Affordable Housing RFP 2015

Consolidated Request for Proposals for Affordable Housing Projects

Housing Production Trust Fund (HPTF) | HOME Investment Partnerships Program (HOME) | Department of Behavioral Health (DBH) Grant Funds | 9% Low-Income Housing Tax Credits (LIHTC) | Local Rent Supplement Program (LRSP) | Housing Choice Voucher Program (HCVP) | Annual Contributions Contract Program (AAC) | Department of Human Services (DHS) Supportive Services Funds

Issue Date: July 29, 2015
Closing Date: October 19 ~~5~~, 2015 *(Updated 9/11/2015)*

WE ARE WASHINGTON DC

I. INTRODUCTION

The greater Washington D.C. area is one of the most expensive housing markets in the country. More than 4 out of every 10 renters in the District of Columbia pay more than 30% of their monthly income towards housing.[1] The greatest gap between the need for and supply of affordable housing is among households with the lowest incomes, those earning no more than 30% of the Area Median Income (AMI, currently $109,200 annually for a family of four).

In the most extreme situations, the lack of affordable housing leads to homelessness. Nearly 8,000 residents of the District of Columbia are homeless[2], and another 4,700 households face a high risk of homelessness. Almost all growth in the homeless population between 2007 and 2014 is due to the rise in family homelessness.[3]

It is in this context that the D.C. Department of Housing and Community Development (DHCD), the D.C. Housing Authority (DCHA), the D.C. Department of Behavioral Health (DBH), and the D.C. Department of Human Services (DHS) release this Consolidated Request for Proposals (RFP), the District of Columbia's primary vehicle for awarding federal and local funds and tax credits for affordable housing.

The RFP seeks impactful proposals to produce new affordable housing units for households earning less than half of the AMI, with a special emphasis on creating Permanent Supportive Housing (PSH) for individuals and families who were once homeless and continue to be at imminent risk of homelessness. DHCD also seeks to fund projects that preserve existing, occupied affordable housing units reserved for low-income households.

With this RFP, the Administration of Mayor Muriel Bowser, through DHCD and its partner agencies, intends to be more prescriptive than in the past. The Administration solicits projects that address very specific needs, with regard to income levels served and the supportive housing models followed. The terms of this RFP are specifically guided by the following:

- The Housing Production Trust Fund (HPTF) statutory requirement that at least 80% of project delivery expenditures go to units for households earning no more than 50% of the Area Median Income (AMI), including 40% for households earning no more than 30% of AMI;

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[1] Tatian, Peter. *Affordable Housing Needs Assessment for the District of Columbia: Phase II.* Urban Institute. May 2015.
[2] 2007-2014 Point-in-Time Estimates by CoC (https://www.hudexchange.info/resource/4074/2014-ahar-part-1-pitestimates-of-homelessness/).
[3] 2007-2014 Point-in-Time Estimates

- The goals outlined in Chapter V of the Interagency Council on Homelessness'(ICH) 2015-2020 strategic plan, titled *Homeward DC*, with particular emphasis on the production of Permanent Supportive Housing (PSH) units; and
- The need to preserve existing affordable housing, as guided by the Housing Preservation Strike Force, an 18 member advisory group created by Mayor Muriel Bowser in July 2015.

All prospective applicants are strongly encouraged to read the following document in its entirety prior to beginning an application. There are many changes from previous years' RFPs, including but not limited to the following:

- **Online Applications** - Applications must be created and submitted online. Certain specific instructions and forms are only available through the online system.
- **New Permanent Supportive Housing Requirements** - Permanent Supportive Housing units that are used to meet the 5% set-aside requirement must follow the Housing First model and fill vacancies through the Coordinated Entry System, as defined in the RFP.
- **Deeper Income Targeting** - To receive funding, new units produced must serve households in the 0-30% and/or 31-50% AMI categories. Projects may contain units that serve other income levels, but those units will not be eligible for DHCD funding. Preservation projects may receive funding for units serving households with incomes up to 80% of AMI.
- **Elimination of Most Geographic Targeting** - The only geographic preference is for projects that are within ½ mile of a Metrorail station or a stop on the H/Benning streetcar line.
- **New Green Building Standards** - The Green Building standards applied to projects have been updated. All projects now must be certified using the 2015 Enterprise Green Communities Criteria or a substantially similar standard, currently LEED for Homes or LEED for Homes Multifamily Midrise. If a project team would like to use another standard, it must be pre-approved by DCRA's Green Building Division prior to submission.
- **Elimination of Tier 1 / Tier 2 Process *(Updated 9/11/2015)*** - All applications are due on the same date, October 19 ~~5~~, 2015. There will no longer be two separate application tiers, though certain selection criteria will reward project readiness.
- **No Community Facilities** - Funding is only available for affordable housing projects. No funding is available for community facilities.
- **No CDBG or HOPWA Funds –** No Community Development Block Grant or Housing Opportunities for Persons with AIDS funds will be available through this RFP.

II. WHO SHOULD APPLY

DHCD will accept and consider eligible development proposals from all qualified applicants. Specific requirements for development team members are detailed in Section V. Applicants should represent a development team that includes a developer, architect, professional consultants such as an attorney, a general contractor, property manager, supportive services provider (for Permanent Supportive Housing Projects), lenders and investors, and any other team members necessary to finance, construct, and operate the development.

Together, the team must have the experience and financial and technical capacity to deliver a project that meets all of DHCD's eligibility requirements and remains operational and compliant for the life of the project.

Lead applicants and project team members may be non-profit or for-profit entities, though priority scoring points are awarded to non-profit applicants. Applicants may be based in the District of Columbia or outside, but there are requirements about partnering with District-based enterprises and hiring District residents outlined in the Selection Criteria and the Compliance & Monitoring Requirements sections of this document.

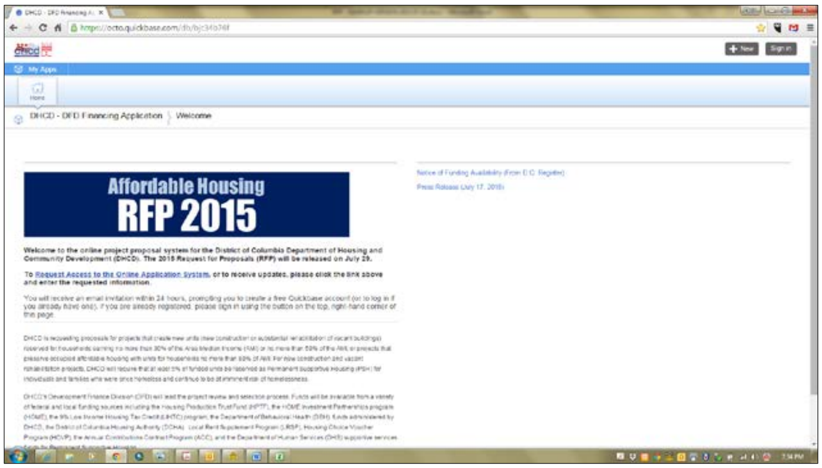
Applicants may submit development proposals for more than one project in the same funding round if their project team's capacity allows it.

Projects should be far enough along in the pre-development process to meet all Threshold Eligibility Requirements. Applicants with projects that will not pass Threshold are encouraged to further develop their proposals prior to applying for funding.

III. HOW TO APPLY

All proposals in response to this RFP must be created and submitted in DHCD's online submission system, located at the following web address: [https://goo.gl/DvyJ6R.](https://goo.gl/DvyJ6R)

Screenshot of Online Application System



Applicants should visit the website as soon as possible, to register as users and become familiar with the system. Detailed instructions on how to create, build, and submit an application are provided on the website.

The central component of the application is a multi-tab spreadsheet titled 'Form 202 – Application for Financing' provided by DHCD (available within the Online Application System, linked above). Applicants will use this workbook to present details of their proposal, such as their development budget, operating pro-forma, tax credit calculations (if applicable), and unit information.

Additionally, applicants will be required to upload an extensive list of documents, some provided by DHCD and filled out by the applicant (such as the Form of Contract Affidavit for every team member), and others obtained directly by the applicant (such as the appraisal and Phase I environmental assessment).

In order to submit an acceptable, fully competitive proposal and maximize the scoring potential of the application, all application filing requirements must be closely followed and all information requested in the application must be responded to completely.

In the past, applicants have submitted project binders and compact discs. However, hard copy applications, binders and/or CDs, are not required and will not be accepted in lieu of an online application submission.

IV. REVIEW PROCESS & TIMELINE

The project review process has four phases and takes approximately 9 months, as summarized in the table below. This timeline assumes no unforeseen delays, and is detailed below.

Project Review Timeline (Updated 9/11/2015)

	DATE	*MILESTONE*	*REVIEW PHASE*
2015	July 29	RFP Released	
	October 19 ~~5~~	Proposals Due	I. Threshold Review
	Late October	Threshold review results announced	II. Initial Underwriting
	Mid December	Project selection results announced	III. Final Underwriting
2016	March-April	Letters of Commitment issued	IV. Pre-Closing Due Diligence
	June-September	Closing	

Threshold Review

Once the application window is closed, DHCD will conduct a Threshold review to determine whether or not applications conform to the Threshold Eligibility Requirements outlined in Section V of the RFP. Applications must meet every single requirement or they will be deemed ineligible and will not be reviewed further. Applicants whose proposals do not meet Threshold will be promptly notified so that they can work to address the deficiencies and reapply through the next Request for Proposals. Applications that pass Threshold will be advanced to underwriting.

Milestone: Threshold Review results publicized

Initial Underwriting

Project underwriting will begin with DHCD convening a kick-off meeting between a project manager from the Department's Development Finance Division (DFD) and the applicant. The purpose of the kick-off meeting is to review the project status as it advances to underwriting, and to gain a common understanding of the requirements, terms and questions for further review of the application.

DHCD will conduct due diligence, environmental and other regulatory reviews, review other proposed and committed sources of financing and operating subsidy, and otherwise verify representations made in the application. DHCD underwriters will establish tentative underwriting terms including (where applicable) loan amounts, loan terms, interest rates, security and collateral requirements, and other applicable covenants. Site visits will be scheduled with each applicant to visit the proposed project site, and the site of another project that the developer has already completed or on which construction has commenced.

Applications will be scored against the Underwriting Scoring Criteria outlined in Section V of the RFP. Projects meeting the minimum Underwriting Scoring Standards will also be scored against the Prioritization Scoring Criteria. Once scored, projects will be compared against all others received in the same eligible project category (i.e. Production or Preservation).

Applications and scores will be forwarded to an Independent Review Panel of government partners and industry experts for review and prioritization. Projects which the Panel finds: a) meet the eligibility requirements, b) meet the minimum Underwriting Scoring Standards, and c) score competitively compared with other proposed projects of similar type, will be recommended to DHCD for funding. DHCD will conduct the final review of applications and will select the applications for funding.

DHCD anticipates issuing selection letters before the end of Calendar Year 2015. These letters will outline the conditions under which DHCD will fund projects. This may include such items as, for example, an updated appraisal, acceptable final commitments from all other funding sources, or a final construction contract. The selection letter is not a firm commitment and another stage of underwriting and due diligence must occur before Letters of Commitment are issued.

Milestone: Selection letters issued

Final Underwriting

Projects that pass the initial underwriting phase and receive selection letters will be submitted to DHCD's Office of Program Monitoring (OPM) for thorough review against all program compliance criteria. Detailed information about the OPM review process is included in the **Compliance and Monitoring Reference Guide**, provided as a supplement to this RFP. DHCD project managers will finalize loan proposals and present loan packages to an internal Loan Review Committee, which has the authority to approve the loans or request additional information or clarification. Projects that are approved by the Loan Committee will be invited to execute a Letter of Commitment that finalizes the loan terms, subject to a set of conditions precedent to closing.

<u>Milestone: Letter of Commitment executed</u>

Pre-Closing Due Diligence

Once a Letter of Commitment has been executed, a set of final pre-closing steps occur. For example: DHCD attorneys draft loan documents for the project and share with the borrower for review; Loans of $1 million or more are submitted to the Council of the District of Columbia for required approval; Developers must secure final funding commitments from all funding sources and obtain final building permits. Once all of these pieces are in place, the project will proceed to closing. A full list of the pre-closing requirements is included in the **Compliance and Monitoring Reference Guide**.

<u>Milestone: Closing</u>

Post-Closing

After closing, DHCD will hold a pre-construction meeting and issue a Notice to Proceed. DHCD will continue to monitor the project during construction, at lease-up or sale, and for the entire affordability compliance period and loan repayment term. More information about DHCD's ongoing monitoring is also available in the **Compliance and Monitoring Reference Guide**.

