NOTE: All grayed out sections are NOT applicable to the PADD-DFD Request For Proposals. ONLY HPTF, DBH and HOPWA funds are available as part of the PADD-DFD RFP.

APPLICATION SUBMISSION PACKAGE - PADD

Housing Production Trust Fund Program (HPTF)

Community Development Block Grant Program (CDBG)

HOME Investment Partnerships Program (HOME)

Department of Behavioral Health (DBH)

Housing Opportunities for Persons with AIDS (HOPWA)

Low Income Housing Tax Credits (LIHTC)

Local Rent Supplement Program (LRSP)

Housing Choice Vouchers Program (HCVP)

Annual Contributions Contract Authority (ACC)

Permanent Supportive Housing (PSH) – Case Management

Issue Date: November 12, 2014
Closing Date: Solicitations 7-9: February 19, 2015
Solicitations 10-12: March 4, 2015

EQUAL HOUSING OPPORTUNITY

The District Department of Housing and Community Development pledges to foster the letter and spirit of the law for achieving equal housing opportunity in the District of Columbia.

District of Columbia Department of Housing and Community Development

1800 Martin Luther King Jr. Avenue, SE
Washington, D.C. 20020

(202) 442-7200
(202) 645-5884 Fax

www.dhcd.dc.gov

Vincent C. Gray
Mayor

Victor L. Hoskins
Deputy Mayor for Planning and Economic Development

Michael P. Kelly
Director, Department of Housing and Community Development

Last Date Revised: 11/12/2014

This page left blank intentionally

TABLE OF CONTENTS

Mission ..... **iii**
District of Columbia Department of Housing and Community Development iii
Development Finance Division..... iii

Section 1: Introduction **4**
Applicability 4

Section 2: Overview of the Funding Process **5**
Application Submission 5
Application Review Process 5
Withdrawal of Applications 7
Loan Closing 7
Construction or Rehabilitation Period 8
Construction Completion 9

Section 3: General Application Instructions **9**
Introduction 9
Submission Requirements 10

Section 4: Guidelines for Applicants **10**
Development Team Requirements 10
Project Support 13
Advisory Neighborhood Commission Notice Requirements 13
Site Requirements 13
Project Location and Marketability 14
Occupancy Restrictions and Rent Levels 14
Relocation and Anti-Displacement Strategies 15
Financing Terms and Conditions 15
Construction or Rehabilitation Costs 16
Total Development Cost Limits 17
Lead Hazard Elimination 17
Development Budget 18
Limitation on Fees 19
Financial Pro Forma 20
Project Schedule 22
Guidance For Projects Serving Populations with Special Needs 22
GUIDANCE FOR TENANT OPPORTUNITY TO PURCHASE (TOPA) PROJECTS 26

Section 5: Application Form Instructions (202) **28**
General Information – Page 1 “General” Tab 29
Project Information – Pages 2-3 “General Tab” 29
Development Team – “DEV TEAM” Tab 30
Project Income – “INCOME” Tab 31
Project Expenses – “EXPENSES” Tab 32

Uses of Funds – "USES – Residential" Tab and/or, "USES – Commercial" Tab..... 33
Scoring and CBE Plan – "Scoring" Tab 35
Phased Sources and Uses – "Phased S&U" Tab..... 35
Sources of Funds at Permanent Financing – "PERM SOURCES" Tab 36
Low Income Housing Tax Credit – "TAX CREDIT" Tab 37
20 Year Operating Pro Forma – "PRO FORMA" Tab 37
Project Summary Information – "SUMMARY" Tab 38

Section 6: Application Forms..... 39

Appendix - 1: Project Narrative Format 40

MISSION

District of Columbia Department of Housing and Community Development

The mission of the Department of Housing and Community Development (DHCD) is to create and preserve opportunities for affordable housing, promote economic development, and revitalize underserved communities in the District of Columbia.

Development Finance Division

The Development Finance Division, within the Department of Housing and Community Development, revitalizes communities and promotes economic diversity by providing financial resources to developers in the private sector to build and rehabilitate community infrastructure, and to provide quality and affordable rental and homeownership housing.

SECTION 1: INTRODUCTION

The District of Columbia Department of Housing and Community Development (the Department or "DHCD") administers financing programs for the construction, acquisition and rehabilitation of single and multifamily affordable homeownership, rental housing, tenants first right of purchase, special needs, elderly housing, and community facilities that serve low and moderate income persons. The DHCD's Development Finance Division (DFD) administers these programs.

