable, for all fees, costs and expenses (including reasonable attorneys’ and consultants’ fees) incurred by Seller or Buyer, as applicable, in connection with such proceedings such that Seller shall retain and be paid that portion of such tax refunds or proceeds as is applicable to the portion of the applicable tax period prior to the Closing Date and Buyer shall retain and be paid that portion of such tax refunds or proceeds as is applicable to the portion of the applicable tax period from and after the Closing Date. Seller shall not settle any tax protests or proceedings for which Buyer may be entitled under this Agreement to share in any recovery without the consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed. Buyer and Seller shall cooperate in pursuit of any such proceedings and in responding to reasonable requests of the other for information concerning the status of and otherwise relating to such proceedings; provided, however, that neither party shall be obligated to incur any out-of-pocket fees, costs or expenses in responding to the requests of the other.

3.5 Estimates. If, on the Closing Date, the precise figures necessary for any of the foregoing adjustments are not capable of determination, then, at Buyer’s option, those adjustments shall be made on the basis of good faith estimates of Buyer using currently available information, and final adjustments shall be made within six (6) months after the Closing Date.

3.6 Adjustment Payments. The net amount of all adjustments to be made under this Article 3 shall be paid on the Closing Date in immediately available funds. All post-closing adjustments shall be made in immediately available funds.

3.7 Calculation of Prorations. All apportionments and prorations made hereunder shall be made based on the number of days of ownership of the Property in the period applicable to the apportionment, with Buyer entitled to pro-rated income and responsible for pro-rated expenses for the Closing Date. Prorations of annual payments shall be made based on the number of days of ownership in the applicable annual period.

3.8 Seller's Closing Costs. At Closing, Seller shall pay and be responsible for: (i) all real estate excise taxes or any other tax or charge substituted therefor in connection with the transfer of the Property to Buyer (including any "roll back" taxes arising from any change in the Property's use), additional property taxes and all other sums associated with (if applicable) the Land being removed from the classification of "Open Space," "Forest Land," and/or "Farm and Agricultural Land" as of Closing pursuant to the provisions of chapters 84.34 and 84.33 RCW; (ii) standard-coverage owner's title insurance policy; (iii) one-half of any fees charged by Escrow Agent; (iv) recording charges for any instrument which releases or discharges any lien or other encumbrance against the Property required to be discharged by Seller pursuant to this Agreement; and (v) Seller's counsel's fees and expenses. Seller agrees to cooperate and work with Buyer, government agencies, and Escrow Agent prior to the Closing to determine the amount of any taxes and other sums that may be due under 84.34 and 84.33 RCW. Buyer and Seller agree to cooperate in claiming any exemption applicable to the imposition of the taxes described in this Section 3.8 including, without limitation, the exemptions described in WAC 458-61A-206(1) and RCW 84.34.108(6)(b)(ii).

3.9 Buyer's Closing Costs. At Closing, Buyer shall pay and be responsible for: (i) recording charges (except as otherwise stated in Section 3.8); (ii) the premium for any extended title insurance coverage and any title insurance endorsements (other than any title insurance endorsements Seller agrees to purchase to resolve any of Buyer's title objections pursuant to Section 6.1); (iii) one-half of any fees charged by Escrow Agent; (iv) charges necessary to obtain the survey required in order to obtain extended coverage; and (v) Buyer's counsel's fees and expenses.

3.10 Other Closing Costs. All costs and expenses incident to the Closing and not specifically allocated between Buyer and Seller in Section 3.8, Section 3.9 or elsewhere in this Agreement shall be allocated between Buyer and Seller in accordance with customary practice in the jurisdiction in which the Land is located.

3.11 Closing Statement. Seller and Buyer shall jointly cause Escrow Agent to prepare a draft closing statement at least five (5) business days prior to the Closing Date.

3.12 Survival. All terms, conditions and obligations of this Article 3, which by their terms require performance after the Closing Date shall survive Closing or the earlier termination of this Agreement.

**ARTICLE 4.**  
**REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS**

4.1 Seller's Representations and Warranties. Seller hereby represents and warrants to Buyer as of the Effective Date and, pursuant to the certificate to be delivered under Section 8.2(l), will represent and warrant as of the Closing Date, as follows:

(a) This Agreement has been duly authorized, executed and delivered by Seller and all consents and approvals required under Seller's organizational documents or by law for Seller to perform its obligations under this Agreement have been obtained, and all documents that are to be executed by Seller and delivered to Buyer on the Closing Date have been, or on the Closing Date will be, duly executed, authorized and delivered by Seller;

(b) There are no actions, suits or proceedings pending, or to Seller's knowledge, threatened against Seller which could have an adverse effect on any portion of the Property, Seller's interest therein, or Seller's ability to perform its obligations hereunder, at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality;

(c) There are no pending condemnation actions against or relating to the Land or Improvements or any portion thereof, and Seller has not received any written notice of any potential for such action from any governmental agency other than Buyer;

(d) Except as disclosed in the Due Diligence Materials, Seller has not received written notice from any governmental or regulatory agency that the Real Property fails to comply with any zoning, building, environmental, ecology, health and public safety, subdivision, land sales or similar law, rule, ordinance or regulation, pertaining to the Real Property or any portion thereof, and no consent or approval from any governmental or regulatory agency is required for Seller to sell the Real Property;

(e) Seller has not received written notice alleging Seller is in default or in violation of any Seller's obligations under any of the covenants, easements or restrictions affecting or encumbering the Real Property, and Seller has no knowledge of any existing fact or existing circumstance that is reasonably likely to cause any such default or violation;

(f) Seller has received no written notice of any pending special assessments against the Real Property by any taxing authority and, to the Seller's knowledge, there are no special assessments pending or contemplated against the Real Property by any taxing authority;

(g) Schedule 4.1 attached hereto sets forth a true and correct list of all property management agreements, service contracts and other agreements to which Seller is a party related to the use, ownership or operation of the Real Property as of the Effective Date (collectively, the "***Service Contracts***");

(h) Schedule 4.1 attached hereto sets forth a true and correct list of all environmental reports that are known to Seller to be within Seller's possession, custody or control as of the Effective Date (collectively, the "***Environmental Reports***");

(i) Seller has not generated, stored or disposed of any oil, petroleum products, or "Hazardous Materials", as defined under Washington or United States laws or regulations (but not including cleaning and other products used in connection with the routine maintenance or repair of the Land or Improvements in the ordinary course of business and in compliance with

applicable law) (collectively, “**Hazardous Materials**”) at the Land or within the Improvements and, except as disclosed in the Environmental Reports, Seller has no knowledge of any previous or present generation, storage, disposal or existence of Hazardous Materials at the Land;

(j) (i) Seller has not entered into any consent decree or administrative order for any alleged violation of laws relating to Hazardous Materials; (ii) Seller has not received any written request for information or a demand letter from any party with respect to a violation of laws pertaining to Hazardous Materials; and (iii) to Seller’s knowledge, except as disclosed in the Environmental Reports, no occupant of the Land or Improvements has generated, stored or disposed of any Hazardous Materials at the Land or within the Improvements or transported any Hazardous Materials off site from the Land;

(k) Seller is not a party to any contract for the sale of the Property or any portion thereof, and no lease or other agreement affecting the Land or Improvements to which Seller is a party (or which is otherwise known to Seller) contains any right of first refusal or option to purchase the Land or Improvements or any portion thereof;

(l) Seller is not a foreign person, foreign corporation, foreign partnership, or foreign estate (as such terms are defined in Section 1445 of the Internal Revenue Code); and

(m) To Seller’s knowledge: (i) with respect to any of the Due Diligence Materials now or hereafter provided to Buyer in accordance with Section 5.2 below, such Due Diligence Materials are true and correct and complete copies in the form maintained by Seller in Seller’s ordinary course of business without intentional alteration (provided that Seller otherwise makes no representations or warranties with respect to the accuracy or reliability of the reports, statements, opinions, analysis or conclusions contained in or referenced in the Due Diligence Materials), and (ii) there are no other documents or instruments in the possession, custody or control of Seller that would constitute the Due Diligence Materials that have not been, or will not be, delivered by Seller or otherwise made available to Buyer that would materially and adversely affect ownership and development of the Property for Buyer’s intended purpose.

References to the “knowledge” of Seller or any other similar term shall refer only to the current, actual knowledge of Seller’s Designative Representative (as defined below) after making reasonable investigation and inquiry of Seller’s records and shall not be construed, by imputation or otherwise, to refer to the knowledge of any property manager or tenant, or to any other officer, agent, manager, partner, representative or employee of Seller or any affiliate thereof. Seller’s Designated Representative is acting for and on behalf of Seller and is not making any representations or warranties in an individual capacity to Buyer. As used herein, the term “**Seller’s Designated Representative**” means \_\_\_\_\_, as \_\_\_\_\_ of Seller. Seller represents and warrants that Seller’s Designated Representative is the representative of Seller with the most knowledge of the Property and the subject matter of Seller’s representations and warranties set forth in this Agreement.