Anti-Deficiency

The obligation of the District to fulfill financial obligations of any kind pursuant to any and all provisions of the conditional commitments or other agreements entered into at any point on this timeline are and will remain subject to the provisions of: (i) the Federal Anti-Deficiency Act, 31 U.S.C. §§1341, 1342, 1349, 1351; (ii) D.C. Official Code § 47-105; (iii) the District of Columbia Anti-Deficiency Act, D.C. Official Code §§ 47-355.01 – 355.08, as the foregoing statutes may be amended from time to time; and (iv) §446 of the District of Columbia Home Rule Act.

V. SELECTION CRITERIA

All project proposals will be reviewed against a combination of Threshold Eligibility Requirements and Scoring Criteria. Failure to meet any of the Threshold Eligibility Requirements will result in disqualification. Projects that comply with all the threshold requirements will next undergo Underwriting Scoring. Projects may not receive more than two scores of “0” (Zero) on any of the Underwriting Criteria elements. Finally, projects that are not disqualified in underwriting will be scored against a set of Prioritization Scoring criteria. All selection criteria are described below.

The Online Application System will prompt applicants to submit documentation in response to all requirements and scoring criteria, and further details and instructions about each element are available once an online application is begun.

A. Threshold Eligibility Requirements

Applicants must submit documentation that fully demonstrates their compliance with each and every one of the Threshold Eligibility Requirements outlined below. The Online Application System will prompt applicants to answer a series of questions about their proposals and upload the required documentation. Failure to meet the eligibility requirements, or to document eligibility, will result in elimination of the application from funding consideration without further review.

1. Eligible Project Type

To align with the above-stated priorities, DHCD will only consider funding requests for the following project types through this year’s Consolidated RFP:

a. Production Below 50% AMI

Funding for new construction projects, or projects that rehabilitate vacant buildings, that produce units reserved for households earning 0-30% of the Area Median Income (AMI) or 31-50% of AMI.

- Funded units may be within a mixed income project, but DHCD will not fund new units capped at higher AMI levels.
- 5% of the funded units, and no less than one, must be reserved and operated as Permanent Supportive Housing (PSH) that adheres to the Housing First model and fills vacancies through the Coordinated Entry system.
- Projects must produce at least 5 funding-eligible units.

OR

b. Preservation

Funding for the acquisition and rehabilitation of existing, occupied housing with at least five units, where affordability will be preserved for existing low-income tenants at any income level no greater than 80% of AMI.

- The property may have an existing and expiring affordability deed-restriction, or it may currently be a market-rate project that provides housing to low-income tenants.
- To qualify as a Preservation project in this RFP, the goal of the project must be to upgrade the housing quality for existing low income residents and commit to long-term affordability.
- Projects that renovate existing buildings to create housing for new residents will be subject to the requirements for Production projects outlined in 1a above.

Table 2. Units Eligible for Funding

INCOME CAP	*PRODUCTION*	*PRESERVATION*
Above 80% of AMI		
80% of AMI		✓
60% of AMI		✓
50% of AMI	✓	✓
30% of AMI	✓	✓

These eligibility categories apply uniformly to all projects, regardless of proposed tenure (rental, homeownership, or cooperative). The requirements do not preclude mixed income or mixed use proposals. However, applicants will be responsible for demonstrating in their application materials (particularly the development and operating budgets) that any DHCD funds requested will only be allocated towards costs associated with eligible units.

2. Permanent Supportive Housing

For new construction rental projects, and rental projects that rehabilitate existing, vacant building, at least 5% of the units, and no less than 1 unit, must provide Permanent Supportive Housing (PSH) as defined in this RFP.

> “**Permanent Supportive Housing (PSH)**” **–** Supportive housing for an unrestricted period of time for individuals and families who were once homeless and continue to be at imminent risk of homelessness, including persons with disabilities as defined in 24 CFR 582.5 for whom self-sufficient living may be unlikely and whose care can be supported through public funds. (DC Official Code 4-751.01-28)

PSH units that are used to meet the 5% set-aside requirement must follow the Housing First model and fill vacancies through the Coordinated Entry System (as defined in this RFP). A Supportive Services Plan must be included with all applications that will provide Permanent Supportive Housing (except for projects that are requesting grant funds from the Department of Behavioral Health and do not wish to be considered for other PSH subsidies should DBH funds be unavailable).

3. **Site control**
   Applicants must have control of the site proposed for development. This may be in the form of a current deed evidencing fee simple ownership, a lease option (lease term must be equal or greater than the proposed financing term), a land or property disposition agreement (LDA or PDA) executed with the District of Columbia, or a contract of sale. At the time of application, site control MUST extend for at least 180 days beyond the date of the application submission or be demonstrably renewable so site control can extend to the 180 day period.

4. **Zoning**
   The applicant must demonstrate that the proposed development is matter of right, or that approval from the Board of Zoning Adjustment has been obtained for necessary changes. If the proposed project requires a more substantial zoning decision, such as approval of a Planned Unit Development, final approval of the change is required prior to application submission.

5. **Form 202 – Application for Financing**
   The financial component of this application will be submitted using is a multi-tab spreadsheet titled ‘Form 202 – Application for Financing,’ (Form 202) that will be provided by DHCD (available within the Online Application System). Applicants will use this workbook to present the details of their proposal such as the development budget, operating pro-forma, tax credit calculations (if applicable), and unit information.

   The financial information submitted must make a compelling and coherent case for the funding request, and all data must match the corresponding information provided elsewhere in the Online Application. Applicants should pay special attention to DHCD’s cost and funding guidelines that apply to all projects, such as restrictions related to developer fees, contractor and architect fees, and operating and construction costs. A number of these guidelines are summarized below:

Developer Fee Limitations (Updated 9/11/2015)

The total developer fee, which includes all fees paid to development consultants, must be limited to a maximum amount calculated as follows:

- Acquisition Costs: 5% on the first $10 million plus 2.5% on any amount exceeding $10 million.
- Non-Acquisition Costs: 15% on the first $10 million plus 10% on any amount exceeding $10 million.
- Contingencies and tax credit syndication expenses must be excluded from the developer fee calculations.
- The total developer fee for a project may not exceed ~~$3.5~~ $4 million, regardless of what number the calculation above produces.
- No more than $2 million in developer fees may be paid out of the development budget. Any allowable amount above $2 million, up to an additional ~~$1.5~~ $2 million (dependent on the results of the calculations described above), must be deferred and paid out of net operating income.

Other Fee Limitations

Category	Limitation
Builder's Profit	5% to 10% of the net construction costs
Builder's Overhead	2% to 3% of the net construction costs
General Requirements	5% to 10% of the net construction costs
Architect Design	2% to 6% of the construction contract
Architect Administration	1% to 3% of the construction contract
Construction Management	2% to 4% of the construction contract

Complete instructions and guidelines for completing the Form 202 are provided in the Appendix of this document. Applicants should refer to and adhere to the guidelines in the Appendix as well as any additional parameters included in this RFP.

6. Appraisal *(Updated 8/14/2015)*

An "as is" appraisal no more than ~~90 days~~ 180 days old as of the date of application submission must be included in the application materials. An "as built" appraisal, which contains a post-construction estimate of value (based on the project concept as proposed to DHCD), must also be included. For selected projects, the appraisal must not be more than 1 year old at the time it is submitted to the Office of Program Monitoring for compliance review, so an update may be required at that point. For all projects, the appraisal (or the most recent update) must be no more than 120 days old at the time of closing.

7. Market Study

For conventional affordable rental, for sale housing, and any project applying for tax credits, the market study must be in the form of a conventional market analysis produced by a third party market research firm. The market study must be less than one year old.

Projects that are not applying for tax credits and which exclusively provide permanent supportive housing or other types of special needs projects may provide an alternative assessment based on their own data collection. Alternative assessments should provide waiting list data as part of evidence of demand for the project to the extent possible.

8. Phase I

Applicant must include a completed Phase I Environmental Site Assessment, completed within the past year. If the property contains existing improvements, the scope of the Phase I Assessment must include the identification of possible asbestos containing materials and the identification of potential mold hazards (destructive testing not required). If the property includes an existing structure that will not be deemed exempt due to age or usage, applicants must also submit a lead assessment. For selected projects, an updated Phase I may be required as the project approaches settlement.

If the Phase I identifies any potential environmental hazards, applicants must include a narrative plan to address the issues and a budget for remediation.

9. Architectural Plans and Cost Estimates

Applications must submit final design schematics documents that reflect the general intent of the project and generally delineate the proposed project scope and contain the following:

a. Final Schematic architectural plans and materials specifications sufficient to create a detailed cost estimate.

b. Complete Form 215 detailed estimates of costs based on “take-offs” from those plans, completed and signed by a qualified professional such as an architect, engineer or professional construction cost estimator. “Rule of thumb” square foot costs or other non-detailed cost estimates are not acceptable.

For projects that involve the rehabilitation of existing buildings, applicants must also provide a Building Evaluation Report, which is a preliminary engineering assessment of the buildings. In rehabilitating properties, developers may encounter unforeseen issues that can delay, increase the cost of, or even halt rehabilitation. To avoid this, the Department requires that an engineer or other qualified professional complete an assessment of the property.

10. Green Design and Building

In accordance with The Green Building Act of 2006, the application must meet the following standards relative to green design and building, which apply to all projects for which public financing constitutes 15% or more of total project costs. Per DHCD requirements, all projects must implement the following green building requirements for new construction, substantial rehabilitation or moderate rehabilitation.

Projects of 10,000 square feet or more funded through this RFP must be certified by Enterprise Community Partners using the 2015 Enterprise Green Communities Criteria. Projects may also pursue a "substantially similar standard." Currently certification with the U.S. Green Building Council using LEED for Homes and LEED for Homes Multifamily Midrise rating systems at the Silver level or above are pre-approved "substantially similar standards." If a project team would like to use another standard, it must be pre-approved by DCRA's Green Building Division prior to submission.

For projects pursuing Green Communities Criteria certification, project teams must hold a Goal Setting and Integrated Design Charrette prior to application to consider the most cost effective ways to integrate required green design elements. The findings of this charrette must be documented and submitted along with confirmation of Enterprise Green Communities Criteria registration on the online certification portal and an intended methods checklist. As a condition precedent to loan closing, project teams must submit proof of 2015 Enterprise Green Communities Step 1 Pre-Build certification. Once construction is complete, projects must demonstrate that they have achieved certification.

Project pursuing LEED for Homes or LEED for Homes Multifamily Midrise at the Silver level or above must be certified by the US Green Building Council. At the time of submission, upon consultation with your team's design professionals, the appropriate completed LEED checklist must be submitted, demonstrating compliance with all prerequisites and sufficient points to achieve LEED Silver or above. Please note that submission of evidence of an integrated design charrette is not mandatory for LEED projects, but is strongly recommended by DHCD. If selected for financing, as a condition precedent to loan closing, project teams must be registered with LEED Online and add the DC Government account to the LEED Online project team. Once construction is complete, projects must demonstrate that they have achieved the appropriate certification.

11. Development Team Thresholds

The applicant must have the development team in place and provide complete information regarding the development team. At a minimum, the following team members must be identified:

- Developer
- Development Consultants (if applicable)
- Architect
- General Contractor
- Management Agent
- Supportive Services Provider (if project includes Permanent Supportive Housing Units)

Applicants may indicate that they have not yet selected a General Contractor or a Management Agent, though doing so will reduce their score in the Development Team Capacity section of the Scoring Criteria.

There is an extensive series of forms and attachments that must be completed and submitted for each member of the development team, including corporate documents, qualifications, resumes, references, organizational charts, workload descriptions, AIA documents, and financial statements.

Core development team members will be required to submit a Clean Hands Certificate and a Certificate of Good Standing, as well as a Dun & Bradstreet “Business Information Report” to demonstrate creditworthiness.

All development team members must sign and submit a Contract Affidavit certifying that they are not debarred from participation in any federal program nor have any unresolved default or noncompliance issues with the District of Columbia.

12. Financial Information for Operational Projects

For existing and occupied buildings/properties ONLY, additional information is required to describe the current status of the project, including the current debt structure, any operating subsidies currently available to the project, any supportive services currently provided, the current occupancy, and project financials. The applicant must provide audited financial statements for the prior three fiscal years of project operations, or if audited statements are not available, then three fiscal years of un-audited year-end financial statements AND three corresponding years of certified federal income tax returns of the project must be submitted.

13. Relocation and Anti-Displacement Strategy

For existing and occupied buildings/properties ONLY, the applicant must submit a Relocation and Anti-Displacement Strategy for projects that result in the temporary or permanent displacement of current occupants. The Relocation and Anti-Displacement Strategy (due with the Application) provides the groundwork for the Relocation and Anti-Displacement Plan (due prior to the issuance of a Letter of Commitment). Instances where a Strategy and Plan are required include the following, regardless of funding source:

- Tenants will be required to move to facilitate rehabilitation of the building;
- Demolition of existing dwelling units or buildings which are occupied at the time of acquisition or site control; or
- Tenants will be displaced because the proposed rents are not affordable.

B. Scoring Criteria

Applications that meet all of the Threshold Eligibility Requirements listed above will move on to underwriting and scoring.