The application can be used for many of the Department's funding sources, and also for funding for permanent supportive housing from some of the Department's agency partners: DBH and DOH (HOPWA). This application submission package provides an overview of how funding requests received under the PADD Solicitation will be processed. Governing statutes and regulations are the controlling authority in the event of conflicts with other written procedures, processes or documents. This program application package contains the following sections:

- Section 1: Introduction
- Section 2: Overview of the Funding Process
- Section 3: General Application Instructions
- Section 4: Guidelines for Applicants
- Section 5: Application Form Instructions
- Section 6: Application Forms

Applicability

Housing programs funded through local and federal sources:

- Housing Production Trust Fund Program (HPTF)
- Home Investment Partnerships Program (HOME)
- Community Development Block Grant Program (CDBG)
- Department of Behavioral Health (DBH) grant funds
- Housing Opportunities for Persons with AIDS (HOPWA)
- Low Income Housing Tax Credits Program (LIHTC)
- Local Rent Supplement Program (LRSP)
- Housing Choice Vouchers Program (HCVP)
- Annual Contributions Contract Authority (ACC)
- Permanent Supportive Housing (PSH) – Case Management

Under this RFP, DFD staff will review each application to determine eligibility for funding. However, the Department and its agency partners always have complete discretion to determine which funding source will fund an award.

Sponsors are encouraged to meet with DFD staff to discuss funding options and program guidelines before submitting an application for funding covered by this Application Submission Package.

Considerations for Public Facilities

All requirements of this Application Submission Package apply to proposals for funding of public facilities, except for requirements specific to residential projects and other variations noted herein. **(No applications for public facilities will be accepted in the 2014 RFP.)**

SECTION 2: OVERVIEW OF THE FUNDING PROCESS

Application Submission

Applications for projects subject to competition will be accepted and reviewed during scheduled, competitive rounds. The Department will schedule and provide a notice of the rounds of competition for the reservation of financing. The schedule will provide the application deadline dates. Projects that meet the eligibility requirements set forth in the guidelines, submitted by eligible sponsors with complete applications by the application deadline will be rated and ranked in a competitive round.

Sponsors and developers are encouraged to meet and discuss proposed projects with Department staff **prior** to the competitions. Staff will be able to provide preliminary feedback regarding project specifics and may be able to provide suggestions for stronger applications.

Applications must be submitted on the Department's Application Submission Package forms.

Application Review Process

See the Request for Proposals, issued November 12, 2014, Section V and VI for detailed information on Eligibility Requirements and the Underwriting and Prioritization Scoring Criteria.

1) ***Threshold Review:*** The application review process begins with a threshold review conducted by DHCD for the eligibility requirements/threshold criteria as described in the Request for Proposals.
2) ***Underwriting:*** Sponsors of projects that meet the eligibility/threshold criteria are selected for competitive review by a PADD Review Committee. The PADD Review Committee will select which project or projects receive preliminary underwriting. **The selection for preliminary underwriting is not a commitment to fund the project and the Department is not obligated to fund the project until it issues a commitment letter.**

3) ***Scoring:*** Applications are then underwritten by DHCD staff. Applications are scored against Underwriting Scoring criteria. If the project meets the minimum Underwriting Scoring requirements, it will also be scored against the Prioritization criteria.
4) ***Independent Review Panel:*** Projects will then be reviewed by a selected independent review panel. This independent review panel will conduct a review of the applications to determine compliance with the Department's scoring criteria and relative prioritization among projects. The panel will forward the results of its review to the Department. Results of the panel review are sent to the Director, who will then conduct the final determination of projects to advance towards funding.
5) ***Letter of Reservation:*** Letters of Reservation will be issued to selected projects along with the PADD property award letter. **A letter of reservation is not a funding commitment to the project and the Department is not obligated to fund the project until it issues a commitment letter.** The reservation letter will provide an outline of the terms, conditions and a timeframe to meet the conditions for DFD to present it to the Loan Review Committee and to DHCD Director. As follow up to the reservation letter, a meeting will be scheduled to provide the applicant an understanding of DHCD's funding process. At the meeting, the Development Finance Manager or the Project Manager will review the remaining due diligence and underwriting requirements, and the time frame for the final stages of the loan processing and potential closing. The Department and sponsors should make every attempt to complete all review requirements within the time frames outlined in the reservation letter.
6) ***Final Project Review:*** DFD will prepare a project funding report, including a final underwriting pro forma and updated term sheet upon receipt of the sponsor's final submission of all required documentation for projects that meet Department underwriting guidelines. The project report will be scheduled for submission, with recommendations to the Loan Review Committee for review. After evaluating the recommendations, the Loan Review Committee will make a final recommendation to the Director who will, at his or her discretion, approve projects for a conditional letter of commitment for funding.
7) ***Commitment Letter***: If approved by the Director, DFD staff will submit the terms of a proposed commitment letter to the Office of the Attorney General (OAG) for preparation of the conditional letter of commitment. The sponsor, working with the Project Manager, must confirm the business terms included in the proposed commitment letter and identify any remaining issues to be resolved within three (3) days of the date of the proposed commitment letter. The OAG attorney along with DFD staff will finalize the commitment letter, and OAG will begin preparing the loan documents after the letter of commitment is accepted by the sponsor. The sponsors will have five to ten days to accept and execute the commitment letter. A Loan Conditions Precedent to Closing checklist outlining the project specific conditions for closing and standard closing conditions will be issued along with the commitment letter. The checklist specifies the pre-closing due diligence that the sponsor and the sponsor's attorney must provide before the financing is closed. The sponsor should review and understand the loan repayment schedule, monitoring and reporting requirements and the Department's draw and requisition requirements, particularly those affecting the initial draw.
8) ***Closing Meeting:*** Following the issuance of a commitment letter, the Department will schedule a "Closing Meeting" with the project sponsor. The DFD financing team assigned to the project, including underwriting, construction, and monitoring staff, will