All of Seller’s representations and warranties contained herein shall survive Closing for a period of nine (9) months (the “**Limitations Period**”) and shall not merge with the Deed or any other instrument to be delivered at Closing. Buyer may not make any claim for a breach of any representation or warranty of Seller contained in this Agreement or any document delivered in connection with the transactions contemplated by this Agreement if the breach in question results from or is based on a condition, state of facts or other matter that was actually known to Buyer

prior to Closing. Seller shall have no liability to Buyer for a breach of any such representation or warranty unless (a) the aggregate amount of valid claims for all such breaches exceeds \$\_\_\_\_\_, in which event the full amount of such claims shall be actionable, but only up to the Cap (as defined below), and (b) written notice containing a description of the specific nature of such breach shall have been given by Buyer to Seller prior to the expiration of the Limitations Period and an action shall have been commenced by Buyer against Seller within sixty (60) days after the giving of such notice. As used herein, the term “Cap” shall mean the total aggregate amount of \$\_\_\_\_\_, plus any costs and attorneys’ fees recoverable under Section 13.16 below. The terms of this paragraph shall survive Closing.

4.2 Seller’s Covenants. Seller hereby covenants and agrees with Buyer that Seller shall:

(a) From the date of Buyer’s delivery of the Inspection Period Approval Notice (as defined below) until the date of Closing or the earlier termination of this Agreement, neither do nor permit any of the following to be done, in each case without the prior written consent of Buyer, which may be granted or withheld in Buyer’s sole and absolute discretion: (i) enter into any new leases affecting the Property or any portion thereof, (ii) modify, amend, extend or change the terms of any of leases or any other instrument affecting title to the Land, or (iii) enter into any other agreements with respect to the sale of the Property or any portion thereof;

(b) Arrange for Buyer to have access to the Land and Improvements from the Effective Date through the Closing Date, subject to the terms and conditions of Section 5.1;

(c) From the Effective Date until the Closing or earlier termination of this Agreement, maintain the Property in a manner generally consistent with the manner in which Seller has maintained the Property prior to the Effective Date; provided, however, that Seller shall not have any obligation to (i) make repairs to any Improvements or fixtures if the failure to make such repairs would not materially and adversely affect ownership and development of the Property for Buyer’s intended purpose; or (ii) maintain or repair any damage to the Property caused by Unauthorized Users (as defined in Section 4.6 below), or remove debris, trash or other materials brought onto the Property by Unauthorized Users;

(d) From the Effective Date until the Closing or earlier termination of this Agreement, perform all obligations of Seller under the Service Contracts, and pay when due all sums of money required to be paid by Seller thereunder;

(e) From the date that is five (5) business days after the Effective Date until the Closing or earlier termination of this Agreement, make the Due Diligence Materials (as defined in Section 5.2) available to Buyer by electronic means;

(f) From the date of Buyer’s delivery of the Inspection Period Approval Notice until the date of Closing or the earlier termination of this Agreement, not enter into any new contracts or agreements affecting the Land or Improvements that will not terminate on or prior to the Closing Date or place any encumbrance on the Land or Improvements, including any recordable covenants, conditions or restrictions, without the prior written consent of Buyer which may be granted or withheld in Buyer’s sole and absolute discretion;

(g) From the Effective Date until the Closing or earlier termination of this

Agreement, promptly notify Buyer of the occurrence of any event or circumstance known to Seller that will make any representation or warranty of Seller untrue or misleading as of the Closing Date or any covenant of Seller incapable of being performed;

(h) To the extent assignable, assign all of Seller’s right, title and interest in and to any warranties relating to the Property to Buyer at Closing, which assignment shall be without representation or warranty of any kind.

4.3 Buyer’s Representations and Warranties. Buyer hereby represents and warrants to Seller as of the Effective Date as follows:

(a) Buyer is a municipal corporation duly incorporated or organized, validly existing in the State of Washington and is qualified to transact business in the State of Washington;

(b) Buyer has not (i) commenced a voluntary case, or had entered against it a petition, for relief under any federal bankruptcy act or any similar petition, order or decree under any federal or state law or statute relative to bankruptcy, insolvency or other relief for debtors, (ii) caused, suffered or consented to the appointment of a receiver, trustee, administrator, conservator, liquidator or similar official in any federal, state or foreign judicial or non-judicial proceeding, to hold, administer and/or liquidate all or substantially all of its property, or (iii) made an assignment for the benefit of creditors;

(c) This Agreement has been duly executed and delivered by Buyer and, except for the issuance of the Authorizing Ordinance and approvals required in connection therewith, all consents and approvals required by law for Buyer to perform its obligations under this Agreement have been obtained, and all documents that are to be executed by Buyer and delivered to Seller on the Closing Date have been, or on the Closing Date will be, duly executed, authorized and delivered by Buyer; and

(d) There are no actions, suits or proceedings pending, or to Buyer’s knowledge, threatened against Buyer which could have an adverse effect on Buyer’s ability to perform its obligations hereunder, at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality.

To the extent that any of Buyer’s representations or warranties are qualified by Buyer’s “knowledge” or “actual knowledge” (or words of similar import), such knowledge is limited to the actual knowledge of and investigations performed by personnel of the Seattle Public Utilities Department who have materially participated in the negotiation of this Agreement and the transactions described herein.

4.4 Authorizing Ordinance. During the Inspection Period described in Section 5.3, Buyer shall use reasonable efforts and diligence to obtain an ordinance from the City of Seattle authorizing Buyer to purchase the Property on the terms stated herein (the “**Authorizing Ordinance**”). Buyer shall deliver a copy of the Authorizing Ordinance to Seller within five (5) business days after passage of the Authorizing Ordinance. The Authorizing Ordinance shall (a) contain appropriate language stating that the transaction described in this Agreement is voluntary but has been negotiated under imminent threat of eminent domain authority of Seattle, (b) authorize Buyer to exercise its eminent domain authority to acquire the Property if necessary to obtain the Property, and (c) state that there exists an appropriation for the acquisition of the

Property. The parties acknowledge that this transaction may qualify for the tax exemptions described in WAC 458-61A-206(1) and RCW 84.34.108(6)(b)(ii). Notwithstanding Buyer's waiver (if any) of the Inspection Contingency described in Section 5.3, Buyer's obligation to purchase the Property pursuant to the terms of this Agreement is conditioned upon the Authorizing Ordinance being in full force and effect as effective law on Closing Date. In the event that the Authorizing Ordinance is obtained by Buyer but is later revoked, rescinded or otherwise ceases to become effective law at any time prior to the Closing Date, Buyer shall promptly notify Seller and, anytime thereafter, either Buyer or Seller may terminate this Agreement by providing written notice to the other, whereupon the parties shall have no further rights or obligations hereunder except those rights and obligations which expressly survive termination. Buyer reserves its rights under applicable law to exercise its eminent domain authority to acquire the Property or any portion thereof for public use should the Closing not occur. Seller hereby acknowledges that it has reasonable grounds to believe that, if the Property is not sold voluntarily pursuant to this Agreement, the Buyer intends to exercise its eminent domain authority to acquire the Property.

4.5 Buyer's Actions Prior to Closing. Notwithstanding anything in the contrary to this Agreement, except as otherwise required by applicable law where Buyer is exercising its regulatory power, Buyer shall not, without the prior written consent of Seller, take any action that would: (a) result in any document being recorded in the public records against the Property's title prior to Closing; (b) result in any lien, assessment or other monetary encumbrances being placed on the Property prior to Closing; (c) deleted; or (d) otherwise bind Seller as owner of the Property in the event the Closing does not occur.

4.6 Unauthorized Use of Property. Notwithstanding anything in the contrary to this Agreement, (a) except as otherwise required by applicable law, Seller shall have no obligation to (i) cause the removal of any encampments or outdoor camping sites on the Land that have not been authorized by Seller, (ii) remove garbage, debris or other materials brought onto the Land without the authorization of Seller by the occupants of such encampments or outdoor camping sites (collectively, "Unauthorized Users"), or (iii) repair any damage to the Property (including, without limitation, the fencing around the perimeter of the Land) caused by Unauthorized Users; and (b) Seller shall not be deemed to be in breach of this Agreement due to the actions of Unauthorized Users.

4.7 Third Party Reports. In the event this Agreement is terminated for any reason other than a default by Seller, Buyer shall, promptly following a request from Seller, assign or share, to the extent of its power to assign or share, and deliver to Seller, for no additional consideration, copies of any environmental or other third party reports obtained by Buyer relating to the Property and any ALTA surveys of the Property (but excluding any internal reports, memoranda, financial projections, budgets, communications and similar proprietary or privileged information). Seller understands and acknowledges that: (a) Buyer shall not be required to make any warranties or representations of any kind, express or implied, including as to the right to rely thereon or the completeness, adequacy, truth or accuracy of any such materials, (b) Buyer shall have the right to expressly disclaim any liability for any and all defects or deficiencies contained in the materials, (c) the materials will be delivered by Buyer in their "AS IS, WHERE IS" condition without recourse or liability to Buyer, and subject to any restrictions, disclaimers or limitations on reliance or use imposed by third-party consultants, and (d) Buyer shall retain the right to utilize and disclose the materials as needed to comply with applicable law. The obligations set forth in this paragraph shall survive termination of this Agreement.

