



WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Opening doors to a better life

EXPANDED LAND ACQUISITION PROGRAM (ELAP)

Program Description and Application Guidelines

Revised November 1, 2020

For additional information or clarification, please email askusLAP@wshfc.org.

Overview

The Expanded Land Acquisition Program (ELAP) is a partnership between the Housing Finance Commission and Microsoft Corporation that enables developers to purchase land and improved real property in east King County that is suited for either multi- or single- family affordable housing development.

The intent of the program is to allow applicants to secure sites as they become available in markets where there is an urgent need for affordable housing and there is competition for limited developable land or for properties that could be better used to meet neighborhood need or capacity.

The Commission administers ELAP as a revolving loan program using capital provided by Microsoft, through a partnership begun in 2020.

How ELAP Differs from Regular LAP Program

ELAP differs from the regular LAP program in several key ways:

- Limited to the communities of East King County, especially the target areas of Redmond, Bellevue, Kirkland, Issaquah, Renton and Sammamish.
- Open to all entities, including for-profit companies as well as local governments, local housing authorities, nonprofit organizations, and tribes
- Housing can serve people who earn up to 120 percent of Area Median Income
- 20-year affordability use restriction instead of 30-year
- Shorter construction timeline – the project must be placed in service by the end of the 5th year (or the 7th if an extension is permitted).

Development Requirements

Housing financed through ELAP must include at least a 20-year affordability use restriction, with priority given to projects with longer use restrictions.

ELAP provides a financing source until such time that construction on the planned affordable housing starts and the ELAP loan is repaid with construction financing thus permitting the recycling of dollars to new acquisition loans. In all cases, the affordable housing units should be placed in service by no later than the end of the 5th year (or 7th year if an extension is permitted).

Within 1 year of receiving an ELAP loan, the borrower must present WSHFC with an updated development plan, including committed and anticipated financial resources, and an estimated development schedule showing completion by year five.

If the borrower does not meet the use commitment within the five-year period, or if the borrower fails to use the property in a way consistent with the original affordable housing development plan, then the borrower may be required to repay the principal of the original loan plus a default interest rate of 5% per annum.

If the borrower sells or transfers the property for a use inconsistent with the original affordable housing development plan, then the borrower may also be required to pay the Commission the difference between the original acquisition price and the new sale price.

The land may be transferred to another organization to be developed into affordable housing consistent with the intent of the ELAP with WSHFC approval while maintaining the land use restrictions. In the event of such a transfer or sale of the land, there will be a cap on appreciation realized by the original ELAP borrower.

Loan Amounts, Terms and Restrictions

There is no maximum loan amount on ELAP loans; however, ELAP is not intended to cover 100% of site acquisition costs. ELAP may not be used for predevelopment expenses. The ELAP loan will cover a maximum of 75% loan-to-land value. The ELAP loan should be in a first lien position but allow for other subordinated debt financing. While the ELAP loan is outstanding, no payments of principal, interest, dividends, or other distributions will be allowed to any funder or any member of the borrower. Strong consideration will be given to applications that propose leveraging ELAP funds with other financing sources.

ELAP loans have a 5% interest rate with an estimated 1% loan fee and a maximum term of 3 years with a 2-year extension available. Interest and principal payments may be deferred for the life of the loan.

Interest Rate Reduction

The interest rate on an ELAP loan may be reduced by up to 3% (at the sole discretion of the credit committee) for the life of the loan in the event of certain changes, listed below, to local ordinances or regulations that meaningfully and positively impact affordable housing projects (beyond just the ELAP project in question). The following policies have been supported by local mayors and aim to reduce costs or otherwise ease the affordable-housing development process.

- 1) Zoning and land use regulations are changed to increase density near current and planned public transit (light rail or bus rapid transit) station hubs.
- 2) Reducing or waiving parking requirements in transit corridors to help reduce overall development costs.
- 3) Reducing or waiving impact and other development-related fees.
- 4) Streamlining and accelerating the permitting process for low- and middle-income housing projects to improve developer certainty around timing
- 5) Providing tax exemptions and credits to incent low- and middle-income housing development.
- 6) Updating building codes to promote more housing growth and innovative, low-cost development.

The intent of the interest-rate reduction is to incentivize public policy changes that make it easier and more attractive to build affordable housing, by motivating developers and jurisdictions to work together to change programs and policies that add unnecessary burden or cost to affordable housing development. The determination of whether a project merits an interest-rate reduction will be based on a case-by-case analysis of the situation.

Application Process

ELAP applications are accepted on a rolling basis with no application deadline. Projects will be considered for funding based upon the availability of lendable proceeds. This allows the program to respond quickly so that applicants can secure sites as they become available.

Applications are considered by a credit committee that includes representatives from the Commission and Microsoft.

EVALUATION CRITERIA

Evaluation criteria will include, but not be limited to, the following:

- Suitability of site for affordable housing.
 - Suitability analysis will include consideration of site's access to transportation, use of existing infrastructure, proximity to necessary services and amenities, and ability to contribute to healthy neighborhood or community development.
- Evidence of strong organizational and financial capacity of the applicant to develop the project including a demonstrated track record of receiving anticipated construction and permanent takeout financing. Minority- and women-owned business enterprise (MWBE) firms strongly encouraged to apply.
- Urgency to acquire site in order to provide affordable housing.
- Leveraging of other sources of acquisition funding.
- Balancing need and geographic distribution with specific focus on cities located in East King County, with a priority on East King County and the Bellevue jobs corridor.
- Development plan.

