



**COMMUNITY ROOTS**  
— HOUSING —

NOTE:

Community Roots Housing was formerly  
known as Capitol Hill Housing

The following policies and procedures will direct CHH's real estate development and acquisition activities. These represent a significant upgrade of the 2003 policies which have not been utilized. The policies codify CHH's significant real estate development decision points.

The policies also outline a development approval process for deliberating new development and acquisition opportunities. The process is intended to improve on and formalize current procedures.

CHH's development and acquisition activities will be consistent with the organization's current strategic planning and will accomplish both social mission and business goals.

### **OVERALL PRODUCT**

CHH acquires and develops multifamily, frequently mixed-use, affordable housing in Seattle using tax credit equity, public "gap" financing, issuance of tax-exempt bonds, traditional debt, and other financing sources. CHH believes in building and acquiring properties for long-term ownership focusing on community priorities for affordability, preservation and community development.

CHH's real estate activities will include new construction, acquisition, and acquisition/rehab.

CHH may also develop commercial-only projects, projects mixing affordable and market rate units, and projects located outside the City of Seattle, consistent with current strategic planning.

Under state law, PDA activities must serve a public purpose.

### **Populations Served**

Tenant population decisions are driven by community priorities and needs, market analysis, and public funding priorities. CHH has historically provided affordable housing for people at 30%-60% AMI supporting a wide variety of people including:

- Seniors and people with disabilities
- Families with children
- Individuals and couples
- People exiting homelessness
- Other special needs populations (e.g. people living with AIDS, people living with mental illness, veterans)

CHH will consider developing or acquiring housing for other populations such as student housing or supportive housing, in partnership with other entities.

CHH will also develop or acquire housing affordable up to 80% of the AMI or mixed market rate/affordable housing especially in consideration of market analysis and CHH's business and mission goals. CHH will also develop Section 8 housing and may develop other housing for very low income people. CHH would also partner with a developer or service provider to build permanently supportive housing.

## **Financing and Ownership Structures**

CHH may use any financing tool or funding source that meets both its mission and business goals which include, but will not be limited to the following financing sources:

### *Tax Credit Equity*

1. 4% Tax Credit Equity
2. 9% Tax Credit Equity
3. New Markets Tax Credit Equity
4. Historic Tax Credit equity

2. Joint Ventures
3. CHH Investments
4. Issuance of tax-exempt bonds
5. Bank Debt
6. Federal Home Loan Bank AHP
7. Deferred Fees

### *HUD Programs*

1. HUD 108 Backed Loans
2. HUD Section 8
3. Other HUD financing

### *Public and Philanthropic Funding*

1. Public Debt (e.g. Seattle Housing Levy or WA Housing Trust Fund)
2. Public Subsidies (e.g. SCL Built Smart incentives)
3. Capital Campaign Proceeds

### *Private Equity and Debt*

1. Private Equity (Impact investments)

For tax credit developments CHH will create and enter into one or more LLC or LP or other ownership structure as determined with legal counsel. These affiliated entities will be used to form necessary partnerships which facilitate financing.

For other developments and acquisitions CHH will create one or more affiliated entities to mitigate liability and facilitate partnerships.

CHH will hold in ownership tax credit buildings through extended use or additional regulatory requirements subject to annual disposition analysis and strategic priorities. Unregulated buildings will be held in ownership according to specific plans developed project by project.

CHH will dispose of properties as necessary to achieve strategic and mission goals when the disposition is consistent with CHH's Use of Physical Assets policy, regulations of authorities having jurisdiction and any JV or partnership agreements.

## **Geographic and Community Priorities**

CHH may acquire or develop real estate anywhere consistent with its current strategic plan.

Per CHH's 2015 strategic initiatives priorities include:

- Capitol Hill, Seattle
- Transit Oriented Development-Projects that are within the *walkshed* of major transit facilities
- Central District, Seattle
- South King County
- Delridge and White Center
- Developing affordable housing that reflect community priorities for affordability, preservation and community development
- Development opportunities that will strengthen community partnerships

Because CHH is a PDA and by its Charter, when developing outside of the Capitol Hill Community the CHH Board must formally determine that the project meets the mission of the organization.