## ARTICLE 5. ACCESS, INSPECTION, DILIGENCE

### 5.1 Inspections.

(a) Buyer and its authorized agents or representatives shall be entitled to enter upon the Land during normal business hours (i.e., between the hours of \_\_\_\_\_), upon advance notice to Seller of at least forty-eight (48) hours (which may be oral), for the purpose of making such investigations, studies and tests including, without limitation, surveys, engineering studies, soil and groundwater tests as Buyer deems reasonably necessary or advisable (including geo-technic analysis of site grades and lot grading), all as more specifically set forth in this Section 5.1. Drilling and soil testing may occur elsewhere on the Land during or outside of the Exclusive Access Period in accordance with the terms and conditions of this Section 5.1(a). Buyer's entry and inspections may be conducted commencing on the Effective Date and ending on the Closing Date or the earlier termination of this Agreement. Buyer shall bear the cost of all inspections, tests, investigations and analyses. At Seller's option, Seller or its representative may accompany Buyer or its agents or representatives while on the Land. In conducting any inspections, investigations or tests of the Land or any Improvements, Buyer and its agents and representatives shall: (i) not unreasonably interfere with the operation and maintenance of the Land or Improvements; (ii) not injure or otherwise cause bodily harm to Seller, or their respective agents, guests, invitees, contractors or employees; (iii) provide evidence to Seller, prior to any entry onto the Land or Improvements, that Buyer has insurance policies naming Seller as an additional insured (unless the self-insurance provisions described below apply) and providing the following coverage against any claims or damages arising from the presence of Buyer, its agents and representatives on the Land: commercial general liability insurance with limits of \$1,000,000 per occurrence and \$2,000,000 in the aggregate; workers compensation insurance with minimum statutory limits; and employers' liability insurance with minimum limits of not less than \$1,000,000, and maintain that coverage as a condition of any entry onto the Land or Improvements; (iv) promptly pay when due the costs of all tests, investigations, and examinations done; (v) not permit any liens to attach to the Land by reason of the exercise of its rights hereunder and, in the event any such liens do attach to the Land, Buyer agrees to cause such liens to be removed within ten (10) days after Buyer's receipt of notice of recordation of such liens; and (vi) fully restore the Land and Improvements to the condition in which it existed before any such inspection or tests were undertaken. In addition, notwithstanding any other provision of this Agreement, any invasive or intrusive inspections or tests of the physical condition of the Land or Improvements (including, without limitation, a Phase II environmental site assessment or testing) shall require the prior written consent of Seller, which consent shall not be unreasonably withheld, conditioned or delayed. In connection with any request by Buyer for Seller's consent to any such invasive or intrusive inspections or tests, Buyer shall provide Seller with such information regarding the proposed inspections or tests as Seller shall reasonably request including, without limitation and if applicable, a map identifying any areas on the Property that Buyer is proposing to inspect or test. Buyer agrees to indemnify, defend and hold Seller and all of its officers, directors, agents, employees, attorneys, representatives and contractors harmless from and against any and all losses, liens, claims, causes of action, damages, liabilities, costs and expenses (including reasonable attorneys' fees) arising out of Buyer's inspections or tests permitted under this Agreement or out of the presence, actions or omissions of Buyer and/or its employees, agents, representatives or independent contractors on the Land or within the Improvements (collectively, "**Inspection Loss**") or any violation of the provisions of this Section 5.1; provided, however, that Buyer shall have no liability for, nor shall Seller be indemnified against: (a) Inspection Loss arising from the mere discovery of conditions on the Land or

Improvements (provided that this exclusion from liability and indemnification shall not apply to the extent of any exacerbation by Buyer or its employees, agents, representatives or independent contractors of such conditions); or (b) Inspection Loss to the extent arising from Seller’s own negligence or misconduct, or the negligence or misconduct of Seller’s agents, employees or independent contractors. Notwithstanding any provision of this Agreement, no termination of this Agreement shall terminate Buyer’s obligations under this Section 5.1; instead, those obligations shall survive any termination or expiration of this Agreement.

(b) Notwithstanding anything to the contrary in this Section 5.1, Buyer may fulfill its insurance obligations under this Section 5.1 by maintaining a self-insurance program that complies in all respects with Chapter 48.62 RCW and applicable provisions of the Washington Administrative Code (“WAC”) with insurance limits not less than the limits described in this Section 5.1, pursuant to such program Buyer may self-insure all of the risks described in this Section 5.1 and, accordingly, not maintain the policies described in this Section 5.1. Buyer’s right to self-insure is conditioned upon Buyer’s self-insurance program continuously complying in all respects with Chapter 48.62 RCW and applicable provisions of the WAC, including maintenance of any legally required loss reserves, and Buyer providing certification thereof promptly upon Seller’s request. For purposes of this Section 5.1, “self-insure” means that Buyer has elected to (i) assume the risk of, and be responsible for, liability arising from matters that would otherwise have been insured against under the policies of insurance described in this Section 5.1, and (ii) carry out and perform, for the benefit of itself and Seller, the defense and indemnity obligations described in this Section 5.1.

5.2 Due Diligence Materials. To the extent within Seller’s possession, custody, or control, Seller agrees to deliver to Buyer (which delivery may be by electronic means) the materials listed on Schedule 5.2 attached hereto (the “*Due Diligence Materials*”) within five (5) business days after the Effective Date. The Due Diligence Materials shall include copies of all Service Contracts, provided that none of the Service Contracts shall be assumed by Buyer at Closing. Seller shall be solely responsible for terminating all Service Contracts, at Seller’s sole cost and expense, no later than the Closing Date. Notwithstanding the foregoing or anything in this Agreement to the contrary, the “Due Diligence Materials” do not include, and Seller shall have no obligation to deliver to Buyer, any materials that are recorded in the real property records of King County and included in the Commitment (as defined below), documents concerning other proposals for Seller to sell or dispose of the Property or interests therein, Seller’s partnership records, internal memoranda, financial projections, budgets, appraisals, accounting records, any items protected by the attorney-client privilege and similar proprietary, confidential or privileged materials. The Due Diligence Materials have been made available to Buyer for informational purposes only, and without any representation or warranty whatsoever by Seller except as expressly provided in Section 4.1 above.

## ARTICLE 6. TITLE AND SURVEY

6.1 Title and Survey Review. Prior to the Effective Date, Buyer obtained a preliminary commitment for an owner’s policy of title insurance on the Real Property (the “*Commitment*”), together with a copy of the documents forming the basis for each exception from coverage described therein. Buyer shall have \_\_\_\_ (\_\_) days from the Effective Date to advise Seller in writing of Buyer’s approval or disapproval thereof, stating with specificity the basis for any objections. If Buyer does not timely provide Seller with written objections to any matter(s) described in the Commitment, such matter(s) shall be deemed Permitted Exceptions. If Buyer

timely provides Seller with written objections to any matter described in the Commitment, then Seller shall advise Buyer within \_\_\_\_ (\_\_\_) days thereafter of Seller’s proposed resolution (if any) of each of Buyer’s title objections. If Seller does not give Buyer written notice within such \_\_\_\_ (\_\_\_) day period that it will endeavor to resolve one or more of Buyer’s title objections, then Buyer shall advise Seller in writing within \_\_\_\_ (\_\_\_) business days thereafter whether Buyer will (a) waive its objection(s) to all such items, or (b) elect to terminate this Agreement, in which event this Agreement shall thereupon be terminated, except as to any rights or obligations that expressly survive termination of this Agreement. Buyer’s failure to timely respond shall be deemed its election to waive its objection(s) and the matters to which objections were originally made shall be deemed Permitted Exceptions.

Within \_\_\_\_ (\_\_\_) days after Buyer’s receipt of any supplement to the Commitment, Buyer shall notify Seller in writing of any objections thereto. Seller and Buyer shall have the same rights and duties with respect to an objection by Buyer to a supplement to the Commitment as they do with respect to an objection by Buyer to matters contained in the Commitment, except that Seller shall have \_\_\_\_ (\_\_\_) days to respond to Buyer’s notice of objections.

Buyer shall have the right to commission an updated ALTA survey of the Land and Improvements (the “*ALTA Survey*”). Within \_\_\_\_ (\_\_\_) days after Buyer’s receipt of a completed ALTA Survey, Buyer shall notify Seller in writing of any objections thereto. Seller and Buyer shall have the same rights and duties with respect to an objection by Buyer to the ALTA Survey as they do with respect to an objection by Buyer to a matter contained in the Commitment, except that Seller shall have \_\_\_\_ (\_\_\_) days to respond to Buyer’s notice of objections.

For purposes of this Agreement, the term “*Permitted Exceptions*” shall mean (i) liens for real property taxes and assessments not yet delinquent; (ii) any title or survey matter that Buyer and Seller have expressly agreed to be a Permitted Exception; and (iii) any title matter disclosed by the Commitment or ALTA Survey to which Buyer did not object or to which Buyer was deemed to have waived any objection; provided, that in no event shall Buyer be obligated to object to any title matter that may be satisfied by Seller’s payment of money and in no event shall any such matter be deemed a Permitted Exception (except for any such matter arising out of the actions or omissions of Buyer).

Prior to expiration of the Inspection Period, Buyer and Seller shall jointly prepare an agreed preliminary schedule of Permitted Exceptions. Notwithstanding anything to the contrary contained in this Agreement, any notice required or permitted to be given under this Section 6.1 may be given by electronic means to the parties at their respective e-mail addresses set forth in Section 13.2 and shall be deemed delivered upon transmission; provided, however, that any notice by email that is delivered after 5:00 p.m. local time shall be deemed delivered on the next business day.

6.2 Required State of Title. On the Closing Date, Seller shall convey to Buyer marketable fee simple title to the Real Property by quitclaim deed in the form attached hereto as Schedule 8.2(a), free and clear of any and all tenancies and other occupancies, liens, encumbrances, conditions, easements, assessments, restrictions and other conditions, except for the Permitted Exceptions.

