



Rental Development Application for Funding 2016-17 Tax Credit Developments

1) STATEMENT OF PURPOSE

The City of Raleigh's Housing & Neighborhoods Department announces the availability of funds under the City's Community Development Joint Venture Rental Program for qualified developers to submit proposals for the new construction or rehabilitation of multifamily rental units. Rental units assisted with City funds must be affordable to families, individuals and/or the elderly that have annual incomes at or below 60% of the area median income (AMI). This does not preclude mixed income developments. Funds are available through the allocation of local funds as well as federal HOME and CHDO (Community Housing Development Organizations) funds. All funding is contingent upon approval of the proposed development by Raleigh City Council. All developments must be located within the City limits of Raleigh to be eligible.

Funds are available to for-profit and non-profit developers or sponsors of rental housing in the form of loans for construction-to-permanent financing.

NEW THIS YEAR: Funds are also available in the form of a Land Acquisition Grant to be used to write down high land costs for high priority areas.

Any questions should be addressed to Aimee Holtsclaw at 919-996-6948 or Aimee.Holtsclaw@raleighnc.gov.

2) APPLICATION DEADLINE AND SCHEDULE

November 23 to January 20 – staff available for questions and technical assistance on applications.

December 16 – Developers applying for a Land Acquisition Grant must submit property address and justification to staff for approval by this date.

December 23 – Developers who have requested Land Acquisition Grants will be notified whether land is eligible.

January 20 – Deadline for receipt of application by the City of Raleigh. All applications must be received in the City of Raleigh Housing & Neighborhoods Department Division of Community Development office by 5pm.

January 20 to March 31 - Staff evaluation of applications (incomplete applications will not be considered).

March 24 – NCHFA announces final site scores.

April – City staff submits funding recommendations to City Council (Agencies will be notified of staff recommendations and meeting date prior to meeting).

Late April – City Council will review recommendations for approval and denial.

Early May – Developers will receive preliminary commitment letters for funding for submission to the May 12th NCHFA deadline.

August – once Tax Credit reward notifications have been made and all financing is in place, a Final commitment letter will be issued.

NOTE: Dates subject to revision.

3) ELIGIBLE PROJECTS

All projects must meet the following minimum requirements to be considered for funding:

- a) Projects may include the construction of new units, the rehabilitation of existing units or the adaptive re-use of existing structures.
- b) The property must meet the minimum property standards and all applicable building codes upon completion of construction or rehabilitation. Higher scores will be given to projects that commit to meeting Energy Star requirements or better (third party verification required upon completion of construction/rehabilitation).
- c) Projects must contain at least twenty-four (24) assisted rental units.
- d) The properties must be located within the City limits of Raleigh or be in process of annexation prior to staff making recommendations to City Council.
- e) Existing properties should be vacant, presently occupied by low-income families that meet program income requirements or have accounted for in budget for relocation expenses. (NOTE: Tenants cannot be asked to relocate in anticipation of applying for City funds.)
- f) Projects must have secured site control at the time of application. Staff will review applications that are in the re-zoning process; however, staff will not recommend a loan for approval if the site is not properly zoned for its intended use.

- g) The City's Housing Location Policy was adopted by City Council. See Attachment A. Developers should consult the policy during site selection and also be aware of and follow the site requirements and evaluation criteria of the Housing Finance Agency's QAP. Applicants should contact City staff should they have any questions regarding site locations and desirability.

Land Acquisition Grant Eligibility

- a) Property must meet all of the above.
- b) Property should be located near future transit improvements, downtown neighborhood or in an underserved part of the City where land costs are high.
- c) If property land acquisition costs are greater than the appraised value of the land, developer must be able to justify why this is necessary.
- d) Developer must be able to demonstrate that project would not be feasible as affordable housing were it not for the land grant.

4) RENT AND INCOME LIMITS

All assisted units are subject to the following income and rent restrictions for the greater of 20 years, the extended use period for any low-income housing tax credits, or as long as the City loan is outstanding.

- a) All assisted units must be set-aside for households with incomes at or below 60% of the AMI, adjusted for household size. If the project is HOME- funded, at least 20% of the units must be set-aside for households at or below 50% of the AMI. If HOME funds are combined with federal Low-Income Housing Tax Credits, additional requirements may apply. Priority will be given to developments that set aside units for persons making at or below 40% of AMI or are partnering with Alliance Behavioral Healthcare. Refer to Attachment B for income limits for Raleigh-Cary MSA.
- b) Every assisted unit is subject to maximum rent limits designed to help make rents affordable to low-income households. If the project is HOME-funded, rents must be no more than the HOME Program rent limits (less tenant-paid utilities) OR the market rents of comparable housing, whichever is less. Refer to Attachment B for maximum HOME program rents.