Proposals will first be scored on the Eight Underwriting Criteria below. A proposal may receive no more than two “zero” scores among the eight criteria) and must receive at least a score of 70 out of 95 (or 65 out of 90 for Preservation projects)

Proposals will then be scored on the 6 Prioritization Criteria, worth a total of 25 points (20 points for Preservation projects).

Proposals receiving Underwriting and Prioritization Scoring will then be compared against all other scored proposals for the proposed eligibility category (i.e. Production or Preservation). In general, it is DHCD’s goal to provide funding to those projects that provide the greatest public benefit while maximizing the impact of public resources.

Final selection decisions will be made by the Director of DHCD. The Director reserves the right to consider, and fund, projects that do not meet the scoring thresholds above, if otherwise there will not be sufficient awardees for the available funding resources. The Director also reserves the right to disqualify projects for justifiable reasons that were not contemplated when the selection criteria were established.

Underwriting Scoring

1. **Financial and Economic Feasibility (maximum 30 points)**

   - **30 points** = There is a complete set of financial documents to support the financing request. The Development Finance Division Application (Form 202) contains a realistic set of sources and uses development budgets and a pro forma operating budget. DHCD's subsidy must be included in the sources. Sufficient reserves for operations and maintenance, including pre-funded reserves, are included. The uses are appropriate for the project and the requested financing sources. There is **strong likelihood** that the project will proceed into construction or occupancy within **120 days** of receiving a DHCD commitment. Long term financial sustainability of the project is **highly likely**. **Letter(s) of commitment** from all other participating financial sources is/are included.

   - **15 points** = There is a complete set of financial documents to support the financing request. The Development Finance Division Application (Form 202) contains a realistic set of sources and uses development budgets and a pro forma operating budget. DHCD's subsidy must be included in the sources. The uses are appropriate for the project and the requested financing sources. Reasonable reserves for operations and maintenance, including pre-funded reserves, are included. There is **good likelihood** that the project will proceed into construction or occupancy within **180 days** of receiving a DHCD commitment. Long term financial sustainability of the project is **likely**. **Letter(s) of commitment or interest** from all other participating financial sources is/are included.

   - **0 points** = Failure to document the minimum steps outlined for 15 points, above.

2. **Development Team Capacity (maximum 30 points)**
   Development teams demonstrating a strong record of capacity with comparable projects will receive more points.

   - **30 points** = **ALL** members of the developer/development team demonstrate an exemplary track record in projects of similar size, scale, type and complexity to the proposed project. The development team demonstrates the financial capacity to fulfill their respective responsibilities. Within the past 5 years, no member of the development team acting as sponsor, developer, guarantor, or owner has been debarred, had chronic past due accounts, substantial liens or judgments, chronic housing code violations, excessive tenant complaints, or consistently failed to provide information to DHCD about other loan applications or existing developments.

- **20 points** = **Most** developer team members demonstrate a successful track record in projects of similar size, scale, type and complexity to the proposed project. One or more team members may have a capacity gap which is addressed in within the existing development team. The development team demonstrates the financial capacity to fulfill their respective responsibilities. Within the past 5 years, no member of the development team acting as sponsor, developer, guarantor, or owner has been debarred, had chronic past due accounts, substantial liens or judgments, chronic housing code violations, excessive tenant complaints, or consistently failed to provide information to DHCD about other loan applications or existing developments.

- **10 points** = **Most** developer team members demonstrate an adequate track record in projects of similar size, scale, type and complexity to the proposed project. There is no more than ONE critical capacity gap which the development team is in the process of filling. The development team demonstrates the financial capacity to fulfill their respective responsibilities. Within the past 5 years, no member of the development team acting as sponsor, developer, guarantor, or owner has been debarred, had chronic past due accounts, substantial liens or judgments, chronic housing code violations, excessive tenant complaints, or consistently failed to provide information to DHCD about other loan applications or existing developments.

- **0 points** = Failure to document the minimum capacity of each member of the development team, including experience consistent with the scope of the proposed project.

3. Site Selection and Design Characteristics (maximum 5 points)
Proposed project design must blend with the neighborhood and meet the needs of the occupants with appropriate unit design and amenities.

- **5 points** = Site selection is appropriate for use. The design is consistent with neighborhood design characteristics. Amenities and unit design are well thought out and appropriate for the end users.

- **3 points** = While generally the design is appropriate, some questions remain on either site selection or tailoring of unit design and amenities to the population.

- **0 points** = There are significant unaddressed concerns re site selection or unit design and amenities.

4. **Market Demand and Need Analysis (maximum 10 points)**
Developer must provide documentation that demonstrates sufficient market demand and need for the project. This MUST be in the form of a conventional market analysis produced by a third party market research firm for conventional rental or for sale housing developments. Special needs projects and Tenant Opportunity to Purchase Act (TOPA) projects may provide an alternative assessment based on their own data collection.

- **10 points** = Information presented makes a compelling case for the market demand and need for the project.

- **5 points** = Information presented makes a reasonable case for the market demand and need for the project.

- **0 points** = There are significant questions regarding the demand and need for the project.

5. **Acquisition Cost Reasonableness (maximum 5 points):**
Proposed property acquisition costs must be reasonable and may not exceed the market value of the property as evidenced by an appraisal (not over ~~90 days~~ 180 days old at the time of the application). DHCD will determine reasonableness through an analysis of the appraisal and by comparison of recent DHCD-funded projects in similar locations and for uses similar to those proposed in the application. DHCD reserves the right to request a second appraisal. An appraisal update will be required prior to closing so that a current appraised value is available within 120 days of closing. If federal funding is proposed, the acquisition cost (regardless of how it is funded) may not exceed the market value per a new or updated appraisal made within 120 days of closing on DHCD financing. For projects where the property has been acquired within the past two years, acquisition cost reasonableness will be considered as part of the project evaluation. If the property has already been acquired, submit the most recent appraisal.

- **5 points** = Acquisition appraised value is consistent with all sources of market data.

- **3 points** = Acquisition appraised value is consistent with most sources of market data, but some questions linger regarding acquisition price.

- **0 points** = Acquisition price is out of line with market data.

6. **Development and Operating Cost Reasonableness (maximum 5 points):**
   Cost estimates must be determined by DHCD staff to be reasonable. To determine reasonableness, DHCD staff will analyze the cost estimates and compare them with both the costs of recent, similar projects funded by DHCD and with market and industry standards.

   - **5 points** = Development and Operating budgets are consistent with market experience.

   - **3 points** = A few development or operating budget line items are out of line with market experience (either high or low) but the impact on the overall budget is minimal.

   - **0 points** = Development and/or operating budget line items are significantly outside of market experience with a significant impact on the overall budget.

7. **Compliance with DHCD Cost and Funding Guidelines (maximum 5 points):**
   The following cost and funding guidelines apply to all applications. The purpose of these requirements is to assure efficient use of DHCD funds and thus enable DHCD to serve more households with its finite amount of subsidy funds.

   - **5 points** = Project complies with both Cost and Funding Guidelines as outlined below.

   - **2 points** = Project falls 10% or less outside the Cost and Funding Guidelines as outlined below, and there are reasonable justifications for the deviation; OR Project exceeds one cost or funding guideline but complies with the other guidelines

   - **0 points** = Project either: falls more than 10% outside Funding Guidelines and/or the Cost Limits as outlined below, on two or more guidelines; or less than 10% outside the Funding Guidelines and/or Cost Limits, but without reasonable justification.

Cost Guidelines:

Each application for DHCD funding must conform to the maximum construction/rehabilitation cost guidelines described below unless exceptions are justified by the application.

Maximum Construction Costs per Gross Square Foot

Type of Building	New Construction	Substantial Rehabilitation	Moderate Rehabilitation
Townhouses	$155	$120	$85
Garden Apartments/Condos	150	105	80
Elevator Buildings (≤5 floors)	175	120	110
Mid-rise Buildings (6 or more floors)	230	140	120

Project operating expenses, as modeled in the Form 202 – Application for Financing, should be within a range of **$5,500 - $6,500 per unit per year**.

Funding Guidelines:

For residential projects, DHCD has established a guideline of funding not more than 49% of all project costs, with exceptions noted below.

- For projects funded with equity raised through the Low-Income Housing Tax Credit (LIHTC), the equity contributions of investors are not considered DHCD funding subject to the guideline limit of 49%.
- Projects without LIHTC equity contributions that serve predominantly very-low and extremely-low-income households may be approved for a higher percentage of DHCD funding, if justified by the details of the application.
- Proposals to rehabilitate existing rental projects (without acquisition) may be considered for a higher percentage of funding if the details of the application indicate that the property cannot support substantial additional debt from conventional sources and the rehab will benefit very-low and/or extremely low-income households.

8. Supportive Services Plan (maximum 5 points, if applicable): (*Updated 8/14/2015*)

- **5 points** = All the criteria for 4 points are met AND the supportive services provider is a registered 501c3 not-for-profit organization.

- ~~**5 points**~~ **4 points** = Supportive services plan is complete, thorough, and specifically tailored to the needs of this project. Responsibilities among all parties are clear and well defined. Development team members are well-experienced in successfully implementing such a plan. The supportive service budget is complete and thorough, and sources of funding for services match or exceed expected expenditures.

- **3 points** = All of the criteria for 2 points are met AND the supportive services provider is a registered 501c3 not-for-profit organization.

- ~~**3 points**~~ **2 points** = A draft supportive services plan is included which is in the process of being tailored to the specific needs of the project. The draft is an appropriate model for this project. Development team members have some experience in successfully implementing such a plan. There is a draft budget. The supportive services provider is a non-profit organization.

- **0 points** = No supportive services plan is provided, or no budget is provided, or the plan presented is inappropriate for this project.

Prioritization Scoring

1. **Permanent Supportive Housing and Targeted Affordable Housing (maximum 5 points)**
(*Does not apply to Homeownership or Preservation Projects*)
The 5% Permanent Supportive Housing set-aside is a threshold eligibility requirement for all non-Preservation projects, but projects may also earn priority points by creating additional Permanent Supportive Housing (PSH) or Targeted Affordable Housing (TAH) units, as defined in this RFP, beyond the minimum number required.

> "**Targeted Affordable Housing (TAH)"** - Units or subsidies that offer long-term affordability and are dedicated for use by the homeless services system. TAH is not intended to address affordable housing broadly, but is targeted to key populations that do not need ongoing support services and that, but for long-term subsidies, could not exit homelessness or would return to homelessness.

The scoring preference for PSH and TAH units is guided by Chapter V of the Interagency Council on Homelessness' (ICH) 2015-2020 strategic plan, titled *Homeward DC*.

Additional points are available for projects that demonstrate that at least 20% of the Permanent Supportive Housing units created will be Fully Accessible

- **5 points** = At least 10% of units (including the required 5%) are reserved as Permanent Supportive Housing that follows the Housing First model and fills vacancies through the Coordinated Entry system, or at least 5% of units (in addition to the 5% PSH requirement) are reserved as Targeted Affordable Housing that fills vacancies through the Coordinated Entry system; AND the applicant commits, and demonstrates with architectural plans, that 20% of all Permanent Supportive Housing units created will meet the Uniform Federal Accessibility Standards (UFAS) standard of Full Accessibility.

- **3 points** = At least 10% of units (including the required 5%) are reserved as Permanent Supportive Housing that follows the Housing First model and fills vacancies through the Coordinated Entry system, or at least 5% of units (in addition to the 5% PSH requirement) are reserved as Targeted Affordable Housing that fills vacancies through the Coordinated Entry system.

- **2 points** = Applicant commits, and demonstrates with architectural plans, that 20% of all Permanent Supportive Housing units created will meet the Uniform Federal Accessibility Standards (UFAS) standard of Full Accessibility.

- **0 points** = Applicant does not exceed the minimum requirements for Permanent Supportive Housing.

2. Family-Oriented Units (maximum 6 points)
This score will be determined from the Applicant's response in the **Form 202 – Application for Financing**.

- **6 points** = 30 % or more of project units are 3 or more bedrooms.

- **4 points** = At least 20% but less than 30 % of project units are 3 or more bedrooms.

- **2 points** = At least 10% but less than 20% of project units are 3 or more bedrooms.

- **0 points** = Less than 10% of project units are 3 or more bedrooms.

3. Non-Profit Participation (maximum 2 points)
This score will be determined from the Applicant's response to the Development Team Member section of the online application. Points will only be awarded for projects in which non-profit organizations have significant partnership roles. A participating non-profit partner role must have effective project control that may be evidenced by project ownership (more than 50% ownership) during project development and throughout affordability compliance period, a limited partnership where the non-profit is a sole general partner, or a limited liability company in which the non-profit is the sole

managing member and secures project financing, oversees project construction and demonstrates capacity to operate the project.

- ~~**1 point**~~ **2 points** = A non-profit organization has a significant partnership role in this project. (***Updated 8/4/2015***)

- **0 points** = A non-profit organization does not have a significant partnership role in this project.