**ARTICLE 7.**  
**CONDITIONS TO SELLER’S AND BUYER’S PERFORMANCE**

7.1 Conditions to Seller's Obligations. Seller's obligations to consummate the transaction contemplated by this Agreement are, in addition to the other terms and conditions of this Agreement, subject to the following closing conditions (any one or more of which may be waived in whole or in part by Seller at its discretion):

(a) Buyer's representations and warranties contained in this Agreement being true and correct in all material respects on the Closing Date with the same force and effect as though such representations and warranties had been made as of the Closing Date;

(b) Buyer having performed, in all material respects, all covenants and obligations required by this Agreement to be performed by Buyer on or prior to the Closing Date, and Buyer having made all deliveries to Seller or Escrow Agent required by this Agreement to be delivered by Buyer on or prior to the Closing Date; and

(c) Buyer having delivered to Escrow Agent (i) the Purchase Price as adjusted as provided herein, pursuant to and payable in the manner provided for in this Agreement.

In the event that one or more of the foregoing conditions has not been satisfied or waived by Seller on or before the date scheduled for Closing, Seller may, in addition to any other remedy available to Seller under this Agreement, elect to either waive such condition(s) and proceed to Closing or terminate this Agreement by written notice to Buyer; provided, however, if Seller elects to terminate this Agreement, Buyer shall have five (5) business days to satisfy the applicable closing condition and, if such condition is not timely satisfied by Buyer, this Agreement shall be deemed terminated and the parties shall have no further rights or obligations hereunder except those (if any) which expressly survive termination of this Agreement.

7.2 Conditions to Buyer's Obligations. Buyer's obligations to consummate the transaction contemplated by this Agreement are, in addition to the other terms and conditions of this Agreement, subject to the following closing conditions (any one or more of which may be waived in whole or in part by Buyer at its discretion):

(a) The representations and warranties made by Seller in this Agreement being true and correct in all material respects on the Closing Date, with the same force and effect as though such representations and warranties had been made as of the Closing Date;

(b) Seller having performed, in all material respects, all covenants and obligations required by this Agreement to be performed by Seller on or prior to the Closing Date, and Seller having made all deliveries to Buyer or Escrow Agent required by this Agreement to be delivered by Seller on or prior to the Closing Date;

(c) Buyer having received evidence (in form and substance acceptable to Buyer) from Seller that Seller has delivered, notices to any tenant occupying any portion of the Property as of the date hereof under any lease agreement terminating such lease agreements effective no later than the Closing Date in accordance with the requirements of the applicable lease agreements;

(d) Between the expiration of the Inspection Period and the Closing Date, there having occurred no material adverse change in the condition of the Property (including but not limited to the physical or environmental conditions thereof) not caused by Buyer;

(e) [TITLE COMPANY] being irrevocably committed to issue to Buyer an ALTA Owner’s Extended Coverage Policy of Title Insurance (or, at Buyer’s option or if Buyer fails to obtain an ALTA Survey necessary to obtain extended coverage, standard coverage) insuring good, clear, record, marketable and fee simple title to the Real Property, subject to the terms, conditions and exceptions described in such policy and the Permitted Exceptions, with a coverage amount equal to the Purchase Price; and

(f) Buyer having obtained the Authorizing Ordinance, and the Authorizing Ordinance being in full force and effect and not having been revoked, modified, or superseded due to actions outside of the control of the Office of Housing.

In the event that one or more of the foregoing conditions has not been satisfied or waived by Buyer on or before the date scheduled for Closing, Buyer may, in addition to any other remedy available to Buyer under this Agreement, elect to either waive such condition(s) and proceed to Closing or terminate this Agreement by written notice to Seller; provided, however, that if Buyer elects to terminate this Agreement, Seller shall have five (5) business days to satisfy the applicable closing condition and, if such closing condition is not timely satisfied, this Agreement shall be deemed terminated and the parties shall have no further rights or obligations hereunder except those (if any) which expressly survive termination of this Agreement. In the event that any one of the foregoing conditions has not been satisfied or waived by Buyer on or before the date scheduled for Closing, and the failure of such condition is the result of Seller’s failure to perform or observe any covenant, condition or other obligation of Seller hereunder, Buyer shall be entitled to pursue all of its rights and remedies arising from such failure under Section 12.1.

In the event that the closing condition described in Subsection 7.1(c) has not been satisfied by the scheduled Closing Date, Buyer may elect to delay Closing for up to \_\_\_\_ (\_\_\_) days in order to allow Seller to satisfy that condition.

## **ARTICLE 8. CLOSING**

8.1 Escrow Closing. Subject to the closing conditions stated herein, the closing of the transaction contemplated by this Agreement (the “**Closing**”) shall occur through an escrow closing arrangement by 5:00 p.m. Pacific time at the offices of Escrow Agent or such other mutually agreed upon location on a date mutually agreed to by Buyer and Seller that is within \_\_\_\_ (\_\_\_) days after the later to occur of the following: (i) the date on which Buyer obtains the Authorizing Ordinance, or (ii) expiration of the Inspection Period. The “**Closing Date**” shall be the date on which the Deed is recorded in the property records of King County, Washington. Notwithstanding anything in this Agreement to the contrary, if the Closing Date has not occurred on or before \_\_\_\_\_, for any reason other than Buyer’s default, Buyer may, in addition to any other remedies Buyer may have hereunder, terminate this Agreement by written notice to Seller whereupon this Agreement shall terminate (except as to those provisions which expressly survive termination).

8.2 Seller’s Closing Deliveries. On or before the Closing Date, Seller shall deliver or cause to be delivered, at its expense, each of the following items to Escrow Agent:

(a) A duly executed and acknowledged Quitclaim Deed conveying the Real Property to Buyer in the form attached hereto as Schedule E, (the “**Deed**”) and an accompanying real estate excise tax affidavit (the “**REETA**”);

(b) Two (2) executed counterpart originals of an Assignment and Assumption of Intangible Property (the “**General Assignment**”) in the form attached hereto as Schedule 8.2(b), together with, to the extent in the possession, custody or control of Seller, executed counterparts of any contracts, warranties, or guaranties assigned thereby and any agreements governing the Intangible Property;

(c) A certificate of non-foreign status from Seller in the form required by Escrow Agent;

(d) A customary owner’s affidavit sufficient for Escrow Agent to delete any exceptions for parties in possession, mechanic’s or materialmen’s liens from Buyer’s title policy;

(e) Evidence reasonably satisfactory to Escrow Agent of Seller’s authority to convey the Real Property to Buyer, in form and substance satisfactory to Escrow Agent;

(f) Seller’s executed closing statement setting forth the Purchase Price and the adjustments, pro-rations and closing costs described herein;

(g) An executed certificate from Seller in the form attached hereto as Schedule 8.2(l) stating that all of Seller’s representations and warranties set forth in this Agreement remain true, accurate and complete in all material respects as of the date of such certificate; and

(h) Such other instruments as Buyer or Escrow Agent may reasonably request to effectuate the Closing.

8.3 Buyer’s Closing Deliveries. On or before the Closing Date, Buyer shall deliver or cause to be delivered at its expense each of the following to Escrow Agent:

(a) A true and correct copy of the Authorizing Ordinance, together with any other evidence of the authority of Buyer to purchase the Property from Buyer reasonably required by Escrow Agent;

(b) The Purchase Price, plus Buyer’s share of closing costs and any other sums required hereunder to be paid by Buyer at Closing;

(c) One (1) executed counterpart original of the REETA;

(d) Two (2) executed counterpart originals of the General Assignment;

(e) Buyer’s executed closing statement setting forth the Purchase Price and the adjustments, pro-rations and closing costs described herein; and

(f) Such other instruments as Seller or Escrow Agent may reasonably request to effectuate the Closing.

## **ARTICLE 9.**

### **CASUALTY AND CONDEMNATION**

9.1 Casualty. Buyer acknowledges that Buyer intends to demolish the Improvements and redevelop the Real Property after Closing. Therefore, if, prior to Closing, any Improvements

are damaged by fire or any other casualty, such damage shall not give rise to a reduction of the Purchase Price or a right to terminate this Agreement in favor of Buyer, and Seller will be entitled to the Net Insurance Proceeds available to Seller with respect to such casualty loss. For purposes of this Section 9.1, “**Net Insurance Proceeds**” means all insurance proceeds available under Seller’s property insurance policy, less the cost of removing the damaged Improvements and restoring the Land to a safe condition in accordance with applicable law, as reasonably determined by a contractor or construction consultant selected by Seller and reasonably acceptable to Buyer (the “**Restoration Contractor**”). In the event of any such casualty loss, Seller shall engage the Restoration Contractor pursuant to a scope of work reasonably acceptable to Buyer to perform removal of the damaged Improvements and restoration the Land to a safe condition. Subject to clause (ii) of this Section 9.1 below, the cost of all work performed by the Restoration Contractor shall be paid by Seller. If Seller elects to make a claim under Seller’s property insurance policy in connection with such casualty loss: (i) promptly following such casualty loss, Seller shall tender a claim to its property insurance carrier (with a contemporaneous copy to Buyer) and keep Buyer informed of the status of such claim, and (ii) if for any reason the proceeds available to Seller under Seller’s property insurance policy are insufficient to pay the entire cost of the Restoration Contractor’s work, then Buyer may elect to pay directly to the Restoration Contractor the difference between the cost of such work and the amount of insurance proceeds available to Seller, and any amount so paid by Buyer shall be credited to Buyer at Closing (if Closing occurs).

