



*Opening doors to a better life*

## FAQ for Partnering with Community-Based Organizations

This document is tailored to answer frequently asked questions as they relate to the Bond/4% Tax Credit program policy Section 4.5: Projects By and For the Community.

- Policy updates are available on the [Bond/4% Tax Credit website](#).
- Resources for Community Based Organizations (CBOs) are available on the [CBO Partnerships Webpage](#).
- Developers and CBOs participating in the program are highly encouraged to read the “[Promising Practices](#)” guide which goes into greater detail on many of these questions.
- For more information, please contact Keri Williams at [keri.williams@wshfc.org](mailto:keri.williams@wshfc.org).

### **Partnering with a CBO**

#### **Q1. Does the Commission keep a list of approved Community-Based Organizations?**

- A. No. Authenticating a CBO is not a permanent designation under Commission policy. As circumstances and relationships with communities change, repeat applicants must re-interview to ensure that organizations are still community-led and community-serving.

For example, leadership and boards may change; geographic areas expand; or organizational missions evolve. If participating in the application process for a second time, the organization must be re-interviewed to confirm previously collected information and discuss the new project relationships.

#### **Q2. I am a developer looking for a CBO partner. Where do I find one?**

- A. Development teams should center the population intended to be served by the project and research the local network of community-specific resources. Past projects have started their relationships by reaching out to community foundations, community centers, local nonprofit databases, senior centers, and schools to understand the local network of community-based organizations.

CBOs Do:	CBOs Do NOT:
<ul style="list-style-type: none"> <li>• Encompass many types of organizations, from Community Action Agencies, nonprofits, coalitions, faith-based organizations, or education centers</li> <li>• Serve specific communities across a wide geographic area (<i>ex: a refugee support organization</i>)</li> <li>• Serve a variety of communities across a specific geographic area (<i>ex: a neighborhood service center</i>)</li> <li>• Demonstrate that decision-making power is placed in the hands of community leaders with lived experience</li> <li>• Have missions and roles that are independent of those of a housing developer.</li> <li>• Have a physical presence in Washington State</li> <li>• Possess an organization structure, decision making body, and legal counsel that is separate from the Developer entity.</li> </ul>	<ul style="list-style-type: none"> <li>• Serve a wide variety of populations across a wide geographic area</li> <li>• Include state or local government entities</li> <li>• Own and manage housing without other connections to community</li> <li>• Qualify as a CBO indefinitely</li> </ul>

### **Eligibility**

#### **Q4: What is the deadline for including a CBO in the project and determining eligibility?**

- A. There is no exact deadline, although potential applicants are generally expected to have a confirmed relationship with a CBO at least 60 days prior to application. Projects are strongly encouraged to cultivate CBO involvement as early as is feasible. Forming a relationship with a CBO early in the project is good, but an important distinction is that relationships are distinct from engagement, which could be potentially harmful. CBOs should be made aware of the uncertainty of receiving financing.

#### **Q4: My organization is a nonprofit, a Community Action Program/Community Action Agency, or has been designated as a CBO by another public entity or funding institution. Does this mean we qualify as a CBO under Commission criteria?**

- A. No. The Commission has undergone its own engagement process to determine eligibility criterion that differ slightly from other entities, based on its emphasis on the lived experience of leadership. Criteria are found in the Bond/4% Tax Credit policy on page 37. Please see the Affinity Group Summary linked above for more information.

#### **Q5: My organization completed an interview and was designated as a community-based organization for a previous tax credit project. Do we automatically qualify as a CBO for another project?**

- A. No. Organizations must re-qualify as a CBO through the interview process to ensure that the organization is still community-led and community-serving and that their work is applicable to

the community contexts of other developments. To reduce administrative burdens on CBOs, these interviews with repeat CBOs may be shorter, with a focus on confirming the organization's structure and mission, and understanding the new project details.

#### **Section 4.5 Projects By and For the Community Points**

##### **Q6. Projects are awarded 4 points for providing CBOs an Option to Purchase at Year 15.**

**What does this mean?** *(See Policy Section 4.5.1(b))*

- A. Year 15 is the industry standard year when the tax credit initial compliance period ends for a LIHTC property. At this milestone, projects have an array of options to preserve the affordability of the housing units, including resyndication (allocating new tax credits to a property) and/or restructuring the ownership of the property. If project ownership is being transferred at the Year 15 milestone, the Commission awards points for agreements in which the CBO has the Right of First Option (ROFO) to purchase the property. This does not guarantee ownership for CBOs, only the option to purchase if the project comes for sale. Partners should carefully consider the capital that will be required to purchase, as well as the organizational capacity required to operate LIHTC housing projects, to strategically determine if ownership is a realistic and sustainable option in alignment with their mission. Among these and all other partnership terms, it is critical that Developer partners communicate consistently and transparently with CBOs throughout the project lifespan.