4. **Transit Proximity (maximum 5 points)**
   This item awards priority scoring points to projects that are located within ½ mile of a Metrorail station or the forthcoming DC Streetcar lines, as evidenced by using the following website: http://arcg.is/1OChwCA.

   - **5 points** = The developer/sponsor must demonstrate with a map from the website linked above that its prospective project is located within **1/4 mile** of a Metrorail station or the forthcoming DC Streetcar lines.

   - **3 points** = The developer/sponsor must demonstrate with a map from the website linked above that its prospective project is located within **1/2 mile** of a Metrorail station or the forthcoming DC Streetcar lines.

   - **0 points** = Failure to document the minimum steps outlined for 5 points, above.

5. **Local Support (maximum 2 points)**
   Applicants will be awarded two priority scoring points for submitting a letter from the Advisory Neighborhood Commission (ANC) that corresponds to the project location. The letter must indicate its support of the project in the current round of competition. Support should not be contingent upon the completion of tasks or improvements that are unrelated to the project, such as off-site work that is not necessary for completion of the project.

   - **2 points** = Support for the project from the local ANC is documented with a letter of support or resolution.

   - **0 points** = Support from the ANC is not documented.

6. **Leverage (maximum 5 points)**
   This will measure the extent to which DHCD loan funds are leveraged with other public and private resources. The leveraging formula will deduct the total DHCD direct

investment (including 9% LIHTC equity) from the total development cost and divide the remaining total development cost by the total DHCD investment.

- ❑ **5 points** = Leverage ratio of 5 : 1 or greater
- ❑ **4 points** = Leverage ratio of 4-4.99 : 1
- ❑ **3 points** = Leverage ratio of 3-3.99 : 1
- ❑ **2 points** = Leverage ratio of 2-2.99 : 1
- ❑ **1 point** = Leverage ratio of 1-1.99 : 1
- ❑ **0 points** = Leverage ratio of less than 1 : 1

C. RFP Scorecard

		Production	Preservation	✓
THRESHOLD ELIGIBILITY REQUIREMENTS				✓
1	Eligible Project Type	✓	✓	
2	Permanent Supportive Housing	✓	NA	
3	Site control	✓	✓	
4	Zoning	✓	✓	
5	Form 202 - Application for Financing	✓	✓	
6	Appraisal	✓	✓	
7	Market Study	✓	✓	
8	Phase I	✓	✓	
9	Architectural Plans and Cost Estimates	✓	✓	
10	Green Design and Building	✓	✓	
11	Development Team Thresholds	✓	✓	
12	Financial Information for Existing Projects	NA	✓	
13	Relocation Plan	NA	✓	
SCORING CRITERIA		**Max.**		**Score**
Underwriting Scoring		**95**	**90**	
1	Financial and Economic Feasibility	30	30	
2	Development Team Capacity	30	30	
3	Site Selection and Design Characteristics	5	5	
4	Market Demand and Need Analysis	10	10	
5	Acquisition Cost Reasonableness	5	5	
6	Development and Operating Cost Reasonableness	5	5	
7	Compliance with DHCD Cost and Funding Guidelines	5	5	
8	Supportive Services Plan	5	NA	
Prioritization Scoring		**25**	**20**	
1	Permanent Supportive Housing and Targeted Affordable	5	NA	
2	Family-Oriented Units	6	6	
3	Non-Profit Participation	2	2	
4	Transit Proximity	5	5	
5	Local Support	2	2	
6	Leverage	5	5	
TOTAL		**120**	**110**	

VI. AVAILABLE FUNDING SOURCES

Through this Consolidated RFP, the participating agencies (DHCD, DBH, DCHA, and DHS) offer the following types of funding, from the sources listed below:

Available Funding Sources

Available To	Agency	Assistance Type	Source
All Eligible Projects	DHCD	Development Subsidy (Cash Flow Loan)	Housing Production Trust Fund (HPTF) HOME Investment Partnerships Program (HOME) funds
		Tax Credit	9% Low-Income Housing Tax Credit (LIHTC)
Preference for Permanent Supportive Housing (PSH) Units	DCHA	Operating Subsidy	Local Rent Supplement Program (LRSP) Housing Choice Voucher Program (HCVP) Annual Contributions Contracts Authority (ACC)
PSH Units Only	DBH	Development Subsidy (Grant)	Department of Behavioral Health (DBH) funds
	DHS	Supportive Services Subsidy	Supportive Services Funds (DHS)

Each funding source operates under separate federal or local regulations. All regulations include restrictions on the incomes of families served, and maximum allowable rents, but such restrictions vary among the funding sources.

A brief summary of income restrictions, rent limits and definitions related to income for each funding source is outlined below. Projects must meet the specific income limits in effect at the time of funding, and must subsequently adjust income and rent limits to maintain ongoing compliance with program regulations as new limits are published.

All projects funded through this RFP will be required to execute a long-term affordability covenant recorded against the property's deed.

Affordability Terms by Funding Source

Funding Source	Rental	Homeownership
HPTF	40 years	15 years
HOME	20 years for new construction 5-15 years for rehab *(depending on per-unit subsidy)*	5-15 years *(depending on per-unit subsidy)*
LIHTC	30 years	N/A
DBH	5-25 years *(depending on per-unit subsidy)*	N/A

A. Development Subsidies

Through this RFP, DHCD will accept requests for HOME and HPTF development subsidies. Rather than request one specific funding source, applicants will be asked to indicate which funding source(s) they would like to be considered for. By default, each applicant will be considered for both funding sources, but if there are conditions associated with either program that the applicant would be unwilling to accept, they should indicate that they do not wish to be considered for funding from that program.

Unless otherwise justified and explained, applicants should follow the most recent Housing Production Trust Fund (HPTF) rent and income limits, which currently are as follows:

Housing Production Trust Fund Rent Limits (Updated 8/4/2015)

Unit Size	**Income Band**		
	0 - 30%	31 - 50%	51 - 80%
Efficiency	~~$563~~ $573	~~939~~ 955	~~1,502~~ 1,528
1 Bedroom	~~644~~ 655	~~1,073~~ 1,092	~~1,717~~ 1,747
2 Bedroom	~~724~~ 737	~~1,207~~ 1,228	~~1,931~~ 1,965
3 Bedroom	~~805~~ 819	~~1,341~~ 1,365	~~2,146~~ 2,184
4 Bedroom	~~885~~ 900	~~1,475~~ 1,501	~~2,361~~ 2,402
5 Bedroom	~~968~~ 982	~~1,610~~ 1,638	~~2,575~~ 2,620

Housing Production Trust Fund Income Limits (Updated 8/4/2015)

Income Band	**Household Size**							
	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
0 - 30%	~~$22,533~~ 22,932	~~25,752~~ 26,208	~~28,971~~ 29,484	~~32,190~~ 32,760	~~35,409~~ 36,036	~~38,628~~ 39,312	~~41,847~~ 42,588	~~45,166~~ 45,864
31 - 50%	~~37,555~~ 38,220	~~42,920~~ 43,680	~~48,285~~ 49,140	~~53,650~~ 54,600	~~59,015~~ 60,060	~~64,380~~ 65,520	~~69,745~~ 70,980	~~75,110~~ 76,440
51 - 80%	~~60,088~~ 61,152	~~68,672~~ 69,888	~~77,256~~ 78,624	~~85,840~~ 87,360	~~94,424~~ 96,096	~~103,008~~ 104,832	~~111,592~~ 113,568	~~120,176~~ 122,304

(*Updated 9/11/2015*) Development subsidies are structured as Cash Flow Loans. During the life of the loan, owners will be required to pay ~~80%~~ 75% of annual project cash flow to DHCD (after any approved deferred developer fee is repaid) until the loan is paid off. Loan terms tend to be 40 years, with 0-3% interest rates.

The third development subsidy available to applicants is a grant from the Department of Behavioral Health (DBH), which is typically layered with other development subsidies and can only be requested for units that serve DBH clients. More information is available in the section below dedicated specifically to DBH Grant Funds.

Development financing from any of these three sources may be used for virtually any development finance purpose including, but not limited to:

- Acquisition;
- Construction financing;
- Interim financing;
- Permanent financing;
- Eligible predevelopment costs; and
- Eligible hard and soft costs

Financing from the available Development Subsidy sources may not be used for:

- Tenant based rental assistance to tenants;
- Capacity building;
- Down payment assistance;
- Security or utility deposits;
- Tax liabilities nor any other District or federal obligations; or
- Operating and maintenance expenses

Information specific to each funding source is provided below.

Housing Production Trust Fund (HPTF)

The Housing Production Trust Fund (HPTF) is a local fund established under the authority of the Housing Production Trust Fund Act of 1988, D.C. Law 7-202 (the Act). Detailed information about the fund is available in the statute (D.C. Code § 42-28) and regulations (DCMR 10-B41).

$100 million in new revenue has been budgeted for the Housing Production Trust Fund in Fiscal Year 2016, and a large portion of this will be available to eligible, high-scoring projects applying through this Consolidated Request for Proposals.

Units financed through the Housing Production Trust Fund are subject to a 40 year affordability covenant that restricts the maximum allowable rent (varying by unit size and income level served) and establishes maximum income eligibility limits (varying by household size and income level served).

HOME Investment Partnerships Program

Through the U.S. Department of Housing and Urban Development (HUD), HOME is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low-and moderate- income households. HOME provides formula grants to States and localities that communities use in partnership with local nonprofit groups to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership. Detailed information on the HOME program can be found at: www.hud.gov. Go to “Resources/Handbooks-forms/HUD handbooks, etc./HUDCLIPS/Shortcuts/Code of Federal Regulations.; HOME is Title 24, Part 92.

Each project sponsor/owner must execute the DHCD HOME Written Agreement that shall accurately describe the terms and conditions of the HOME funding for the project. See 24 CFR Part 92.

DBH Grant Funds

The Department of Behavioral Health (DBH) in collaboration with the Department of Housing and Community Development (DHCD) will fund proposals to finance the acquisition, construction or rehabilitation of long-term permanent supportive housing (PSH) units for the exclusive use of DBH consumers. The per unit DBH funding will be capped at $42,000 per unit, with higher funding available at DBH's discretion based on an explanation of need. DBH supports projects that provide housing for extremely low-income individuals and families (less than 30% of area median income). The table below shows the income limits for DBH funds. Projects that layer DBH funding with another source offered through this RFP should follow the more restrictive rent and income limit.

2015 Department of Behavioral Health Income Limits

	1 person	2 person	3 person	4 person	5 person	6 person	7 person
Extremely Low-Income (30% of AMI)	$22,950	26,200	29,500	32,750	35,400	38,000	40,650

DBH shall hold a restrictive use covenant for no less than a five year period on all projects developed that receive total DBH funding of less than $100,000. DBH shall hold a restrictive use covenant for a twenty five year period on all projects that receive total DBH funding of more than $100,000. For applicants also receiving HPTF financing, there will be an additional extend use period, for a total restricted use period of 40 years.

Units proposed for development should be permanent housing of the following types: single-family housing, condominium or cooperative units, multifamily building, mixed-use building serving low and moderate-income populations, single room occupancy units ("SROs") or buildings, or transitional housing if approved by DBH in writing. Projects that integrate DBH consumers with the general public are desired. No more than 30% of the units at any multi-family property may be set aside for DBH consumers, unless an exception is granted by DBH.

Projects that maximize the use of the funds by reducing the cost of housing development by entering into agreements with for-profit and non-profit organizations, government agencies and other entities, as necessary, to leverage funds are desired.

Projects applying for DBH grant funds must demonstrate that the monthly rent charged for the DBH unit will be affordable to the extremely low-income resident. Applicants should not assume the DBH residents will have a tenant based operating subsidy. If other sources of subsidy are not sufficient to cover the operating expenses of the unit, applicants should plan to request project based operating subsidy/voucher assistance through this RFP.

DBH will refer eligible DBH consumers to fill vacancies in the use-restricted housing created through this RFP. Senior housing developments will be referred age eligible residents. Priority populations will be 1) homeless, 2) consumers discharged from St. Elizabeth's Hospital, and 3) consumers moving out of a more restrictive setting.

DBH residents will receive supportive services from DBH. Applicants requesting DBH grant funds do not need to contract with a social service provider for additional supportive services for DBH residents and do not need to secure additional funding for supportive services for DBH residents. A Supportive Services Plan and budget is not required for DBH units.

In addition to standard DHCD underwriting criteria, specific considerations for applicants for DBH funding include:

- project's size (number of units);
- adequacy of bedroom space;
- adequacy of common areas;
- overall condition of property;
- neighborhood amenities/services;
- safety from fire;
- security;
- access to public transportation;
- absence of drug activities; and
- suitability of the location for promoting community integration.

Funds granted to prospective developers for Licensed Mental Health Community Residential Facilities (MHCRF) projects are not required to leverage funds, and are not limited to 30% of the units as set-aside for DBH consumers.