9.2 Condemnation. If, prior to the Closing Date, any portion of, or interest in, the Land shall be taken or threatened to be taken by exercise of the power of eminent domain (an “**Eminent Domain Taking**”) by an agency or entity with condemnation authority under state or federal law other than the City of Seattle, Seller shall promptly notify Buyer and Buyer shall then elect, by written notice to Seller delivered within ten (10) days after receiving such notice, to either (i) terminate this Agreement, (ii) terminate this Agreement only as to that portion of the Land that is subject to the Eminent Domain Taking, in which case the Purchase Price shall be equitably reduced to account for the square footage of the Land subject to the Eminent Domain Taking and Seller shall retain the right to all awards recovered or recoverable with respect to the portion of the Land that is subject to the Eminent Domain Taking, or (iii) proceed with its purchase of the Property, without any abatement of the Purchase Price, and, at Closing, Seller shall pay over or assign, to Buyer all awards recovered or recoverable by Seller on account of such Eminent Domain Taking, less any amounts reasonably expended by Seller in obtaining such award.

## **ARTICLE 10. BROKERAGE COMMISSIONS**

### 11.1 Brokers.

(a) Seller represents and warrants that it has not engaged any broker, finder or agent on its behalf in connection with the transaction contemplated by this Agreement.

(b) Buyer represents and warrants that it has not engaged any broker, finder or agent on its behalf in connection with the transaction contemplated by this Agreement.

(c) The covenants and agreements contained in this Article shall survive the termination of this Agreement or the Closing.

## **ARTICLE 11.**

## DEFAULT, TERMINATION AND REMEDIES

12.1 Seller Default. In the event that (a) all of the closing conditions contained in Section 7.1 have been satisfied and Seller defaults in its obligation to sell the Property to Buyer in accordance with the terms of this Agreement, or (b) Seller otherwise defaults in the performance of any other material obligation of Seller under this Agreement, then Seller shall be in default hereunder and Buyer shall have the right to elect any of the following remedies as its sole and exclusive remedy and in lieu of all other remedies available to Buyer at law or in equity for such default: (i) to terminate this Agreement and receive reimbursement from Seller for Buyer's third party out-of-pocket costs and expenses actually incurred by Buyer in connection with negotiating this Agreement and evaluating the transaction contemplated herein and the development of the Property up to a maximum amount of \$\_\_\_\_, which costs and expenses shall be reasonably documented by Buyer; or (ii) take any and all legal actions necessary to compel Seller's specific performance of its obligations hereunder; provided, however, Buyer must file a claim for such specific performance within \_\_\_\_ (\_\_\_\_) days from the scheduled Closing Date or else Buyer shall be deemed to have elected the remedy described in clause (i) above. Except as expressly set forth in this Section 12.1, Buyer hereby releases and waives all other remedies at law or equity for a default under this Agreement by Seller; provided, however, that the waivers, releases and limitations on remedies set forth in this Section shall not apply to any claim or cause of action that Buyer may be entitled to assert under this Agreement with respect to any indemnification obligations of Seller or remedies available to Buyer for breaches of representations or warranties under Section 4.1 (subject to the limitations set forth in Section 4.1). This Section 12.1 shall survive termination of this Agreement.

12.2 Major Defaults. Notwithstanding Section 12.1 above, if Seller has conveyed or encumbered the Property and, as the result thereof, the remedy of specific performance is not available to Buyer, then Buyer shall have the right to seek to recover from Seller all direct damages resulting therefrom, without limitation or cap (but subject to the waivers set forth in Section 13.17).

12.3 Buyer Default. In the event that all of the closing conditions contained in Section 7.2 have been satisfied and Buyer defaults in its obligation to purchase the Property on the Closing Date in accordance with the terms of this Agreement, or (b) Buyer otherwise defaults in the performance of any other material obligation of Buyer under this Agreement, Seller shall be entitled all remedies available to Seller at law or in equity for such default.

## ARTICLE 13. MISCELLANEOUS

13.1 Assignment. This Agreement may not be assigned in whole or in part by Buyer or Seller without the prior written consent of the other (which consent may be withheld in the sole discretion of the party whose consent is being requested) and any attempt to assign this Agreement without such consent will be of no effect and will be a default hereunder. The covenants and agreements contained in this Agreement shall extend to and be obligatory upon the permitted successors and assigns of the respective parties to this Agreement.

13.2 Notices. Any notice required or permitted to be delivered under this Agreement shall be in writing and shall be deemed given: (i) when delivered by hand during regular business hours; or (ii) the next business day if sent by a reputable national overnight express mail service that provides tracing and proof of receipt or refusal of items mailed. Any notice given by a party

to Escrow Agent shall be simultaneously given to the other party. Notices to Seller, Buyer and/or Escrow Agent shall be delivered as follows:

If to Seller:                    INSERT

With a copy to:                INSERT

If to Buyer:                    City of Seattle  
    c/o Office of Housing  
    700 Fifth Avenue, Suite 5700  
    Seattle, WA 94725  
    Attn:  
    Phone:  
    Email: @seattle.gov

With a copy to:                Seattle City Attorney’s Office  
    Civil Division  
    701 Fifth Avenue, Suite 2050  
    Seattle, WA 98104  
    Attn: Katriana Samiljan, Assistant City Attorney  
    Email: [katriana.samiljan@seattle.gov](mailto:katriana.samiljan@seattle.gov)

And to:                            INSERT

If to Escrow Agent:            INSERT

13.3 Interpretation. Words of any gender used in this Agreement shall be held and construed to include any other gender, and words of a similar number shall be held to include the plural and vice versa, unless the content requires otherwise.

13.4 Captions. The captions used in connection with the Articles and Sections of this Agreement are for the convenience only and shall not be deemed to extend, limit or otherwise define or construe the meaning of the language of this Agreement.

13.5 Partial Invalidity. If any term or provision of this Agreement or the application to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

13.6 No Third-Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their respective successors and assigns, any rights or remedies under or by reason of this Agreement.

13.7 Amendments. This Agreement may be amended only by a written instrument executed by Seller and Buyer (or Buyer’s permitted assignee or permitted transferee).

13.8 Integration. This Agreement including the schedules and exhibits attached hereto

embodies the entire agreement between Seller and Buyer with respect to the transactions contemplated in this Agreement, and there have been and are no covenants, agreements, representations, warranties or restrictions between Seller and Buyer with regard thereto other than those set forth or provided for in this Agreement.

13.9 Confidentiality. Seller acknowledges that as part of the process of Buyer’s potential acquisition of the Property, this Agreement and information relating to the material terms of this Agreement may be made public. Additionally, Seller acknowledges that Buyer is a public entity and is obligated to make records available to the public in accordance with the Washington State Public Records Act, Chapter 42.56 RCW (the “*Act*”). The Due Diligence Materials provided to Buyer and any other information or documentation identified by Seller to Buyer as “confidential” at the time of disclosure to Buyer (collectively, the “*Confidential Information*”) shall be held in confidence by Buyer, and Buyer will not disclose such Confidential Information to the general public or to any person, firm, or entity without prior written authorization of Seller, except that the Confidential Information may be disclosed to Buyer’s consultants, employees and legal counsel on a need to know basis, pursuant to a court order, or to comply with applicable law, including but not limited to the Act. If (i) Buyer receives any public disclosure request under the Act and Buyer’s response to such request, after considering in good faith whether any legal exemption from disclosure may apply, will include documents, information or records constituting Confidential Information, or (ii) Buyer is otherwise required or compelled to disclose any Confidential Information under applicable law, rule or regulation, legal process, subpoena, court order, civil investigative demand, or request of other legal or regulatory authority, then Buyer shall provide Seller with written notice of such disclosure request or requirement, as applicable, as soon as reasonably possible, but in any event within ten (10) days, and Buyer shall not disclose the Confidential Information for ten (10) business days after such notice is delivered to Seller in order to permit Seller time to seek a protective order or injunction preventing the release and disclosure of the Confidential Information. If Seller obtains an injunction or other court-ordered protective order, then Buyer shall not release or disclose any of the Confidential Information pursuant to such order. Neither Buyer nor Seller shall make or issue any press release or other public announcement or other public disclosure of the transaction contemplated by this Agreement without the prior written consent of the other party.

13.10 Choice of Law; Venue. This Agreement shall be construed under and in accordance with the laws of the State of Washington. Any action arising out of this Agreement must be commenced in King County Superior Court or the United States District Court for the Western District of Washington. Each party consents to the jurisdiction of those courts in any such action and the laying of venue in the State of Washington.

13.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts together shall constitute one and the same instrument.

13.12 Business Day. In the event any date where performance is required hereunder (including the date scheduled for Closing) falls on a Saturday, Sunday or legal holiday recognized in the State of Washington, the date applicable shall be the next business day. As used herein, the term “*business day*” means any day other than a Saturday, Sunday or legal holiday recognized in the State of Washington.

13.13 Non-Merger. The representations, warranties, covenants and agreements contained in this Agreement that by their express terms survive the Closing are intended to survive the Closing (subject to any express limitations in this Agreement on such survival) and are not intended to “merge” with the Deed and the other closing documents. Except as expressly provided in the immediately preceding sentence, all of the representations, warranties, covenants and agreements of the parties contained in this Agreement shall not survive the Closing and shall merge into the Deed and the other closing documents.