Per Seattle Municipal Code, when developing outside the City of Seattle, CHH must obtain approval from both Seattle City Council and the governing body of the jurisdiction in which the project is to be developed.

## **DEVELOPMENT AND ACQUISITION STANDARDS**

All projects must comply with relevant standards required by financing sources, authorities having jurisdiction, zoning, and CHH standards.

### **Design and Construction Standards**

New construction and relevant acquisition rehabs projects must achieve The Evergreen Sustainable Development Standard (ESDS). CHH will work toward LEED Platinum or other building and construction standards to achieve the highest sustainability levels for each new project without compromising affordability or long-term financial viability.

CHH will utilize highly qualified design firms and challenge them to create projects that are reflective of community priorities, are aesthetically attractive, interesting and bold.

### **Residential Standards**

Residential projects will be of high quality designed to achieve a useful economic life of 50 years or greater to minimize the need for future capital improvements. Residential rehab projects will target building envelope and major building systems as priorities for rehab scope. Projects will be designed to include a range of bedroom sizes, subject to any limitations imposed by targeting of specific residential populations (e.g. family, senior, homeless). Attention will be paid to residential amenities and community space.

### **Commercial and Retail Standards**

Commercial and retail components will comply with current CHH standards. The following attributes of the retail tenant will be considered:

- Financially viable
- Locally owned or operated
- Size
- High community engagement
- Diversity
- Reflective of community priorities as determined by CHH
- Affordability of product or service

### **Financing and Risk Standards**

CHH's financing and risk standards differ between projects that use tax credits and public funding sources and projects with no public sources. Tax credit developments look to debt cover ratio, vacancy standards and projected rents as determined and negotiated with investors and lenders as financing standards. Unregulated developments consider investment return, DCR, and market analysis. These

targets and guidelines will be established by CHH from time-to-time depending on market conditions but at least annually and reviewed by the Property Development Committee.

## **DEVELOPMENT APPROVAL PROCESS**

The acquisition and development approval process could stretch over a period of several months or many years. Throughout the process staff will keep the Board up to date on significant project progress. The Board may be asked to reaffirm their support if the development process falters or becomes dormant. Discussion of real estate transactions at the Board level may be held in executive session pursuant to State code.

*1. Project identification*

Staff will identify projects that meet both mission and business goals and establish early feasibility.

*2. Initial discussions, negotiations and financing support*

Staff may enter into informal discussions and negotiations with brokers, property owners, lenders or others about potential partnerships, acquisitions and developments and begin to contemplate how a potential project might fit within the project pipeline.

Early Pipeline. CHH might have several projects under consideration before formal authorization.

*3. Leadership Support*

Once a project appears viable, staff and CEO present draft project concept to leadership team or other internal deliberative team for advisement and support.

*4. Board Presentation: Conceptual*

The CEO and staff present draft project concept to PDC, executive committee and Board for early concept support and board input. Presentation to include:

- |                                         |                                           |
|-----------------------------------------|-------------------------------------------|
| a. Mission fit                          | g. Retail/commercial strategy (if needed) |
| b. Business fit and investment strategy | h. Population served                      |
| c. Strategic fit                        | i. Ownership                              |
| d. Risk analysis                        | j. Deal structure                         |
| e. Location and context                 | k. Project timeline                       |
| f. Project type                         | l. Approval timeline                      |
|                                         | m. Exit strategy                          |

*5. Formal Negotiations, MOU or Purchase and Sale Agreement*

Staff will negotiate formal agreements with partners and sellers to acquire or develop properties.

*6. Board Approval:*

Because each real estate project is different, the timing of Board approval(s) for any given project will vary based on the dynamics of each project. Staff will present to the appropriate Board Committee any resolution intended for Board consideration and adoption. Staff may seek

and obtain Board approval for a project at multiple stages, however, Board approval is generally required for any of the following project milestones:

- Signing of a PSA
- Signing of a development venture MOU
- Securing and spending predevelopment financing
- Submitting public financing applications
- Approving the final project financing structure
- Execution of bridge, construction, or permanent financing
- Acquiring property

The following standardized document prototypes are part of these procedures:

- Acquisition and Development (Omnibus) resolution
- Inducement resolution (for bonds)
- Bond resolution
- PSA standard terms
- MOU
- Retail development standards and guidelines
- CHH Design Manual (this document is in development)