B. Tax Credits

Through this RFP, DHCD will award its FY 2016 allocation of 9% Low-Income Housing Tax Credits (LIHTC). Projects that do not pursue 9% LIHTCs are strongly encouraged to apply for 4% LIHTCs by applying separately to the D.C. Housing Finance Agency (http://www.dchfa.org/), if the size of the project makes it financially feasible and beneficial to do so.

To facilitate timely underwriting and closing, project proposals submitted to DCHFA should match the proposals submitted to DHCD through this RFP. For example, if your project includes 100 units total, with 75 at 60% of AMI and 25 at 30% AMI, including 5 Permanent Supportive Housing units, your application to DCHFA should represent that same unit mix so that they can properly underwrite the deal and size the debt.

9% Low-Income Housing Tax Credits (LIHTC)

Section 42 of the IRS Code of 1986: www.irs.gov

The Tax Reform Act of 1986 established the Federal Low-Income Housing Tax Credit ("LIHTC") Program. The LIHTC Program was subsequently made permanent by the Revenue Reconciliation Act of 1993 as further amended by The Community Renewal Tax Relief Act of 2000. The LIHTC Program was created to encourage private sector investment in the construction and rehabilitation of housing for low- and moderate-income individuals and families. Project owner/investors can claim the LIHTC on their Federal income tax return each year for a period of 10 years. However, Projects generally must meet certain requirements for low-income use for 30 years.

Federal law requires The District of Columbia to adopt a plan to allocate the LIHTC to Projects based on federally mandated requirements and priority needs determined by the District. The District's Low-Income Housing Tax Credit Qualified Allocation Plan ("QAP") is intended to ensure the selection of only those Projects that comply with Federal law and address, on a priority basis, the housing needs of the District. All projects that are requesting LIHTC funds will be scored independently as outlined in the QAP. If a project is requesting LIHTCs and another DHCD funding source, it must meet the requirements for both funding sources and it will be scored for both requests.

For any project requesting both LIHTCs and other DHCD funding, in the event of differences between the QAP and information in this RFP, the more conservative standard will be applied. For projects requesting LIHTCs alone, the QAP will apply.

Mandatory Application Fee - Tax credit applications MUST include the Application Fee with the application. (For-profits: $750; non-profits: $500)

9% Competitive Credit Reservation Application Schedule for FY 2016 Credits

- July 29, 2015 - RFP Released

- October 19 ~~5~~, 2015 - Deadline for Application, Market Study and Application Fee
- Late October, 2015 – Threshold review results announced
- December, 2015 - Project Selection Results announced
- March, 2016 - (Fully executed) reservation documents, Contract to Enforce Representation (original), Election to Fix Applicable Percentage (if applicants choose to lock in rate) and fees due to DHCD.
- November, 2016 - Carryover Allocation Application due to DHCD
- October, 2017 - 10% Test Certifications due to DHCD for 2016 allocations

9% Carryover Allocation Application Schedule

- November, 2016 - DHCD sends out customized Allocation Application to developers that have received a reservation of Tax Credits
- Late, 2016 - (1) Allocation Application, (2) Owner's Certification; and (3) IRS Letter with EIN# assignment due to DHCD
- December, 2016 - (1) Allocations are finalized; (2) Carryover Agreements are mailed by DHCD to developers
- Late December, 2016- Carryover Agreements due back to DHCD

See the District of Columbia 2012 Qualified Allocation Plan (QAP) as an attachment to this RFP.

C. Operating Subsidies

A limited amount of rent subsidy will be available to housing projects receiving funding from DHCD in this round. For each type of rent subsidy, DHCA prioritizes a) the integration of subsidized units into mixed income housing and b) owner/operator successful prior experience operating units with DHCA rental subsidies.

Local Rent Supplement Program (LRSP)

This District of Columbia government funded rental assistance program serves extremely low income families (0-30% of AMI). Project based LRSP funding will be available ***preferably for permanent supportive housing projects*** receiving funding from DHCD, DBH, or DHS in this round. The amount available will be based on a per-unit subsidy. The term of funding is 15 years with possible extensions. All subsidies are subject to funding availability. Maximum rents are set based on project location and number of bedrooms; current subsidy standards for each neighborhood can be found at dchousing.org. Unless otherwise provided, LRSP is administered in accordance with federal and District of Columbia Housing Choice Voucher Program (HCVP) rules and regulations (24CFR Chapters 982 and 983) (14 DCMR Chapters 49,41,53,54,56,59,61, 93 and 95) as administered by the District of Columbia Housing Authority (DCHA).

Rental units must meet minimum standards of health and safety, as determined by HUD's Housing Quality Standards (HQS). A housing subsidy is paid to the landlord directly by the public housing authority on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Housing Choice Voucher Program (HCVP)

The Housing Choice Voucher Program (HCVP) is a federally-funded rental assistance program that aids very low-income families and the elderly and disabled with affording decent, safe, and sanitary housing in the private market (established by Section 8 of the United States Housing Act of 1937, 42 U.S.C. §1437f(2006)). Project based HCVP funding will be available for projects receiving DHCD, DHS, or DBH funding in this round. The vouchers must serve households earning less than 50% of Area Median Income. The term of funding is 15 years with possible extensions. All subsidies are subject to funding availability. Maximum rents are set based on project location and number of bedrooms; current subsidy standards for each neighborhood can be found at dchousing.org.

Rental units must meet minimum standards of health and safety, as determined by HUD's Housing Quality Standards (HQS). A housing subsidy is paid to the landlord directly by the public housing authority on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Annual Contributions Contract (ACC) Authority

The ACC is a contract between the U.S. Department of Housing and Urban Development (HUD) and a Public Housing Authority whereby HUD agrees to provide financial assistance and the Public Housing Authority agrees to comply with HUD requirements (including long-term (usually 40 years) low income use restrictions).

The Annual Contributions Contract (ACC) available under this RFP will provide rental assistance for housing developments which receive funding from DHCD, DHS or DBH in this round. These funds can serve households earning up to 80% of Area Median Income. The term is up to 40 years. All subsidies are subject to funding availability. ACC operating subsidy is based on a number of factors; however developers should use $400 per month per unit for the operating subsidy or Project Expense Level (PEL); and $200 per unit per month for the Utility

Expense Level (UEL). DCHA will calculate the actual ACC subsidy and provide to DHCD prior to award. The ACC subsidy cannot be used to cover debt service. If project anticipates layering ACC with any other project based subsidy, the maximum rent cannot not exceed subsidy standards set based on project location and number of bedrooms.

D. Case Management-Supportive Services

Supportive Services Funds

DHS will provide funding for the provision of supportive services (case management) to single adults and families who reside in ***permanent supportive housing*** (PSH) units developed through this RFP. The priority for DHS funding is projects that expand the total pool of available PSH resources. Existing PSH (and other forms of existing service enriched housing) and occupied units are not a priority for DHS subsidy in this RFP. The initial term of the subsidy is 1 year, which may be renewed subject to funding availability. Up to 25 units per project may receive DHS funding, and DHS may consider a waiver of this unit cap.

Residents of DHS-funded units will be selected by DHS. Senior housing developments will be referred age eligible applicants. Single adults and families who are provided supportive services through this Solicitation utilizing DHS funding will meet DHS eligibility criteria. These criteria include:

- the completion and submission to DHS of the required assessment tool (either the Vulnerability Survey OR Service Prioritization Decision Assistance Tool (SPDAT) (included for reference in the "Electronic Forms Folder");
- the individual or family meets or exceeds the threshold criteria on the PSH assessment tool;
- the individual or family is deemed literally homeless; and,
- the individual or family resides on the streets or in a DHS funded homeless services program/facility immediately prior to placement.

There are no additional income eligibility criteria – households are eligible regardless of income if they meet the criteria above.

Projects applying for DHS supportive services funding must demonstrate that the monthly rent charged for the DHS unit will be affordable to the resident. Applicants should not assume the DHS resident will have a tenant based operating subsidy. If other sources of subsidy are not sufficient to cover the operating expenses of the unit, applicants should plan to request project based operating subsidy/voucher assistance through this RFP.

The applicant's budget for supportive services will be evaluated for consistency with the existing PSH provider cost contracts.

Providers of case management services who receive DHS funding through this Solicitation to provide supportive services (case management) must also meet DHS provider eligibility criteria. These criteria include:

- demonstrating or documenting previous experience providing supportive services and case management to single adults and families;
- documenting good track record of similar services provided by positive evaluations for contracts or grants with Federal government, District government, foundations and nonprofit organizations;
- being an incorporated and licensed organization in the District of Columbia in good standing with the D.C. Department of Consumer and Regulatory Affairs;
- having a clean track record for managing funds;
- submitting a staffing plan that meets the case manager qualifications requirements and maximum case load standards. (as indicated below); and
- adhering to all service standards and requirements that are described in "DHS PSH Supportive Services (Case Management) Standards/Requirements," as provided in the Permanent Supportive Housing page within the online application system.

Case Manager Qualifications: All case managers must meet minimum qualification standards. These minimum qualifications for case managers are a bachelor's degree in social work, psychology, sociology, counseling, or other related social services or science disciplines and 2-years of experience providing case management services. Certification or licensure in a relevant discipline (e.g., certified additions counselor) may substitute for education requirement. Any staff supervising case managers providing services under this RFP must possess a Master's Degree in social work, psychology, sociology, counseling, or other related social service/science disciplines and 2-years of experience supervising case managers. Additionally, possessing the highest level of licensure as a social worker, psychologist or counselor may substitute for the supervisory experience.

Case Load Standards: Caseloads for case managers may not exceed 17 adults or 12 families for a scattered site development. Caseloads for case managers may not exceed 25 single adults or 15 families for a single location.

Note on mixing "Designated Unit" Funding:
DBH and DHS units each are restricted solely to residents selected by the specific funding agency. It is not possible to blend these funding sources in a single unit. However, applicants are encouraged to blend sources within a project and are encouraged to consider requesting funding

from multiple agencies. This would result in designated units with more than one agency. For instance, a single 100-unit development might have 3 DBH units and 3 DHS units, which together would exceed the minimum 5% PSH requirement.

VII. COMPLIANCE & MONITORING REQUIREMENTS

In accordance with Federal and District regulations, DHCD is required to monitor the use of the funds distributed under this RFP. There are compliance and monitoring requirements associated with every phase of the project once an application is received. Some of these requirements are related to a specific funding source, while others apply to all projects. At the time of proposal submission, applicants will be prompted and required to present documents that allow DHCD to conduct the following phases of the review process:

- Threshold Review Phase
- Initial Underwriting Phase
- Final Underwriting Phase

Some of these documents must be final versions. Two examples of documents for which a final version is required are the Phase I Environmental Site Assessment and the Appraisal. Others, namely the Compliance and Monitoring Documents requested in the application, may be preliminary draft submissions that will be further developed with agency input if the project is selected.

All of the information and instructions that an applicant needs to build a responsive, high scoring application are contained in this RFP document or in the Online Application System.

Prospective applicants may also be interested in learning about the rules, regulations, and processes that will guide the relationship between DHCD and the project team once a Letter of Commitment is issued. This information is contained in the **Compliance and Monitoring Reference Guide** that is included as an appendix to this RFP. The Guidebook contains vital information related to the following project phases:

- Pre-Closing Due Diligence Phase;
- Construction Phase;
- Lease-Up/Sale Phase; and
- Operational Phase

As part of the application, DHCD requires each applicant to sign a Monitoring Certification Form indicating agreement to comply with the rules and regulations that govern DHCD and the projects it funds, to be subject to DHCD monitoring for compliance, and to accept any applicable penalties for noncompliance. The applicant is responsible for any and all costs associated with implementing and maintaining records to comply with and allow for DHCD monitoring.

For detailed information, please refer to the Compliance and Monitoring Reference Guide.

VIII. DEFINITIONS

For the purpose of this RFP and any projects funded pursuant to this RFP, the following definitions will apply:

"**Affordable Housing**" - Housing for which the occupant(s) pay no more than 30% of their income for gross housing costs, including utilities. Households that pay more than 30% of income for housing may have difficulty affording necessities such as food, clothing, transportation and medical care and are considered cost burdened by HUD. Households that pay more than 50% of income for housing are considered severely cost burdened.

"**Area Median Income**" (AMI) – AMI divides the income distribution into two equal parts: one-half of the cases falling below the median income and one-half above the median. HUD uses the median income for families in metropolitan and non-metropolitan areas to calculate income limits for eligibility in a variety of housing programs. HUD estimates the median family income for an area in the current year and adjusts that amount for different family sizes so that family incomes may be expressed as a percentage of the area median income. Income limits for the District can be found at: http://www.huduser.org/portal/datasets/il/il14/index_il2014.html

"**Chronically Homeless**" - An individual who has been continuously homeless for a year or more, or who had at least four (4) episodes of homelessness in the last three (3) years, and can be diagnosed with a serious mental illness or health condition.