13.14 Submission Not an Offer or Option. The submission of this Agreement or a summary of some or all of its provisions for examination or negotiation by Buyer or Seller does not constitute an offer by Seller or Buyer to enter into an agreement to sell or purchase the Property, and neither party shall be bound to the other with respect to any such purchase and sale until a definitive agreement satisfactory to Buyer and Seller in their sole discretion is executed and delivered by both Seller and Buyer.

13.15 No Solicitation. From and after the date of the execution and delivery of this Agreement by Seller until the termination of this Agreement, Seller will not, without the prior written consent of Buyer: (i) offer for sale all or any portion of the Property, (ii) solicit offers to buy all or any portion of the Property, or (iii) enter into any agreement with any party (other than Buyer) with respect to the sale, assignment, or other disposition of the Property or any portion thereof.

13.16 Deleted.

13.17 Damages. Notwithstanding anything to the contrary set forth in this Agreement, in no event shall Seller or Buyer be liable for any special, consequential, exemplary, or punitive damages of any kind. This limitation shall survive the Closing or termination of this Agreement.

13.18 Form 17 Disclosure Statement. PURSUANT TO RCW 64.06, AS AMENDED BY CHAPTER 64, LAWS OF 2010, BUYER HEREBY WAIVES ITS RIGHT TO RECEIVE THE SELLER DISCLOSURE STATEMENT REFERRED TO THEREIN. THIS WAIVER DOES NOT EXTEND TO THE SECTION OF THE DISCLOSURE STATEMENT ENTITLED “ENVIRONMENTAL”. The “Environmental” section of the Seller Disclosure Statement as completed by Seller is attached to this Agreement as Schedule 13.18. Buyer acknowledges and agrees that the Seller Disclosure Statement is for the purposes of disclosure only, will not be considered part of this Agreement, and will not be construed as a representation or warranty of any kind by Seller. Buyer further agrees that any information discovered by Buyer concerning the Property shall not obligate Seller to prepare and deliver to Buyer a revised or updated Seller Disclosure Statement. Buyer hereby waives any right to receive an updated or revised Seller Disclosure Statement, regardless of the source of any new information, except to the extent Seller is obligated under RCW 64.06.040 to provide an updated or revised Seller Disclosure Statement. Buyer further warrants that it is a sophisticated purchaser who is familiar with the ownership and development of real estate projects similar to the Property and Buyer has or will have adequate opportunity to complete such independent inspections of the Property it deems necessary. BUYER HEREBY WAIVES, TO THE FULLEST EXTENT PERMISSIBLE BY LAW, THE RIGHT TO RESCIND THIS AGREEMENT PURSUANT TO ANY PROVISION OF RCW 64.06, AS AMENDED BY CHAPTER 64, LAWS OF 2010.

13.19 No Reliance on Documents. Except for the representations, warranties and

covenants expressly stated herein (including, without limitation, in Subsection 4.1(m)) and in any other document which is required to be or is delivered by Seller to Buyer at Closing: (i) Seller makes no representation or warranty as to the truth, accuracy or completeness of any materials, data or information delivered or given by Seller or its agents to Buyer in connection with the transaction contemplated hereby, and (ii) any reliance on or use of such materials, data or information by Buyer shall be at the sole risk of Buyer. This Section shall survive the Closing.

13.20 As-Is Sale. Subject to the express representations, warranties and covenants set forth in this Agreement or in any document delivered by Seller to Buyer at Closing, Buyer acknowledges that Buyer has entered into this Agreement with the intention of making and relying upon its own completed investigation of the physical, environmental, economic and legal condition of the Property. Subject to the express representations, warranties and covenants set forth in this Agreement or in any document delivered by Seller to Buyer at Closing, Buyer further acknowledges that it has not received from Seller any accounting, tax, legal, development planning, environmental, architectural, engineering, management or other advice with respect to this transaction and is relying solely upon the advice of its own advisors. Buyer acknowledges and agrees that, except as expressly set forth in the express representations, warranties and covenants in this Agreement or any document delivered by Seller to Buyer at Closing, neither Seller nor anyone acting on Seller's behalf is making or has at any time made any warranties or representations of any kind or character, express or implied, with respect to the Property, including, but not limited to, any warranties or representations as to habitability, merchantability or fitness for a particular purpose or as to the physical, structural or environmental condition of the Property or its compliance with laws. Buyer acknowledges and agrees that, upon Closing, Seller shall sell and convey to Buyer and Buyer shall accept the Property "as is, where is, with all faults", except to the extent of any express representations, warranties and covenants in this Agreement or in any document delivered by Seller to Buyer at Closing. Buyer has not relied and will not rely on, and Seller is not liable for or bound by, any express or implied warranties, guaranties, statements, representations or information pertaining to the Property or relating thereto (including specifically, without limitation, any offering memorandum or offering package distributed with respect to the Property) made or furnished by Seller, the managers of the Property, or any agent representing or purporting to represent Seller, to whomever made or given, directly or indirectly, orally or in writing, unless specifically set forth in any representations, warranties or covenants in this Agreement or in any document delivered by Seller to Buyer at closing. Buyer also acknowledges that the Purchase Price reflects and takes into account that the Property is being sold "as-is." This Section shall survive the Closing.

13.21 Seller Release. Buyer acknowledges that it has had, or will have prior to Closing, the opportunity to inspect the Property and observe its physical characteristics and existing conditions and the opportunity to conduct such investigation and study on and of the Property and adjacent areas as Buyer deems necessary. Effective as of Closing, and except for any claims that expressly survive Closing under this Agreement or under any document delivered by Seller to Buyer at Closing, Buyer hereby forever releases and discharges Seller and its partners, managers, affiliates and their respective officers, partners, members, managers, directors, employees, agents and representatives (collectively, the "***Seller Parties***") from all obligations, claims, demands and liability regarding the condition, valuation, salability or utility of the Property, or its suitability for any purpose whatsoever including, but not limited to, with respect to the presence in the soil, air, structures and surface and subsurface waters, of Hazardous Materials or other materials or substances that have been or may in the future be determined to be toxic, hazardous, undesirable or subject to regulation and that may need to be specially treated, handled and/or removed from

the Property under current or future laws or regulations, and any structural and geologic conditions, subsurface soil and water conditions and solid and hazardous waste and Hazardous Materials on, under, adjacent to or otherwise affecting the Property. The release contained in this Section 13.21 shall not be construed or interpreted as an indemnity from Buyer in favor of any Seller Parties for claims, demands or liability that may be asserted against any Seller Parties by any third-party, including any governmental or regulatory agency or as a waiver of Buyer's statutory right to contribution under applicable law in the event there is a statutory basis for Buyer to seek reimbursement from Seller for losses suffered by Buyer arising from environmental liabilities of Seller. Notwithstanding anything in this Section 13.21 to the contrary, in the event that, prior to Closing, Buyer delivers to Seller any soil reports, environmental reports, hazardous materials reports, geotechnical studies or similar third party reports that disclose the presence of Hazardous Materials existing on, under or otherwise affecting the Real Property at levels requiring remediation activities in order to comply with applicable law or otherwise in violation of applicable law (collectively, "**Known Environmental Conditions**"), Seller agrees to (i) negotiate in good faith with Buyer in order to determine a mutually acceptable course of action for addressing such Known Environmental Conditions, which may include, without limitation, allocating responsibility for performing remediation activities associated with such Known Environmental Conditions (and the payment of the costs associated therewith) and allocating future liability arising out of such Known Environmental Conditions (the "**Environmental Plan**"), and (ii) execute such agreements, amendments or other documents as are necessary to memorialize the Environmental Plan (which may include, without limitation, an amendment to this Agreement for purposes of modifying this Section 13.21 or any other provisions of this Agreement in a manner consistent with the Environmental Plan). This Section shall survive Closing.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Purchase and Sale Agreement as of the day and year first set forth above.

**SELLER:**

\_\_\_\_\_,  
a Washington \_\_\_\_\_

Title:

**BUYER:**

THE CITY OF SEATTLE, a Washington municipal corporation, acting by and through its Office of Housing

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE A**

**Legal Description of the Land**

## **SCHEDULE B**

### **Description of Intangible Property**

All intangible rights owned by Seller and associated exclusively with the Property.

No tangible personal property.

## **SCHEDULE C**

### **Schedule of Service Contracts and Environmental Reports**

#### **ENVIRONMENTAL REPORTS**

1.

## **SCHEDULE D**

### **Due Diligence Materials**

- a. All soil reports, environmental reports, hazardous materials reports and geotechnical studies on pertaining to the Real Property.
- b. Copies of all Service Contracts.
- c. Copies of all title policies issued to Seller with respect to the Real Property as of or following Seller's acquisition of the Real Property.
- d. The most recent metes and bounds, perimeter surveys, topographic maps and plans of the Real Property.
- e. Any documents regarding existing rights or options to purchase or lease any part of or all of the Real Property.
- f. Real property tax bills for the last three (3) years.
- g. All information relative to foreclosure actions and bankruptcy proceedings affecting the Seller or the Property.
- h. Copies of any pending litigation to which Seller is a party affecting the Real Property.