APPLICATION PROCESS

Please submit one copy of your complete application package via email to:

Bob Peterson, Manager
bob.peterson@wshfc.org

A paper application is not requested; however, if necessary it can be submitted to:

Bob Peterson, Manager
Multifamily Housing and Community Facilities Division
Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

WSHFC staff will review proposals to ensure that they are complete. WSHFC may seek clarification from applicants and may conduct discussions and negotiations with applicants who submit proposals found to be reasonably likely to be selected for an award.

Applications will be considered and approved by a credit committee composed of WSHFC staff and representatives from Microsoft.

For additional information or clarification, please email askusLAP@wshfc.org.

Disclosure

WSHFC reserves the right to retain all proposals submitted.

Materials and information submitted are subject to public disclosure unless otherwise exempt from disclosure under the Washington Public Records Disclosure Act (RCW 42.17 et seq.). No assurances can be given that any materials provided can be protected from public review and copying.

WSHFC reserves the right without prejudice to reject any and all proposals and to negotiate acceptable proposals with selected applicants.

Protest Procedures

All protests must be in writing. Such protests must state all facts and arguments on which the protesting party is relying as the basis for its action. Copies of the protest must be mailed or hand-delivered to the office of WSHFC. The protest must be received by WSHFC no later than 5:00 PM Prevailing Pacific Time on the fifth (5th) business day following the applicant's receipt of the notice of rejection, whether oral or written. Only those who are eligible to submit a proposal under the criteria established by WSHFC may protest the rejection of a proposal.

The Executive Director of the Commission will consider the record and all facts available and issue a decision within five (5) business days from receipt of the protest unless additional time is required, in which case the protesting party will be notified by WSHFC. The decision of the Executive Director will be final.

APPLICATION PACKAGE

1) ELAP REQUEST FORM

Please download and complete application from webpage.

2) QUALIFICATIONS/EXPERIENCE

a) History and Mission of the Borrower

Discuss the History and Mission of the Borrower. Provide information on the Management Team and governance body.

b) Development Team

To demonstrate development team qualifications, please identify each person or company involved with the project team and their respective roles, to the best of your ability at this time. Include a detailed resume of your team's work experience and qualifications. Additionally, please include the personal resumes of key team members, if available.

c) Organizational Development Experience

Describe your team's previous experience in affordable housing development including a comprehensive list of affordable housing projects with which you have been involved. Please include all relevant completed projects as well as projects in your pipeline. The projects listed should illustrate your experience with projects similar in scope and size to what is being proposed and demonstrate your organizations track record with receiving relevant funding.

The list of projects should include, but not be limited to, the following:

- Name and location of project
- Your organization's role in the project
- Description of project including type, size, scope, mix of affordability, special needs set-asides
- Sources of financing
- Date project started and completed construction and current status of the project

d) Financial Capacity

Please attach your organization's past two years of financial statements. Please also provide your year-to-date interim financial statements.

3) PROJECT PROPOSAL

The purpose of ELAP is to provide a source of financing for the acquisition of land for future development. As such, we understand that the proposed development is in the concept stage at this point and will change over time. Based upon this premise, your development plan should be preliminary and reflect a concept rather than a final project.

The following should be included in the proposal:

1) **Project Narrative**

- a) **Site Description**: identification of a specific parcel of developable land that is suitable for development within the target area.
- b) **Suitability of Site for Affordable Housing**: describe the site's location including, but not limited to, the site's access to transportation, use of existing infrastructure, proximity to necessary services and amenities, and the ability to contribute to a healthy neighborhood or community development plan.
- c) **Population to be served and community need**
- d) **Study of area land costs and market volatility**
- e) **Site Acquisition Financing**: describe how you will leverage ELAP funds to purchase the site. Include a site acquisition sources and uses table.
- f) **Proposed Development Plan**: reflecting the anticipated size and type of project, include a description of any other facilities being considered, and whether the project will be rental or homeownership. Also identify the mechanism that will be used to maintain the long-term affordability of project.
- g) **Proposed Timeline**: for completion of development and repayment of the ELAP loan.
- h) **Proposed Financing Plan**: support for the eventual development of the project into affordable housing, including how and when the ELAP loan will be repaid and a timeline for securing all funds.

2) **Market Conditions**: evidence that the site is located in a real estate market where competition for land is high and the availability of land is limited and/or diminishing.

3) **Site Control**: evidence of site control documented by an option to purchase or purchase and sale agreement with a purchase price at or below fair market value. The seller may not be a related party.

4) **Preliminary Commitment for Title Insurance**

5) **Third Party Reports**: land appraisal, environmental reports, etc.

6) **Additional Information**: any relevant information that would be helpful in evaluating your qualifications and/or the proposed development

7) **Regulatory Proposal**: if applicable, a description of the proposed plan to effect change in local ordinances or regulations to reduce the cost of developing affordable housing or ease the development process.

NOTE: Satisfactory review of third-party reports (current land appraisal, environmental reports, etc.) and title insurance will be conditions of closing.