"**Coordinated Entry**" – The Coordinated Assessment and Housing Placement System (CAHP), required by HUD per the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act, that will be implemented by DHCD as the designated homelessness planner for the District. The system is a client-centered process that streamlines access to the most appropriate housing intervention for each individual or family experiencing homelessness. Within a CAHP system, clients are prioritized for housing through a process that is data-driven and real time.

"**DBH Consumers**" - Adults, children or youth who are eligible to receive behavioral health services or supports funded or regulated by the Department of Behavioral Health.

"**Disability**" - A physical, mental, or emotional impairment which is expected to be of long-continued and indefinite duration; that substantially impedes the ability to live independently; and is of such a nature that such ability could be improved by more suitable housing conditions (primarily persons who are seriously mentally ill; have chronic problems with alcohol, drugs, or both; or have AIDS and related diseases).

“**Development Finance Division (DFD)**” **–** A division within DHCD that provides financial resources to developers in the private sector to build and rehabilitate community infrastructure and ensure access to quality and affordable rental and homeownership housing in order to revitalize communities and promotes economic diversity

“**Homeless**” - Refers to the *Homeless No More* definition which is derived from the HUD definition: (1) an individual who lacks a fixed, regular, and adequate nighttime residence; and (2) an individual who has a primary nighttime residence that is (a) a supervised publicly- or privately-operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); (b) an institution that provides a temporary residence for individuals intended to be institutionalized; or (c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

“**Funding Sources**” **–** The sources of funds made available for rehabilitation and construction of affordable housing under the mentioned federal and local programs.

“**Housing First**” - Under the Homeless Services Reform Act (HSRA), Housing First means a program that provides clients with immediate access to independent permanent housing and supportive services without prerequisites for sobriety or participation in psychiatric treatment. Clients in Housing First programs may choose the frequency and type of supportive services they receive and refusal of services will have no consequence for their access to housing or on continuation of their housing and supportive services.

“**Long-term**” - In the context of DBH-funded units, means that the supportive housing developed pursuant to this initiative will be reserved through use restriction covenants for the exclusive use of DBH Consumers for time periods specified later in this RFP.

“Permanent Housing” - As defined by HUD, permanent housing refers to community-based housing without a designated length of stay and where the client is the lease-holder. Permanent housing models included in this plan are Rapid Re-Housing, Permanent Supportive Housing, and Targeted Affordable Housing. Individuals and families who are living in permanent housing are no longer considered to meet the HUD homeless definition.

“**Permanent Supportive Housing (PSH)**” **–** Supportive housing for an unrestricted period of time for individuals and families who were once homeless and continue to be at imminent risk of homelessness, including persons with disabilities as defined in 24 CFR 582.5 for whom self-sufficient living may be unlikely and whose care can be supported through public funds. (DC Official Code 4-751.01-28)

“**Special Needs**” - Refers to an umbrella group of families and individuals (that may or may not be homeless) that have conditions or needs that require the provision of supportive services. These conditions include mental health problems, drug and substance abuse problems, mobility impairment issues, HIV/AIDS and other chronic disease problems, and homelessness.

“Single Room Occupancy (SRO) - Refers to the *Homeless No More* definition which is derived from the HUD definition: a residential property that includes multiple single room dwelling units. Each unit is for occupancy by a single individual. The unit need not, but may, contain food preparation or sanitary facilities or both.

“**Supportive Housing**” - Housing provided in connection with voluntary services designed to help tenants maintain housing, including, but not limited to, coordination and case management, physical and mental health, substance abuse management and recovery support, job training, literacy, and education, youth and children’s programs, and money management.

“**Supportive Services**” - Voluntary services designed to help tenants maintain housing, including, but not limited to coordination and case management, physical and mental health, substance use management and recovery support, job training, literacy, and education, youth and children’s programs, and money management.

“**Targeted Affordable Housing (TAH)” -** Units or subsidies that offer long-term affordability and are dedicated for use by the homeless services system. TAH is not intended to address affordable housing broadly, but is targeted to key populations that do not need ongoing support services and that, but for long-term subsidies, could not exit homelessness or would return to homelessness.

IX. CONTACT US

While the Request for Proposals application window is open, all questions should be submitted through the "Q&A" section of the Online Application System. All questions and Department responses pertaining to the RFP will be posted at this site, for all potential applicants to see.

All registered applicants will receive a notification via email informing them that a new question and answer have been submitted to the forum. Any updates from DHCD will also be communicated in this manner.

Should you need to reach the Department through another means, the authorized agency contact person for all matters concerning this RFP is:

Name:	Reginald Izlar
Mailing Address:	1800 Martin Luther King Jr. Avenue, SE, Washington, DC 20020
Email address:	rfpquestions@dc.gov
Phone:	(202) 442-7200

X. APPENDIX - GUIDELINES FOR COMPLETING FORM 202

The following guidance pertains to all applicants, unless otherwise stated. Applicants must meet all of the following criteria.

Occupancy Restrictions and Rent Levels

All new construction projects must provide Permanent Supportive Housing (as defined in the RFP) with at least 5% of the units in the project, and no less than 1 unit.

Unless otherwise explained, applicants should follow the most recent Housing Production Trust Fund (HPTF) rent and income limits, which currently are as follows:

Housing Production Trust Fund Rent Limits (Updated 8/14/2015)

Unit Size	Income Band		
	0 - 30%	31 - 50%	51 - 80%
Efficiency	~~$563~~ $573	~~939~~ 955	~~1,502~~ 1,528
1 Bedroom	~~644~~ 655	~~1,073~~ 1,092	~~1,717~~ 1,747
2 Bedroom	~~724~~ 737	~~1,207~~ 1,228	~~1,931~~ 1,965
3 Bedroom	~~805~~ 819	~~1,341~~ 1,365	~~2,146~~ 2,184
4 Bedroom	~~885~~ 900	~~1,475~~ 1,501	~~2,361~~ 2,402
5 Bedroom	~~968~~ 982	~~1,610~~ 1,638	~~2,575~~ 2,620

Housing Production Trust Fund Income Limits (Updated 8/14/2015)

Income Band	Household Size							
	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
0 - 30%	~~$22,533~~ 22,932	~~25,752~~ 26,208	~~28,971~~ 29,484	~~32,190~~ 32,760	~~35,409~~ 36,036	~~38,628~~ 39,312	~~41,847~~ 42,588	~~45,166~~ 45,864
31 - 50%	~~37,555~~ 38,220	~~42,920~~ 43,680	~~48,285~~ 49,140	~~53,650~~ 54,600	~~59,015~~ 60,060	~~64,380~~ 65,520	~~69,745~~ 70,980	~~75,110~~ 76,440
51 - 80%	~~60,088~~ 61,152	~~68,672~~ 69,888	~~77,256~~ 78,624	~~85,840~~ 87,360	~~94,424~~ 96,096	~~103,008~~ 104,832	~~111,592~~ 113,568	~~120,176~~ 122,304

The low-income units in the projects must be rent restricted at one or more low-income bands as described in the proposal and as required by DHCD and federal regulations. For projects receiving project-based rental assistance, the application must include information concerning the actual rent to be paid by the tenants and the estimated subsidy that will be received by the project owner. For DHCD's affordability analysis, the actual tenant-paid rent will be evaluated rather than the gross rent received resulting from the rental assistance. For financial feasibility and determination of the subsidy needs of the project, the gross rent will be evaluated. If any rental assistance is not project-based, the assisted portion of the rent should not be included in the project's income projections. In these cases, the gross rent will be evaluated for the affordability evaluation and not the amount projected to be paid by tenants who might have tenant-based rental assistance.

Rent levels including tenant paid utilities must be supported by market data. Rents should also allow for a reasonable affordability window so those tenants with incomes below the maximum levels are not paying a disproportionate percentage (i.e. greater than 30%) of their income for rent. DHCD will consider the project's capture rate in reviewing the rents.

Financing Terms and Conditions

1. Other Financing: Letters of commitment, intent or interest to provide financing should be furnished for all funding sources identified in the application. At a minimum, letters of intent or interest must state that projects appear feasible and show the amount of anticipated funding, general repayment terms and any conditions. If financing will be subsidized or insured by another institution, evidence must be provided that the appropriate applications were prepared and filed or are ready to be filed.

For projects that will be syndicated for tax credit equity investment, sponsors must provide a proposal from at least one syndication firm showing the amount of tax credit expected, investor type, expected net proceeds, syndication costs and pay-in schedule. Expected sources of construction and permanent financing, and (if applicable) bridge financing and investor equity, will be confirmed by DHCD staff with those sources. The terms of this expected financing, as confirmed by the sources, will be used by DHCD staff in their pro forma analysis.

2. Project Assistance (Updated 9/11/2015): In general, loans through the department's funding must be totally repaid on a cash flow basis at an annual interest rate ranging from 0%-3% for a term of up to 40 years (for rental projects) and 15 years (for homeownership projects). The Department expects to receive ~~80%~~ 75% of the net cash flow as determined through analysis of project financial reports. All cash flow loans must be repaid at the end of the loan term.

Construction or Rehabilitation Costs

The construction or rehabilitation costs for projects must be within a reasonable range for the scope of work proposed. If the proposed costs per gross square foot exceed the maximum guidelines outlined below, sponsors must submit a request for waiver that includes a detailed explanation of the reason construction or rehabilitation costs are outside of these ranges. Staff will evaluate waiver requests for reasonableness on a case-by-case basis. Construction or rehabilitation costs include all work, including site development, associated with the physical development of projects, together with the builder's overhead and profit, but not including architectural and engineering costs or other fees related to design and permitting. The projects' per square foot costs are obtained by dividing the amount of the construction or rehabilitation contract by the gross square footage of the buildings to be constructed or renovated. The construction contingency should not be factored into this equation.

Maximum Construction Costs per Gross Square Foot

Type of Building	New Construction	Substantial Rehabilitation	Moderate Rehabilitation
Townhouses	$155	$120	$85
Garden Apartments/Condos	150	105	80
Residential Elevator Buildings (≤5 floors)	175	120	110
Mid-rise Buildings (6 or more floors)	230	140	120

For projects that consist of the rehabilitation of existing buildings, the Department has established a minimum rehabilitation standard to ensure that meaningful, and not just cosmetic, rehabilitation is undertaken. The total hard construction costs (excluding fees or overhead items) of rehabilitation for projects must be at least $15.00 per square foot per unit and supported by a building evaluation report performed by an engineer or other qualified professional. This minimum may be waived for projects that can demonstrate both a strong need for preservation of affordable housing in the market area and that affordable housing units will be lost if the project is not financed using DHCD funds.

Development Budget

1. Acquisition Price: For projects involving acquisition and rehabilitation of existing buildings or the purchase of raw land, the acquisition price may not exceed the standards set forth below.

- For an arm's length transaction, the maximum acquisition price may not exceed the lesser of the contract sales price or the "as is" appraised value of the property.
- For transactions involving a change in use, appraisals should include an "as is" value and an after rehabilitation value under its projected use. In such cases, the acquisition cost may not exceed the lesser of the two values or any lower value based upon the standards for related party transactions described in this section.
- For a related party transaction where the property was acquired less than 2-years before the application date, the maximum acquisition price may not exceed the lesser of the "as is"

appraised value of the property or the original acquisition price plus carrying costs acceptable to DHCD.

- For a related party transaction where the property was acquired two or more years before the application date, the maximum acquisition price may not exceed the appraised value of the property.
- For schools and other sites owned by the District, applicants may not use DHCD loan funds to purchase these sites for conversion to housing.

For purposes of this section, acquisition is defined as transfer of title and legal ownership. Applicants with questions regarding the definition of arms-length and related-party transactions should contact the Department.

The acquisition price must be supported by an appraisal performed by a licensed independent professional appraiser. DHCD, in its sole discretion, may accept an appraisal that is required by another lender and prepared by an independent professional appraiser for that lender.

2. Syndication Related Costs: For projects that are syndicated for tax credits, the equity raise-up rate should be within current market standards. When the project's gap analysis is performed, DHCD will review the raise-up rate to ensure that it is competitive in the tax credit market.

3. Operating Reserves: Operating reserves shall range from three to six months of projected operating expenses plus all required "must pay" debt service payments. The application requires the Sponsor/Developer to include a narrative explaining how the operating reserve will be established. For projects with proposed operating reserves that are outside of this range, sponsors must submit a request for a waiver that includes a detailed explanation of the reasons operating reserves for the project should be set at a different level. Staff will evaluate waiver requests for reasonableness on a case-by-case basis to determine compliance with the threshold limits. DHCD—when evaluating guaranties for completion, lease-up, or operations—will consider the demonstrated financial capacity and liquidity of the owner or other guarantor.

At a minimum, funded operating reserves must remain in place until the project has achieved economic break-even operations for a fiscal year, as confirmed by its annual audit, and has reached 90% occupancy for 12 consecutive months. Reserves may then be released over the next three or more years at the discretion of the Department, provided the project continues to achieve economic break-even operations and 90% occupancy. Upon release, operating reserves generally may be used to pay any outstanding deferred developer's fee and then should be used to reduce any DHCD loan.