**SCHEDULE E**

**Form of Quitclaim Deed**

When recorded return to:

**QUIT CLAIM DEED**

THE GRANTOR(S)

for and in consideration of

in hand paid, conveys and quit claims to

the following described real estate, situated in the County of \_\_\_\_\_, State of Washington

\_\_\_\_\_

together with all after acquired title of the grantor(s) herein:

Abbreviated Legal: (Required if full legal not inserted above.)

Tax Parcel Number(s):

Dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.



Exhibit A to Deed  
Legal Description of Property

## SCHEDULE F

### Form of General Assignment

#### ASSIGNMENT AND ASSUMPTION OF INTANGIBLE PROPERTY

This ASSIGNMENT AND ASSUMPTION OF INTANGIBLE PROPERTY (this “*Assignment*”) is made as of \_\_\_\_\_, \_\_\_\_\_ (the “*Effective Date*”) by \_\_\_\_\_, a Washington \_\_\_\_\_ (“*Assignor*”), and THE CITY OF SEATTLE, a Washington municipal corporation, acting by and through its Office of Housing (“*Assignee*”), with reference to the following recitals.

A. Assignor is or may be the owner of certain intangible property associated with its ownership of certain real property located in King County, Washington, commonly known as \_\_\_\_\_, Seattle, Washington, and as legally described on attached Exhibit A (the “*Property*”), including but not limited to the Property identified on attached Exhibit B (collectively, the “*Intangibles*”).

B. Assignor desires to assign, transfer, sell, and convey to Assignee all of Assignor’s right, title and interest in, to, and under the Intangibles, if any.

#### AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the covenants and agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment of Intangibles. Assignor hereby assigns, transfers, sells and conveys to Assignee all of Assignor’s right, title, and interest, to the extent assignable, in and to the Intangibles. The Intangibles are conveyed, sold and transferred “as is” and “where is” and without any representation or warranty, express or implied, including without limitation, any warranty of merchantability or fitness for a particular purpose.

2. Assumption of Intangibles. By execution hereof, Assignee hereby assumes ownership of the Intangibles and agrees to perform all attendant duties and assume all attendant obligations and responsibilities arising from and after the Effective Date with respect to the Intangibles.

3. Indemnification. Assignee hereby agrees to defend, indemnify and hold Assignor harmless from and against any and all causes, judgments, suits, obligations, claims, demands, losses, liabilities, costs, damages, expenses, and fees (including, but not limited to, reasonable attorneys’ fees) incurred or suffered by Assignor proximately caused by Assignee’s failure to perform any of Assignee’s obligations arising with respect to the Intangibles from and after the Effective Date. Assignor hereby agrees to defend, indemnify and hold Assignee harmless from

and against any and all causes, judgments, suits, obligations, claims, demands, losses, liabilities, costs, damages, expenses, and fees (including, but not limited to, reasonable attorneys' fees) incurred or suffered by Assignee proximately caused by Assignor's failure to perform any of Assignor's obligations arising with respect to the Intangibles prior to the Effective Date.

4. Binding Effect. This Assignment shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns.

5. Governing Law and Venue. This Assignment shall be construed, interpreted and enforced in accordance with the laws of the State of Washington, without regard to principles of conflict of laws. Venue for any action arising under this Assignment shall lie in the Superior Court of King County, Washington.

6. Counterparts. This Assignment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which when assembled together shall constitute one and the same agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have duly executed this Assignment as of the day and year first above written.

**ASSIGNOR:**

\_\_\_\_\_,  
a Washington \_\_\_\_\_

By: \_\_\_\_\_  
Name:  
Title:

**ASSIGNEE:**

THE CITY OF SEATTLE,  
a Washington municipal corporation,  
acting by and through its Office of Housing

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Exhibit A  
Legal Description

Exhibit B  
Intangible Property

All intangible rights owned by Seller and associated exclusively with the Property. No tangible personal property. Any intangible personal property now or hereafter owned by Seller and used exclusively in the ownership, use and operation of the Property, including Seller's rights under any permits and approvals, contracts, subcontracts, agreements, or other rights of Seller relating exclusively to the ownership, use and operation of the Property and all of Seller's rights under any warranties, indemnities, or similar agreements, and all payment, performance and surety bonds associated exclusively with the Property, if any. Notwithstanding the foregoing or anything to the contrary in this Assignment, the "Intangibles" does not include any intangible property owned by any tenant occupying any portion of the Property under any lease agreement.

## SCHEDULE G

### Form of Seller's Closing Certificate

#### SELLER'S CLOSING CERTIFICATE

THIS SELLER'S CLOSING CERTIFICATE (this "*Certificate*") is made and is effective this \_\_\_ day of \_\_\_\_\_, \_\_\_\_, by \_\_\_\_\_, a Washington \_\_\_\_\_ ("*Seller*"), for the benefit of THE CITY OF SEATTLE, a Washington municipal corporation, acting by and through its Seattle Public Utilities Department ("*Buyer*"), with reference to the following facts.

#### RECITALS

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated \_\_\_\_\_, \_\_ (as amended, the "*Purchase and Sale Agreement*"), for the purchase and sale of certain real property located in King County, Washington (the "*Property*"). Capitalized terms not otherwise defined in this Certificate shall have the meanings given to them in the Purchase and Sale Agreement.

B. Section 8.2(1) of the Purchase and Sale Agreement requires the certification by Seller to Buyer that the representations and warranties of Seller set forth in the Purchase and Sale Agreement are true, accurate and complete in all material respects as of the date of this Certificate.

NOW, THEREFORE, for and in consideration of the sale of the Property, Seller hereby certifies to Buyer that all of the representations and warranties of Seller set forth in the Purchase and Sale Agreement are true, accurate and complete as of the date of this Certificate.

IN WITNESS WHEREOF, Seller has executed this Certificate as of the date first above written.

[signature page follows]

**SELLER:**

\_\_\_\_\_,  
a Washington \_\_\_\_\_

By: \_\_\_\_\_  
Name:  
Title:

## SCHEDULE H

### Environmental Section of Disclosure Statement

#### ENVIRONMENTAL SECTION OF DISCLOSURE STATEMENT

##### ENVIRONMENTAL

- Yes    No    Don't know   \*1. Have there been any flooding, standing water, or drainage problems on the property that affect the property or access to the property?
- Yes    No    Don't know   \*2. Is there any material damage to the property from fire, wind, floods, beach movements, earthquake, expansive soils, or landslides?
- Yes    No    Don't know   \*3. Are there any shorelines, wetlands, floodplains, or critical areas on the property?
- Yes    No    Don't know   \*4. Are there any substances, materials, or products in or on the property that may be environmental concerns, such as asbestos, formaldehyde, radon gas, lead based paint, fuel or chemical storage tanks, or contaminated soil or water?
- Yes    No    Don't know   \*5. Is there any soil or groundwater contamination?
- Yes    No    Don't know   \*6. Has the property been used as a legal or illegal dumping site?
- Yes    No    Don't know   \*7. Has the property been used as an illegal drug manufacturing site?

#### SELLER'S EXPLANATIONS REGARDING ASTERISKED ITEMS

If the answer is "Yes" to any asterisked (\*) items above, please explain below (use additional sheets if necessary). Please refer to the line numbers of the question(s).

Attachment 5 – Harvey Request for Proposals Term Sheet

TRANSFER OF PROPERTY FROM THE CITY OF SEATTLE (“City”) TO  
SELECTED DEVELOPER OR ITS DESIGNEE OR ASSIGNEE (“Transferee”)

This term sheet describes the basic terms of the proposed transfer of property between Transferee and City. The Agreement will include the following terms:

1. Transfer. Any transfer of the property shall be by Quit Claim Deed following a competitive Request for Proposals process.
2. Consideration. In consideration for the City transferring the Property to Transferee, Transferee shall agree to construct or cause to be constructed at the Property improvements substantially as described in those plans and specifications submitted by Developer to the Office of Housing, which improvements shall include housing units to be for sale and affordable to households with incomes of 80% or less of the area median income (AMI), as defined by The City of Seattle’s Office of Housing, at the time of sale. The City will give priority to proposals that will use Community Preference for homebuyer applicant selection and that will provide a substantial number of family sized units.
3. Conditions precedent to the City’s obligation to transfer the property:
  - a. Transferee shall have obtained approval from the Director of the Office of Housing (Director) of the final plan set and development budget including projected sales prices.
  - b. Transferee shall have obtained permits for the development of the Property consistent with the designs approved by the Office of Housing.
  - c. Transferee shall have provided evidence satisfactory to the Office of Housing that Transferee has secured all necessary construction financing to fund the construction of the Project.
4. Other conditions.

- a. The Agreement may contain other conditions determined by the Director to be necessary to provide the desired outcomes.
- b. Upon transfer of title to the property, the Office of Housing shall require the transferee to accept the property “as-is, where-is, with all faults” and to release, indemnify, and hold the City harmless from any future claims regarding the condition of the property, including but not limited to any and all claims related to environmental conditions.
- c. Transferee shall record a covenant in favor of the City requiring at least a 50-year covenant preserving the affordable housing units built on the Property as resale-restricted affordable homes. As such, all home sales shall only be to households with incomes at or below 80% of AMI at affordable prices for a period of no less than 50 years.