##### **Q7. Projects are awarded 4 points for placing CBOs first in the waterfall for the deferred developer fee. What does this mean and what can the CBO expect?** *(See Policy Section 4.5.1(b))*

- A. Developer fees (typically calculated at around 5-15% of the total project cost) cover the administrative, staffing, and purchasing activities required to do business. The developer fee is a separate line item in project budgets that is paid to the developer over time. Some of these funds are deferred as a contingency to cover unexpected costs. There is no guaranteed amount that will eventually pass along to CBOs unless specifically negotiated in a legal document.

Generally, less than 25% of the deferred developer fee is paid out when the project closing occurs, and larger portions are expected during the remainder of the compliance period such as construction completion and placed in service. Some projects will forgo payment of up to 100% of the deferred developer fee until the end of the compliance period. Developer fees are one type of cash flow that CBOs can negotiate in partnerships, but cash flow from a given development is not guaranteed. CBO financial planning should not depend on these funds, and other substantial financial benefits should be included in the partnership agreement.

To understand how the CBO can expect to benefit from the deferred developer fee under the unique circumstances of each project, CBOs should consult with legal counsel that is

experienced with tax credits. For financial planning and stability, partnerships should establish a payment and communication schedule.

**Q8. I am a developer working on a project that will include a service provider partnership.**

**Does this qualify as a financial benefit to CBO partners?** *(See Policy Section 4.5.2(b))*

- A. No. Service contracts are part of doing business and reflect the payment for services rendered. The intent of this policy is to reflect the relationships and community expertise that meaningful CBO partnerships bring to projects, which make them more sustainable and competitive. A meaningful financial benefit should be determined in conversation with CBOs, and will vary depending on the size, mission, and commitment level of a given partner. CBOs will be asked during interviews how the financial benefit was fairly negotiated, and whether this reflects their organizational capacity and value added to the project. However, service partnerships are still an important opportunity to understand and meet tenant needs and promote project success. Points are awarded for projects that demonstrate how a community engagement process with potential tenants informed a service provider contract. To qualify for these points, service provider contracts should be reflected in the operating budget regardless of whether a specific partner has yet been identified at the time of application *(See Policy Section 4.5.3.2)*.

**Q8. I am a developer working with a CBO partner. What types of non-financial benefit qualify under this policy?** *(See Policy Section 4.5.2(b))*

- A. Non-financial benefit is an intentionally customizable incentive to promote benefits that can meet the unique circumstances of each partner and project. Non-financial benefits should be determined through relationship building and organizational visioning. Some examples could include:
- Increased service capacity
  - Proximity to communities served
  - New or expanded facilities
  - Training
  - Knowledge sharing/mentorship
  - Staff capacity
  - Contracted services

**Q9. I'm a developer partnering with a CBO. What kind of documentation do I need to submit at the time of application to demonstrate this partnership? (See Policy Section 4.5.1 thru 4.5.3)**

A. Two documents are required upon application:

1) Potential Tenant Engagement Response Form (PTERF) includes the basic terms of the partnership, along with the scope of the engagement, documented engagement roles and activities by both partners, and a summary of how the engagement resulted in project outcomes.

2) Memorandum of Understanding outlining the agreed upon terms with as many specifics as possible. The terms should include:

- Partnership details, if applicable, with details of cash flow and developer split and anticipated payout schedule
- Roles and responsibilities of each entity
- Fees or payments to be made to the CBO including anticipated dates and amounts

**Q10. Projects are awarded up to 2 points for demonstrating that the results of potential tenant engagement were incorporated into the project. I am a developer with a project that is already in the permitting process and I'm planning to apply for Application of Potential Tenant Engagement points. What should I keep in mind when engaging potential tenants? (See Policy Section 4.5.1 thru 4.5.3)**

Clarity and transparency are critical engagement principles. If the project design is substantially complete, then engagement activities should be focused on identifying the scope of project changes that their input CAN and CANNOT influence Potential tenants should know exactly the scope of the input they can provide, and how that input will be used. Topics of engagement can include not just the design elements of the project, which may be difficult given the timing, but also items that won't affect permitting or construction contracts, such as:

- Property management practices
- Services and residential programming
- Unit and common area fixtures and finishes
- Exterior features such as garden areas, bike racks, art installations
- Plans for ongoing engagement such as a resident advisory council