4. Contingencies. All projects should include contingency amounts for construction and "soft cost" line items. The expected construction contingency ranges are 5% - 10% for new construction, and 12% to 15% for rehabilitation, with the higher contingency amounts for smaller or scattered site projects, less experienced contractors and those with environmental or other construction uncertainties

Soft cost contingency is expected to range from 5% - 8%, with the higher percentage for smaller projects and less experienced developers.

Limitation on Fees

Fees in the development budget are limited according to the following standards established by DHCD:

Architect, General Contractor, and Construction Management Fee Limits

Category	Limitation
Builder's Profit	5% to 10% of the net construction costs
Builder's Overhead	2% to 3% of the net construction costs
General Requirements	5% to 10% of the net construction costs
Architect Design	2% to 6% of the construction contract
Architect Administration	1% to 3% of the construction contract
Construction Management	2% to 4% of the construction contract

Please see below for additional information

1. Net Construction Costs: Net construction costs are equal to the construction contract amount less builder's profit, builder's overhead, general requirements and bond fees.

2. Builder's Profit: A builder's profit is permitted even if a relationship or identity of interest exists between the developer and general contractor. However, all general contractors must meet departmental guidelines and be approved to act as a general contractor for the project. The allowable profit must range from 5% to 10% of the net construction costs.

3. Builder's Overhead: Allowable builder's overhead must range from 2% to 3% of the net construction costs with the lower percentage applicable to larger projects and the higher percentage to projects of lesser amounts.

4. General Requirements: The allowable general requirements are determined based on the size of the project. General requirements must range from 5% to 10% of net construction costs.

5. Architect's Fees: The allowable architect's fee for project design must range from 2% to 5% of the construction contract amount. For architectural administration, the allowable fee must range from 1% to 3%.

6. Developer's Fee: (Updated 9/11/2015) The developer's fee must include all fees paid to processing agents and development consultants. The allowable developer's fees must range from 10% to 15% of total development costs based on the table below.

The developer's fee may not exceed ~~$3.5~~ $4 million, regardless of what number the calculation produces. No more than $2 million in developer fees will be paid out of the development budget. Any allowable amount above $2 million, up to an additional ~~$1.5~~ $2 million will be deferred and paid out of net operating income.

Maximum Developer Fee Calculation

Fee on Development Costs	Fee on Acquisition Costs
15% on first $10,000,000	5% on first $10,000,000
10% on amount over $10,000,000	2.5% on amounts over $10,000,000
Total may not exceed **~~$3.5~~ $4 million**, with no more than $2 million paid out of the development budget and up to an additional ~~$1.5~~ $2 million deferred.	

Total development costs include the following: expenses related to the actual construction or rehabilitation of the project; fees related to the construction or rehabilitation such as architecture, engineering and legal expenses; financing fees and charges such as construction interest, taxes, insurance and lender fees; and acquisition related costs. Total development costs do not include the following: hard or soft cost contingencies, syndication related costs; funded guarantee and reserve accounts that are required by lenders or investors; and developers' fees.

Financial Pro Forma

The financial pro forma of projects will be evaluated based on a review of estimated operating expenses, construction costs, reserve for replacement deposits, vacancy rates and debt service coverage ratios. Sponsors must submit a minimum 20-year pro forma located in Application Form 202.

1. Operating Expenses: Estimated annual operating expenses, including real estate taxes and excluding reserve for replacement deposits, **should range from $5,500 to $6,500 per unit**. For projects with proposed operating expenses that are outside of this range, sponsors must submit a request for waiver that includes a detailed explanation of the reasons operating expenses are expected to be outside the range and support these estimates by the market analysis submitted with the application. Staff also will evaluate, where possible, waiver requests for reasonableness on a case-by-case comparison basis against similar properties in the DHCD portfolio to determine compliance with the threshold requirements.

2. Reserve for Replacement Deposits: Proposed reserve for replacement deposits must not be less than the **minimum** standards for the scope of work proposed.

- For new construction projects a minimum annual deposit of $300 per unit annually.
- For substantial rehabilitation projects a minimum annual deposit of $350 per unit annually.
- For new construction or substantial rehabilitation LIHTC-funded projects a minimum annual deposit of $400 per unit annually.
- For moderate rehabilitation projects a minimum annual deposit of $500 per unit annually.

For rehabilitation projects, a capital needs assessment or comparable engineering report will be required before closing in order to establish a final amount for the reserve for replacement deposit. For all projects, DHCD reserves the right to adjust the reserve for replacement amount based on a new capital needs assessment every five years.

These funds may be released only if they exceed present-value of total development costs of the property, or at the discretion of DHCD in emergency situations.

3. Vacancy Rate: The pro forma vacancy rate must be supported by the market environment described in the appraisal. During subsequent underwriting by DHCD staff, the rate may be adjusted up or down to reflect documented market conditions.

4. Debt Service Coverage Ratios: For DHCD debt, subordinated or in first position, projects must have a minimum debt service coverage ratio of 1.2 by the end of the first year of sustained operations (with the exception of projects exclusively or primarily serving populations with special needs, which are not subject to debt service coverage restrictions) taking into account all debt service payments, including proposed DHCD debt service for amortizing loans with fixed monthly payments (as opposed to "cash flow" loans).

5. Project Phasing: Applications for subsequent phases of projects already in receipt of a reservation of loan funds or tax credit allocations must show evidence that the original phase(s) of the project achieved sustaining occupancy. DFD defines sustaining occupancy for this purpose as a minimum of 3 months of break-even operations and 90% or above occupancy.. DHCD may waive this requirement upon specific request provided that requests include a market study meeting the criteria of this plan and demonstrating that the subsequent phase(s) will not adversely affect the leasing and operations of the initial phase.

DHCD analysts will first determine the amount of conventional (or other) financing supportable by net operating income of the project before sizing the DHCD loan. DHCD debt may only be used for and based on the financing gap on affordable units. To size deferred debt, the calculation will be the total development costs per affordable unit, less amortizing debt supportable with restricted rents and less equity. The remainder is the maximum gap to be funded with DHCD debt.

Developers should note that many multi-year projections are overly optimistic, especially in three areas: (1) occupancy stabilization at desired levels can take longer than expected; (2) occupancy levels can fluctuate over time, and not maintain desired levels; and (3) operating costs can be higher than expected. Project pro formas should show positive cash flow (and/or sufficient operating reserves) to account for these possibilities.

Guidance for Tenant Opportunity to Purchase (TOPA) Projects

Tenant purchase projects converting to Limited Equity Cooperatives (LEC) are a hybrid between rental and ownership: financial structuring is like a rental; the LEC is a novice owner without deep pockets working with a professional team; commitments from residents must signal willingness to act more like owners than tenants.

- Minimum upfront equity: Resident cash investment minimum in FRP law is $500; DHCD provides priority for the T.A.'s requiring average minimum $1,200/unit, to incentivize tenants to add cash to existing security deposits by time of closing. Any grants and fundraising will be counted as additional equity.
- Contingency: Hard cost contingency 15% except 20% for small projects 12 units and less; soft cost contingency 5-8%.
- Maximum loan amount: DHCD permanent financing may not exceed 66% of total cost. During acquisition period, this may be exceeded provided there is a LOI or commitment from private lender for permanent loan. ~~There is no maximum dollar subsidy per unit, but a project subsidy maximum of $7 million. (~~***Updated 8/4/2015****)*
- Minimum Reserve Requirements: Reserves should be budgeted on the high-end due to higher risk owner. Pre-funded reserves equal to nine months of operating cost; annual budgeted replacement reserve of $400/unit and operating reserve of $200/unit.
- Other operating budget items: Annual budget must include: either full budgeting for real estate taxes or sinking fund building toward tax introduction in Year 6; Resident Training line item of $100/unit, minimum $1,000 per project.
- Vacancy: Projects should budget for a 7% vacancy and collections factor, except where better performance is demonstrated.
- Maximum Developer Fee: In general 10%; for projects 20 units and smaller, 15%; sponsors taking interim ownership and/or providing financial guarantees, 12% fee.
- Affordability: 100% of units must be affordable to households with incomes at or below 80% AMI.

<u>Project Development Team</u>:

- Technical Assistance – LEC must contract with a Developer/Technical Assistance provider with TOPA experience, or include such on team. The contact should be for the entire development period, with incentive payments to ensure TA works to project completion and stabilization;
- Property management – buildings 6-units and smaller may self-manager with suitable resident capacity; third-party managers should demonstrate ability to work collaboratively with resident owners, attend Board meetings, etc.; and
- LEC Borrower itself must qualify as sustainable borrower: In lieu of a development track record or financial statements, performance "markers" will be evaluated as predictors of future stability.

<u>Demonstrate the Strength of Resident Organization on the following criteria</u>:

- Quality of leadership – professional or life skills that enable leaders to understand organizational and financial issues, inspire cooperation, communicate well, and share authority among leaders;
- Holds elections in fair and open manner;
- High percentage participation reflected in signatures gathered in initial petition, attendance at regular resident meetings, voting in Board elections and on other issues;
- Regular payment of dues or pre-payment of any subscription fees and fundraising activities;
- Ability to galvanize consensus in decisions, and resolve internal conflicts;
- Majority of members involved in development decision-making and attending ongoing training sessions; and
- Willingness to "raise my own rent": Where past rents are too low to sustain the LEC with fully funded operating budget, members must vote for an increase, with at least a portion of the increase to take effect by time of the purchase. LEC members must acknowledge in a resolution that carrying charges will increase in the future to cover inflation.

<u>Physical Analysis</u>:

- Acquisition application Stage: Loan applications must include renovation scope and cost estimates prepared by professional architect or engineer. Given limited time, drawings and GC cost estimates are not required.
- Construction loan application Stage: After acquisition, within 180 days a detailed scope of work and cost estimate from a GC must accompany the construction loan request. Architectural drawings are required for extensive renovation or interior reconfiguration; for smaller scope detailed work write-up and specifications are acceptable.
- Extent of Rehab: Rehab must replace all systems with a projected remaining life of less than 10-15 years. Building security should be addressed in high crime neighborhoods.

Market Analysis and Level of Carrying Charges:

- Units must be demonstrated to be marketable, as indicated by market analysis.
- Projected carrying charges must not exceed market rents. Carrying charges need to be affordable to the average resident income; as properties are already occupied by a mix of incomes, the ratio of charges/income will vary (unless there is project-based operating subsidy).
- If project occupancy is below 50%, provide a realistic lease-up schedule and demonstrate by acquisition closing the “pre-sale” of at least an additional 10% of units executing Subscription Agreements and deposits.

Development Budget and Operating Pro Forma:

- Projected operating expenses: Provide recent operating history (which provides the initial basis for projecting future expenses) and describe any projected adjustment to utility and maintenance costs given equipment upgrades in the renovation process. Insurance may be higher for the single-site LEC owner. Budget should not be reduced assuming volunteer work by residents, except in case of property management fees for self-management.
- Property Management Plan: For occupied buildings, the acquisition application must include a property management plan covering both the interim/construction period and post-completion. The plan must include interim operating budget (prior to and during renovation) quantifying occupancy and revenue and demonstrate ability to manage a tenant-in-place rehab process.

Application Form Instructions

This section provides information for completing the Form 202 application form. The specific information that is to be entered into the individual fields on the application form is described in detail below.

Project Income – “INCOME” Tab

Residential Rental Income: Low-Income Units. For all low-income units in the project**,** show: the number of bedrooms and baths per unit; percent (%) of median income; the number of units of this size and type; the unit size in net leasable square footage; tenant paid utilities; and the contract rent to be paid by the tenant. The monthly income is the contract rent, adjusted for utilities, and multiplied by the number of units of this size and type. Calculate annual income by multiplying the monthly income by 12 months. The total net leasable square footage for all units is the sum of the unit size multiplied by the number of units for each size and type. To calculate the vacancy allowance, multiply the total annual income for the market rate units in the project by an estimated vacancy rate. The vacancy rate is based upon an analysis of similar projects in the market area. Subtract the vacancy allowance from the total annual income to determine the effective gross income of the market rate units.

Residential Rental Income: Market Rate Units. For all market rate units in the project (not reserved for households at or below 80% of the area median income), show: the number of bedrooms and baths per unit; the number of units of this size and type; the unit size in net leasable square footage; and the contract rent paid by the tenant. The monthly income is the contract rent multiplied by the number of units of this size and type. Calculate annual income by multiplying the monthly income by 12 months. The total net leasable square footage for all units is the sum of the unit size multiplied by the number of units for each size and type. To calculate the vacancy allowance, multiply the total annual income for the market rate units in the project by an estimated vacancy rate. The vacancy rate is based upon an analysis of similar projects in the market area. Subtract the vacancy allowance from the total annual income to determine the effective gross income of the market rate units.