## Summary and Fiscal Note

### 1. Legislation Summary

**Department:** Office of Housing

**Title:** An ordinance relating to the Office of Housing; authorizing the acquisition of two parcels in the Central Area for the purpose of developing affordable for-sale housing; placing the property under the jurisdiction of the Office of Housing; authorizing the Director of the Office of Housing or the Director's designee to issue a request for proposals and to select a developer and thereafter to execute and deliver a contract for transfer of land, deed, and related documents; and ratifying and confirming certain prior acts.

**Background:**

Since 1999 the Central Area Development Association (CADA), a Washington State nonprofit corporation, has owned two adjacent real estate parcels at the intersection of East 26th Avenue and East Cherry Street in Seattle's Central Area. One of the two parcels is vacant; CADA owns it free and clear. The other parcel, located at 2615 E Cherry Street, is the site of the Harvey Apartments, a 20-unit 1909-era apartment building. Together the two parcels comprise 8,534 square feet. Zoning is NC1-55(M), providing development potential sufficient for more than the present 20 studio and one-bedroom apartments.

In 1999 OH lent \$745,335 to CADA to support its acquisition and rehabilitation of the Harvey Apartments. Subsequent City awards have brought CADA's total obligation

to OH, including the loan balance and accrued interest, to approximately \$1,210,350 as of April 2026. By 2025 building conditions had deteriorated to the point of being uninhabitable. The building was already 50 percent vacant and OH helped CADA relocate the remaining tenants to other OH-funded affordable housing properties. The building has been mothballed ever since, though the Seattle Fire Department conducts training on site from time to time.

Under the City's loan terms the Harvey site must provide no fewer than 18 units of habitable rental housing affordable to households with incomes below 65 percent (4 apartments) and 50 percent (14 apartments) of the area median income through 2039. With a vacant and uninhabitable building, CADA is no longer meeting the terms of its obligation to provide affordable housing at the Harvey Apartments through 2039; furthermore, CADA staff has informed OH staff that the organization is seeking to dispose of their real estate holdings and is unable to continue to pay ongoing operating costs (primarily fire alarm service, insurance, and property tax).

OH staff were unsuccessful in finding another housing organization to take over the property and assume the loan. Nonetheless, retaining the site for affordable housing is essential, given the Central Area's high levels of displacement and historical significance as the heart of Seattle's Black community. OH has not identified any concerns with the site's viability for redevelopment of new affordable for-sale housing.

This legislation would authorize OH to acquire two parcels; enter into a settlement agreement with CADA to (1) accept a deed in lieu of foreclosure for the Harvey Apartments, in the form of a quit claim deed; and (2) enter into a purchase and sale agreement with CADA to acquire the adjacent site. The OH Director or Designee

would be authorized to take ownership of the Harvey Apartment, subject to existing State Housing Trust Fund deed and covenant as encumbrances. Both transactions are subject to an umbrella settlement agreement, the terms of which are attached to the ordinance. Following acquisition of the sites, OH will combine the parcels into a single development site and OH conduct a community engagement process and competitive solicitation for a homeownership housing development partner. CADA's outstanding loan balance would be rolled into the total debt on the site, along with the financing that OH provides to the selected development partner for design and construction of new for-sale housing.

**Summary Attachments:** None.

---

## 2. Capital Improvement Program (CIP)

**Does this legislation create, fund, or amend a CIP Project?**

Yes

No

---

## 3. Summary of Financial Implications

**Does this legislation have financial impacts to the City?**

Yes

No

a. Expenditure Change to General Fund - none

b. Expenditure Change to Other Funds

2026	2027 est.	2028 est.	2029 est.	2030 est.
\$350,000	75,000	75,000		

c. Revenue Change to General Fund - none

d. Revenue Change to Other Funds - none

3a. Appropriations

This legislation adds, changes, or deletes appropriations. N/A

3b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

**Anticipated Revenue/Reimbursement Resulting from This Legislation:** none

**Revenue/Reimbursement Notes:** none

3c. Positions

N/A

3d. Other Financial Impacts

**a. Does this legislation create any other financial impacts for The City of Seattle, such as direct or indirect costs, one-time or ongoing, that aren't mentioned above? If yes, please explain these impacts.**

2026 expenditures reflect the \$300,000 payment to CADA for the parcel adjacent to the Harvey Apartments and an estimated \$50,000 for partial-year operating and pre-development costs. 2027 and 2028 expenditures reflect estimated operating expenses (e.g., insurance, security, and fire alarm service) and ongoing pre-development costs.

The Office of Housing expects to conduct a public engagement process and issue a Request for Proposals in mid-2027, with developer selection and a funding award to follow in mid-to-late 2028.

**b. If the legislation has costs that can be covered within the current budget, explain how. Does the department have extra resources in its budget to handle these costs? Or does the department need to shift resources away from other work to handle these costs?**

For the initial payment of \$300,000, OH will draw from the portion of JumpStart Payroll Expense Tax (JS/PET) in its existing 2026 budget that is reserved for preservation efforts. A total of \$8 million annually is available for these purposes. For the operating and pre-development costs, OH will draw from the 2023 Housing Levy's pre-development fund of \$10 million. One-seventh of these funds are available for each year of the Levy.

**c. What financial costs or other impacts might happen if this legislation is not implemented?**

Absent this legislation, the Harvey Apartments will remain uninhabitable and CADA will remain out of compliance with the terms of its past agreements with OH. Direct foreclosure on CADA would be costly and unwieldy. Rehabilitating the property is not financially feasible. This legislation allows for a streamlined approach to acquire and redevelop the property in a way that provides additional affordable homes in an efficient manner.

**d. How might this legislation affect other City departments besides the one that proposed it?**

No interdepartmental impacts.

---

#### 4. Other Impacts

**a. Does this legislation require a public hearing?**

Yes

No

**b. Does this legislation require a notice to be published in The Daily Journal of Commerce and/or The Seattle Times?**

Yes

No

**c. Does this legislation affect a piece of property?**

Yes

No

**d. Race and Social Justice Initiative impacts:**

**1. How does this legislation affect vulnerable or historically disadvantaged communities? How did you come to this conclusion? Please consider both impacts within City government (like employees and internal programs) and in the broader community.**

This legislation seeks to expand the supply of affordable housing in a neighborhood that has experienced high levels of displacement. Decades of redlining and other forms of discrimination have caused the Central Area's Black population to decline from nearly 75 percent in the 1970s to only about 15 percent by 2018. Black homeownership rates in Seattle are about half those of white households; the loss of Black homeownership in the Central Area has been particularly severe. New public and private investments continue to change the Central Area, but many longstanding residents are no longer around to benefit from the improvements and amenities provided by these investments. Seattle's 2016 Equitable Development Plan and ongoing OPCD demographic and equity analyses repeatedly emphasize that public investment in affordability is essential to counter the loss of affordability areas of both high opportunity and high displacement. A public engagement process will inform the affordable homeownership project to be developed.

Given CADA's plans to wind down operations, this is an opportune time to support the organization's desire to relinquish its commitments under its existing loan agreements with OH and the State of Washington.

**2. Please attach any Racial Equity Toolkits or other racial equity analyses used to develop or assess this legislation.**

See above.

**3. What is the Language Access Plan for communicating with the public about this legislation?**

This legislation will have minimal impact on the public. The legislation will assist in OH in pursuing a transaction between OH and the housing provider.

Should a member of the public request a copy of this legislation in a language other than English, OH will provide translation.

e. Climate change impacts:

**1. Emissions: Will this legislation significantly increase or decrease carbon emissions? Attach any studies or materials that inform your answer.**

No. We note that the existing property's heat source is an aging gas boiler and the building's envelope does not meet current efficiency standards.

**2. Resiliency: Will this legislation make Seattle more or less able to adapt to climate change? If it reduces resiliency, explain what can be done to lessen the impact**

No resiliency impacts identified.

**f. If this legislation creates a new program or expands an existing one, what are the long-term, measurable goals? How will this legislation help achieve those goals? What methods will be used to track progress?**

This legislation does not create a new program. It implements OH's existing asset stewardship policies.

**g. Does this legislation create a non-utility CIP that involves shared funding with a non-City partner or organization?**

No

# Harvey Apartments Transfer

Housing, Arts, & Civil Rights Committee

Andréa Akita, Interim Director

Kelli Larsen, Policy and Planning Director



# Proposed Legislation

Authorizes the Office of Housing to:

- Acquire two parcels in the Central Area for the purpose of developing affordable housing;
- Enter a settlement agreement and accept a deed to the Harvey Apartments in lieu of foreclosure;
- Purchase the parcel adjacent to the Harvey Apartments; and
- Conduct a competitive process for redevelopment of these properties for affordable housing.

# Background

- Central Area Development Association (CADA) acquired the Harvey in 1999 and since that time has received over \$1.2 million in Office of Housing financing.
- CADA purchased the undeveloped parcel adjacent to the Harvey in 1999.
- The organization operated the Harvey until physical condition severely deteriorated. The building has been vacant since July 2025. All tenants have been relocated.
- CADA has been winding down operations and cannot pay off their OH debt.

# Property Map: 2615 E Cherry Street



The parcels are in the Central Area at the corner of E. Cherry Street & 27<sup>th</sup> Avenue East

- Parcel A is the Harvey Apartments building
- Parcel B is the adjacent property

# Future Redevelopment



The two parcels will be assembled into one development site



OH will engage with community for the equitable redevelopment of the site as affordable housing.



Request for Proposals will be released in 2027-2028.

**Thank you**

SEATTLE  
CITY HALL