Annual monitoring of tenant income certifications and rents for assisted units may be required.

5) LOAN TERMS

The terms of the City funds will be negotiated consistent with the following guidelines:

- a) Construction-to-permanent financing
- b) Interest Rate: 0%-2%, depending on a project's needs

- c) Term: 20/30/40 Years, or as long as affordability is maintained
- d) Repayment: Deferred or monthly, depending on the population served and the project's needs.
- e) Lien: First or subordinate with conditions
- f) Right of First Refusal

Land Acquisition Grant terms:

- a) Funds will be provided at acquisition of land.
- b) Land grant is only eligible for projects that also receive additional construction-to-permanent financing from the City which should close simultaneously.
- c) A total of \$1.5 million has been made available for the Land Acquisition Grant Program. In order to determine whether the site is eligible, the developer must submit a 1-2 page letter to City staff that provides the address, amount requested for the acquisition in addition to total cost of acquisition, justification for why the property should be considered eligible for a grant and that project would not be feasible otherwise. More information on the Wake Transit Plan can be found here: <http://www.waketransit.com/transitplan/>

d) FINANCIAL PROJECTIONS

The City will review the development budget for accuracy and reasonableness. The following underwriting assumptions will apply:

- a. General requirements, builders profit and overhead, consulting fees, contingency, architect's fees and developer's fees are with the limits as listed in NCHFA's QAP
- b. Operating reserve is at least six months of total project expenses and annual loan payments
- c. City legal fees, which are a responsibility of the developer or sponsor, are included in the development budget

e) UNDERWRITING ASSUMPTIONS AND FEE LIMITS FOR RENTAL DEVELOPMENTS

Review and be familiar with the requirements as stated in the North Carolina Housing Finance Agency's QAP. The City funds are provided for gap financing.

8) EVALUATION CRITERIA

The following criteria will be used to evaluate development proposals. The relative importance of the evaluation criteria attempts to track the evaluation criteria of the NCHFA as well as Raleigh's housing goals. The probability of the project actually closing is an important criterion. The location of the site, the quality of the proposed improvements, the population being served, the financial strength and the capability of the developer, the capability of the property manager and the ability to repay the

loan with the minimum repayment terms are also important criteria. The City will not issue a commitment unless the zoning is appropriate to the plan.

The City is accepting the NCHFA application in addition to a 20/30/40 year pro forma in lieu of having a separate application.

a) Financial Feasibility, Leveraging and Development Costs (20 points)

- i. Project is financially feasible with a high probability of moving forward (evidence of commitments from other funding sources, appropriate DCRs, reasonable rents, etc.) (0 to 5 points)
- ii. Project costs per square foot (excluding land) in addition to costs per - bedroom are reasonable, as compared to similar projects funded by the City (0 to 5 points)
- iii. Amount of City subsidy per unit, as compared to similar projects funded by the City (0 to 15 points)

b) Site and Market (30 points + 15 bonus points)

- i. Proximity to other subsidized housing units (0 to 5 points). Elderly housing automatically awarded 5 points.
- ii. Proximity to appropriate services and/or employment centers and transportation (0 to 5 points)
- iii. NCHFA site score (0 to 5 points)
- iv. A market study must show that there is a market for the housing in the area. This can be provided once obtained through the tax credit program (0 to 5 points)
- v. Reservation of at least 5% of units for referrals from Alliance Behavioral Healthcare (0 to 5 points)
- vi. At least 5% of units targeting individuals or families at 40% of Area Median Income (0 to 5 points)
- vii. BONUS (5 points): Project is located within a one-half mile radius of a covered transit stop served at intervals of 30 minutes or better in each direction for 12 consecutive hours each work day (must provide letter from GoTriangle or GoRaleigh to support).
- viii. BONUS (10 points): Project is an implementing element of an adopted neighborhood revitalization plan.

c) Development Quality (20 points)

- i. The building design and use are compatible with the surrounding environment and existing neighborhood with appropriate vehicular and pedestrian connections to nearby amenities (0 to 7 points)
- ii. The overall building design is aesthetically pleasing and well thought out and is characterized as possessing “architectural appeal” with material

selections that are of good quality, designed for normal maintenance and can be expected to perform well over the long term (0 to 7 points)

- iii. The site is suitable for the proposed development without additional major geotechnical, environmental or utility infrastructure expenditures (0 to 6 points)

d) Development and Management Team (20 points)