Nonresidential Income. Nonresidential income includes but is not limited to commercial space, parking, laundry facilities and vending machines. For all nonresidential income in the project, show a description of the income type and/or size; the square footage (if applicable) and the income generated. Calculate annual income by multiplying the monthly income by 12 months. The vacancy allowance is calculated by multiplying the total annual nonresidential income by an estimated vacancy rate that is based upon an analysis of similar projects in the market area. Subtract the vacancy allowance from the total annual income to determine the effective gross income for nonresidential units.

Effective Gross Income. This is the sum of the effective gross income for all income producing units in the project (low-income, market rate and nonresidential sources).

Non-Income Producing Units. For all community, common and other non-income producing units or spaces included in the project, show the number of units (if applicable) and the square footage of each type of space. The total square footage for all units is the sum of the unit size multiplied by the number of units for each size and type. Manager's units where the occupant is not being charged rent should be included here.

Tenant Paid Utilities. If tenants will pay monthly utilities, show the type of utilities by marking the appropriate box.

Project Expenses – “EXPENSES” Tab

Fill in the annual estimated expenses for each type listed that is applicable to the project. A management fee is calculated by multiplying the Effective Gross Income by an annual percentage rate. Utility expenses include only those items paid by the owner and should not include tenant paid utilities.

Use drop down menus in column K to describe the basis for certain line items which are commonly contracted with service providers. Is the budgeted amount based on a contract with a provider, a quote from a provider, or the developer’s estimate?

Cost per unit values will automatically calculate based on the number of units entered in “INCOME” tab, “Total Units” can be found in cell B69.

Total Operating Expenses. This is the sum of total administrative expenses, total utility expenses, total operating and maintenance expenses, total taxes and insurance and reserve for replacement deposits.

Net Operating Income. Calculate the project’s Net Operating Income by subtracting the Total Operating Expenses from the Effective Gross Income for all units.

Uses of Funds – “USES – Residential” Tab and/or, “USES – Commercial” Tab

For residential projects, fill out only the “USES – Residential” tab. Mixed use projects, with both commercial and residential units, must allocate costs between the residential portion of the project and the commercial portion of the project. Annotate the spreadsheet to explain the rationale for the division of costs between residential and commercial.

Fill out the total estimated cost for each use of funds listed that is applicable to the project in column E “Total Budgeted Cost.” *Only* applications including low-income housing tax credit financing need to divide costs between “Acquisition Basis,” “Construction Basis,” and “Not in Basis.” Tax credit applicants should consult an accountant or attorney for more information about the allocation of expenditures to Basis before submitting an application for funding.

Cost per square foot and cost per unit will automatically calculate based on the total square feet provided in “USES” Tab cell J6. Cost per unit will automatically calculate based on the total units provided in “INCOME” Tab cell B69.

For each line item in the budget, please select from the dropdown “Status” menu:

- “incurred”, if the expense has already been incurred,

- “contract” if the cost is based on a signed contract with a service provider,
- “quote” if the cost is based on a quote from a service provider, or
- “developer estimate” if the cost is based on the developer’s best estimate.

Construction or Rehabilitation Costs. Net construction costs (shown in the Department’s Form 215 – Detailed Cost Estimate) are construction costs that do not include a builder’s general requirements, builder’s profit, general overhead, bond premium, construction contingency or other fees. Also indicate the builder’s general requirements, builder’s profit and overhead, as a percentage of net construction costs. Bond premiums include the actual premium paid for performance and payment bonds or the actual cost paid to a lending institution for letters of credit to assure construction completion. A construction contingency of 5% to 10% of the total construction contract is required to fund unforeseen construction work items. The sponsor may pledge the developer’s fee to cover the contingency instead of including the construction contingency on this line.

Fees Related to Construction and Rehabilitation. For the architect’s design and supervision fees, show the applicable percentage of the total construction contract. Real Estate Attorney Legal fees directly related to closing the loans are tax credit basis eligible. Marketing costs are generally limited to 1% of total development costs and must be supported by a budget. For limits on the architect’s design fee, architect’s supervision fee and legal fees refer to Section 4, page 16. For the Physical Needs Assessment, include who provided the assessment.

Financing Fees and Charges. Construction interest is calculated on the funds disbursed during the construction loan period based on a projected monthly draw schedule. Annotate the spreadsheet to explain how “Construction Interest,” “Real Estate Taxes” and “Insurance Premium” are calculated. Mortgage Insurance Premium is the premium charged for mortgage insurance during the construction loan period only. Title and recording costs are those estimated by the title attorney. A financing (soft cost) contingency may not exceed 1% of total development costs to cover unanticipated interest and financing costs.

Acquisition Costs. If the site includes existing buildings, allocate the cost between land and buildings. Generally, there cannot have been any transfer of ownership within the past 10 years for buildings to be eligible for an acquisition tax credit. Briefly describe how any “Carrying Costs” are calculated. If the project involves relocation, briefly describe how the “Relocation” figure is calculated.

Total Development Costs. This is the sum of total construction costs, total fees, total financing fees and charges, and total acquisition costs.

Developer's Fee *(Updated 9/11/2015)*. These figures are automatically filled in at the maximum developer fee calculated at the bottom of the spreadsheet, unless a lower fee is requested here. All fees for processing agents and development consultants must be paid from this fee. The developer's fee may not exceed ~~$3.5~~ $4 million, with no more than $2 million paid out of the development budget and the rest deferred. The actual maximum developer fee for a project may be lower based on the calculations in the spreadsheet.

Syndication Related Costs. These are costs incurred when syndicating a project with historic tax credits or Low-Income Housing Tax Credits. Syndication related costs may not be paid with Department loan proceeds. Generally, these costs are not included in the project's tax credit basis.

Guarantees and Reserves. Briefly describe how all budgeted reserves are calculated. Guarantees and reserves should include only funded amounts required by the Department, other lenders or syndication firms.

Total Uses of Funds. This is the sum of total development costs, developer's fee, total syndication related costs, and total guarantees and reserves.

Maximum Developer's Fee *(Updated 9/11/2015)*. The developer's fee is calculated as a percentage of total development costs. A fee of up to 15% is allowed on the first $10 million of total development costs (less acquisition-related costs, construction, and soft cost contingencies) and up to 10% on total development costs (less acquisition-related costs and construction and soft cost contingencies) over $10 million. A fee of up to 5% is allowed on the first $10 million of acquisition-related costs and up to 2.5% on acquisition-related costs over $10 million. The total developer's fee may not exceed ~~$3.5~~ $4 million, and no more than $2 million may be paid out of the development budget. Any allowable amount above $2 million, up to an additional ~~$1.5~~ $2 million must be deferred and paid out of net operating income.

Phased Sources and Uses – "Phased S&U" Tab

This page will describe the sources of funding and the uses of funds at each stage of the project: Predevelopment, Acquisition/Construction, and Permanent Financing. Sources must equal uses for each phase of the development.

Please note that applicants may submit multiple versions of their expected sources and uses, whenever an applicant proposes more than one feasible financing scenario (such as proposing use of 9% LIHTCs, with a secondary scenario that uses 4% LIHTCs and DCHFA bond financing.

Uses: Uses are cumulative across the phases of the development. For instance, expenses entered in the Predevelopment Uses phase will automatically carry forward into the Acquisition/Construction phase on the line labeled “Predevelopment Expenses Included Above.”

Sources: Since not all sources carry forward between phases, each source which is available at a given phase of the development must be entered into each Sources Phase where it is available. For instance, a predevelopment loan available during the predevelopment phase may be repaid at acquisition closing, in which case it would not be listed in “Acquisition/Construction” sources, or that same loan might be repaid with Permanent Financing, in which case it would need to be listed in the “Acquisition/Construction” sources.

For each source, use the drop down menu to list the status of the source:

- “applied” if an application has been submitted but no letter response received,
- “letter of interest” if the funder has issued a letter of interest or letter of intent which is short of a commitment letter,
- “commitment” if the source has issued a commitment letter, or
- “received” if the funding has been received.

Include the interest rate and term for all loans.

Sources of Funds at Permanent Financing – “PERM SOURCES” Tab

Primary Debt Service Financing. For all projects required that have primary debt service, indicate the type of funds, the name of the bond issuer or lender, the required debt coverage ratio (DCR), the total annual payment, the interest rate, the amortization period of the loan, the actual loan term, and the maximum supported loan amount. Also, show the annual payment associated with any bond insurance premium.

For each source of debt, use pull down menu to indicate “Payment Type:”

- “must pay,” if regular pre-defined payments are due monthly;
- “cashflow,” if payments are calculated based on project cashflow; or
- “deferred,” if payment is not required until the end of the term.

Subordinate Debt Service Financing. For all loans that are subordinate to primary debt, show the type of funds, the name of the lender, the DCR (if appropriate), the percentage of cash flow that will be applied to payments due on the loan (for cash flow loans), the anticipated annual payment, the interest rate, the loan term, and the loan amount. ~~Calculate the maximum loan amount from DHCD on the application form. Generally, the DHCD loan (from all sources) may not exceed $2.0 million (~~***Updated 8/4/2015)***. For grants, show the type of funds, the name of the grantor if not DHCD, the term of the grant (if applicable), and the amount of the grant.

Total Debt. Add the total loan amounts for the cash flow loans and the total maximum mortgage amounts for the amortizing debt financing to determine the total debt.

Equity. Indicate the source and amount of equity proceeds generated from the sale of low-income housing and/or historic tax credits. Also, identify the developer's equity that is not from syndication proceeds, including for TOPA projects resident equity contributions. DHCD requires that equity from the sale of competitively allocated tax credits be sufficient to cover syndication related costs, guarantees and reserves, developer's fee and at least 10% of total development costs.

Total Sources of Funds. The total sources of funds are the sum of the total financing and the total equity and must equal the total uses of funds.

Low-Income Housing Tax Credit – "TAX CREDIT" Tab

Only projects using Low-Income Housing Tax Credits need to fill out this portion of the application.

For each property, fill out the "Location and Property Information" chart.

For multi-site properties, divide eligible construction basis by property. Use the drop down menus in column K to designate each property as either:

- QCT," located in a Qualified Census Tract;
- "Basis Boost," if requesting a Basis Boost for this property; or
- "None," if there is no anticipated adjustment to Basis.

Based on the eligible construction basis entered for each property, the total project weighted average Basis adjustment is displayed in cell I77.

20 Year Operating Pro Forma – "PRO FORMA" Tab

At the top of this page, enter the first full year of expected sustained occupancy. With that information, the pro forma will automatically populate with information from the Income and Permanent Sources tabs. Please check that income and expense are trending correctly, and that sources are accurately reflected.

Income. The sheet will calculate trended income figures based on the number of years between filing this application and expected sustained occupancy. Each year after that, the annual income for the low-income, market rate and nonresidential units will be trended forward at 2% for income and 3% for expenses, as shown at the top of the worksheet. The vacancy allowance is the sum of the vacancy rate times the gross income for each type of income.

Expenses. The sheet will calculate trended expenses based on the number of years between applications and expected sustained occupancy. The management fee, typically a percentage of collected rents, is to be trended based on rent and occupancy trends. Other expenses are automatically trended annually by multiplying the previous year's expenses by the trending rate and adding it to the previous year's expenses. The trended net operating income is calculated by subtracting the trended expenses from the trended effective gross income.

Primary Debt Service Financing. Annual debt service payments are entered for each year from the Permanent Sources page. The debt coverage ratio is calculated by dividing the net operating income by the total debt service payments.

Subordinate Debt Service Financing. Annual cash flow payments are calculated for each year by multiplying the cash flow by the Percentage of Cash Flow for Payment shown in the cash flow financing table in the Project Summary Information worksheet. The remaining cash flow is calculated by deducting debt service and cash flow payments from the trended net operating income. The debt coverage ratio is calculated by dividing the net operating income by the sum of the total debt service payments and the total cash flow debt payments.

Project Summary Information – "SUMMARY" Tab

This page will automatically populate with information from other tabs. Check that the values are correct. If not, the information should be corrected on the tab from which the formula draws. Please DO NOT over-write the formulas on this page.

Project Income. Total units, annual income, and vacancy rates for the low-income units, market rate units and nonresidential sources will automatically populate from the Project Income worksheet. Annual Trending will be 2% for income and 3% for expenses.

The spreadsheet will automatically calculate the trended income (at the time of sustaining occupancy) by multiplying the annual income by the sum of the years until sustaining occupancy and annual trending rate and adding this result to the annual income.

Project Expenses and Cash Flow. The annual expense for each project expense category will automatically populate from the Project Expenses worksheet. Where requested, indicate the number of years until sustaining occupancy and the annual trending rate. The management fee is not trended but is typically a percentage of effective gross income. The other expenses are trended by multiplying the annual expense by the sum of the years until sustaining occupancy and annual trending rate and adding this result to the annual expenses.

Sources and Uses of Funds. Enter the summary information from Sources of Funds and Uses of Funds worksheets.