- i. Capacity and experience of the development team with comparable size and type projects on time and within budget (0 to 7 points)
- ii. Developers with prior experience with the City will be evaluated on those experiences in addition to history of loan repayment. Developers without previous experience with the City of Raleigh will be asked to provide references from other government entities. (0 to 7 points)
- iii. Capacity and experience of the property management company with comparable size and type projects evidenced by occupancy levels, maintenance and repair of existing rental units, compliance with federal requirements and record keeping and reporting (0 to 6 points)

e) Sustainability (10 points)

- i. Development commits to LEED certification or a measure beyond Energy Star (to include conservation and protection of environmental resources, green building, water conservation, tree conservation, recycling of construction and residential waste, energy efficiency, integration/use of local pools of low-income labor, etc). Third party verification will be required to ensure that these standards have been met at completion of rehabilitation or construction. (0 to 5 points)
- ii. The City of Raleigh is an equal opportunity employer. The use of small disadvantaged minority & women-owned business firms as subcontractors in the project is an important factor for selection. The City has a general goal of 15% (7% women & 8% minority) minority and women owned business participation in projects. The organization or individuals applying should endeavor to make a good faith effort to achieve this goal and should include documentation with their proposal that addresses these criteria. (0 to 5 points)

f) Rehabilitation vs New Construction (Bonus: 10 points)

Ten bonus points will be given to developments proposing rehabilitation as opposed to new construction within the City Limits of Raleigh in order to promote the preservation of existing housing.

APPLICATION SUBMISSION CHECKLIST

A copy of the application form submitted to the North Carolina Housing Finance Agency (NCHFA) for funding will be required as part of the City application. To be considered complete, the proposal must also include the following supporting documents. **This sheet should be used as a coversheet for your proposal with all attachments in the order as listed below.**

- Nonrefundable application fee of \$100 made payable to the City of Raleigh
- Cover letter briefly describing the proposed project, population to be served and the specific amount requested from the City of Raleigh
- Projects approved for Land Grant Acquisition include copy of original letter submitted to the City prior to application
- Signed copy of NCHFA pre-application **and** a 20/30/40 year pro forma (should changes be made, the developer will be required to submit updated application to the City)
- Project schedule (HOME funds require that project construction begin within 12 months of issuing the final commitment letter and be complete within 4 years)
- Location map clearly indicating the project site
- Site plan for project site (survey, plat or tax map)
- Evidence of site control (deed, contract of sale, option to purchase or other evidence acceptable to the City)
- Evidence of appropriate zoning for proposed project or evidence that zoning change is in process with a likelihood of approval prior to making recommendations
- Outline plans and specifications, including at a minimum elevations, floor plans and a site plan
- Resume or other qualifications of the developer or sponsor, including a list of previous projects with current vacancy rates
- Letters of Support from other Agencies and Funding Sources with whom you intend to collaborate, including Alliance Behavioral Healthcare, if applicable
- Description of supportive services offered to tenants, including provider of services, history of providing services to the proposed population, and annual budget for the supportive service delivery
- Short narrative describing how Energy Star will be used and any other sustainable practices that will be implemented and how that will be ensured
- Description of how the developer intends to recruit/use small disadvantaged minority & women-owned businesses in the project
- Appraisal (required for all acquisitions) and Phase I, if available
- Crime report for the property and a ½ mile radius for the previous year
- Letter from GoTriangle or GoRaleigh to certify bus service, if applicable

To be considered for funding all applications must be received by **5:00 p.m. on January 20, 2017**. All Land Acquisition Grant requests must submit early request by **5:00 p.m. on December 16th, 2016** to be eligible to include in application. Original applications plus one additional hard copy with all attachments, and one (1) electronic copy should be forwarded to the following person and address:

Ms. Aimee Holtsclaw, CD Program Coordinator
City of Raleigh Housing & Neighborhoods Department
Community Development Division
310 West Martin Street, Rm 101
PO Box 590
Raleigh, NC 27601
919-996-6948

8) EVALUATION OF PROPOSALS

Applications will be reviewed for completeness and eligibility. All eligible proposals will be ranked according to the criteria stated in this Request for Proposals. Also note that all sources of financing must be identified before a commitment letter will be issued. All sources of financing must be secured before closing. Commitments will be valid for 12 months.

**** Should any project that the City commit funding to return to the City or with requests for additional funds, payment changes, changes in terms of funding commitment, units produced or any other substantial change to the original commitment, the developer will be required to resubmit an application in the next Request for Proposals for the changes to be considered.**

9) APPLICATION FEE

Applicant's must submit a \$100 non-refundable application fee in the form of a check made payable to the City of Raleigh.

10) RIGHT TO REJECT PROPOSALS

The City of Raleigh reserves the right to reject any and all proposals received as a result of the Request for Proposals or to negotiate on the terms of the funds so as to best serve the interests of the City of Raleigh.