be present at the meeting as appropriate. The sponsor should request that representatives of the architect and contractor attend.

Withdrawal of Applications

An application will be withdrawn from consideration if any of the following occur at any point in the process:

- The loan processing and submission requirements described in this section are not met. This includes a failure to meet the time frames established.

- The project changes substantially from the initial submission. A substantial change includes:
  - After scoring, the project changes in a way that reduces the original score by more than 5% of the scoring criteria;
  - a significant change in the project's design, financing or amenities;
  - a material reduction in the project's income targeting;
  - a change of the project's sponsor or developer entities; or
  - a change of the project's site.

- The project is changed so that it no longer meets all eligibility requirements.

- The project's developer, sponsor or owner, or their general partners, files for bankruptcy or is the subject of an involuntary bankruptcy.

- The project is for any reason no longer feasible, including failure to negotiate and sign a Property Disposition Agreement in a timely manner, or violation of the terms of the Property Disposition Agreement.

- The project's developer, sponsor or owner submits false, misleading or incomplete information to the Department.

Loan Closing

The Department's standard loan conditions are detailed in the commitment letter. The sponsor should review and understand the loan repayment schedule, monitoring and reporting requirements and the Department's draw and requisition requirements, particularly those affecting the initial draw. DFD staff will be available to meet and review the draw procedures. At this stage, if the financing request is less than $1 million, the project sponsor should proceed with completing the conditions precedent to closing – but if the financing request greater than $1 million, DFD staff and OAG attorneys will coordinate a District of Columbia Council package, which is submitted to the Council of the District of Columbia for passive review and approval.

At this stage, the project sponsor should be actively fulfilling all of the conditions precedent to closing, as stated in the commitment letter and closing checklist. When all of the pre-closing due

diligence documentation identified in the checklist has been submitted, reviewed and approved, the Department and OAG staff will schedule a loan closing date.

Construction or Rehabilitation Period

Construction or rehabilitation of the project will commence after the closing is complete. Prior to the start of construction or rehabilitation, the sponsor and general contractor must participate in a pre-construction conference with the DFD project manager and construction staff responsible for the project, including the DFD architectural representative, finance and project managers, and representatives from the Office of Program Monitoring. This meeting is conducted to review all construction period procedures such as inspections by Department staff, draw requisition and disbursement procedures; change order procedures, and monitoring requirements. All other project lenders should be present at the meeting to ensure a smooth inspection and draw process. Once the construction procedures, disbursement procedures, and monitoring requirements are finalized, and the sponsor's Affirmative Action Plan is approved, DHCD will issued a Notice to Proceed.

Early Start: At the sponsor's request, the Department may permit work on the project to begin prior to closing of the Department's financing. An early start of the construction or rehabilitation may be authorized after issuance of the reservation letter. Approval for an early start will be evidenced by written approval issued by DFD. Work may begin when the conditions of the early start letter are met and after the pre-construction conference is held and an Early Notice to Proceed is issued. The Department will not fund any costs incurred for work performed under an early start before the DHCD loan closes.

Compliance and Monitoring: The U.S. Department of Housing and Urban Development (HUD) and the District of Columbia regulations require DHCD to monitor projects funded with federal and/or District of Columbia funds for compliance with various federal and District regulations. Applicants receiving financial assistance from DHCD may be subject to any or all of the following laws and regulations including but not limited to:

- Community Development Block Grant (CDBG), including all applicable Office of Management and Budget (OMB) Circulars, such as A-110, A-122 and A-133) - 24 CFR Part 570
- HOME Investment Partnerships Program (including long-term affordability requirements) – 24 CFR Part 92
- Housing Opportunities for Persons with AIDS (HOPWA) – 24 CFR Part 574
- Environmental Reviews - 24 CFR Pt 85
- Certified Business Enterprise Agreement
- Age Discrimination Act of 1975 – 24 CRF Part 146
- Section 3 - (24 CFR Part 135)
- First Source Program. D.C. Official Code §§2-219.01 *et seq*.
- Registration with DC Apprenticeship Council
- Americans with Disabilities Act of 1990 – 42 USC 2181 *et seq.*
- Lead Safe Housing Rule (Lead Based Paint) – 24 CFR Part 35
- Section 504 of Rehabilitation Act of 1973, as amended – 24 CFR Part 8
- Uniform Relocation Act – 42 USC Chapter 61: District of Columbia Relocation Assistance provisions (10 DCMR Chapter 22)
- Freedom of Information Act – D.C. Official Code §2-531 *et seq.*
- Davis Bacon and related Acts – 40 USC

- ☐ Affirmative Action Plan – Mayor's Order 85-85);
- ☐ Non-procurement Debarment – 2 CFR Part 2424
- ☐ Anti-lobbying Restrictions – 24 CFR Part 87
- ☐ D.C. Notice on Non-Discrimination – D.C. Official Code §§ 2-1401.1 *et seq*.
- ☐ Drug Free Workplace – 24 CFR Part 21 §§276a-276a-5 and 42-USC 5310: 42 USC 327 *et seq*.
- ☐ Conflict of Interest (24 CFR § 570.611:24 CFR §§ 85.42 and 85.36)
- ☐ 24 CFR §§
- ☐ Fair Housing (24 CFR Part 107: 24 CFR Part l00)
- ☐ Hatch Act 5 USC Chapter 15
- ☐ LIHTC (§ 42 of IRS Code of 1986)

The project will also be subject to DHCD's monitoring and reporting requirements. See the Exhibit Checklist (exhibit Z) for more information.

Construction Completion

After the completion of construction or rehabilitation, sponsors of LIHTC-funded projects must complete a certification of costs incurred prepared by an independent certified public accountant – other, non-LIHTC projects may certify costs internally. The cost certifications will be reviewed by DFD staff within 90 days of receipt provided all construction documents and change order requests have been submitted before or at the same time that the cost certification is received. A letter describing the final determination of funding proceeds will be sent to the sponsor for signature.

SECTION 3: GENERAL APPLICATION INSTRUCTIONS

Introduction

The District of Columbia Department of Housing and Community Development ("DHCD" or the "Department") administers financing programs for the construction, acquisition and rehabilitation of multifamily rental, for-sale housing, and public facilities. Many of the Department's multifamily funding sources can be applied to using the consolidated application form. These sources include the following:

- ☐ Community Development Block Grant Program (CDBG)
- ☐ HOME Investment Partnerships Program (HOME)
- ☐ Housing Production Trust Fund Program(HPTF)
- ☐ Department of Behavioral Health (DBH)
- ☐ Housing Opportunities for Persons with AIDS (HOPWA)
- ☐ 9% Low Income Housing Tax Credits Program (LIHTC)

- ☐ Local Rent Supplement Program (LRSP)
- ☐ Housing Choice Vouchers Program (HCVP)
- ☐ Annual Contributions Contract Authority (ACC)
- ☐ Permanent Supportive Housing (PSH) – Case Management

Developers may apply for a specific source of funding, but Department staff will review each application (in coordination with its agency partners) and may recommend a substitute funding source(s) if doing so will not negatively impact the project.

Submission Requirements

1. Due Dates: **The Department must receive completed applications for PADD Solicitations 7, 8, and 9 on or before 4:00 PM, Daylight Savings Time, February 19, 2015, and applications for PADD Solicitations 10, 11, and 12 on or before 4:00 PM, Daylight Savings Time, March 4, 2015, at DHCD, 1800 Martin Luther King, Jr. Avenue, S.E., 1st Floor Security Desk, Washington, DC 20020.** DHCD will set the time/date stamp clock to register receipt of applications and will monitor the timeliness of applications**.** Applicants may use standard or express mail services. However, the Department is not responsible for mail delivery and will not accept applications received after the due date and time.

2. Form of Submission: Applicants may submit proposals for funding to DHCD for specific funding; however, DHCD reserves the right to substitute one funding source for another in situations where the Department determines that doing so would maximize the public benefit without negatively impacting the development program.

Applicants must submit one (1) CD copy of the application and TWO (2) original applications bound in three- ring notebook binders with each exhibit tabbed DHCD will not make copies for applicants. Application documents, other than maps and drawings, must be submitted using a 12 point type size and on 8 ½" x 11" paper. Documentation fully demonstrating compliance with the basic eligibility requirements (Section V of the RFP) **at the time of application** must be submitted with the application in order to receive further consideration. Any applications lacking such documentation will be returned to the applicant without further consideration.

SECTION 4: GUIDELINES FOR APPLICANTS

The following guidance pertains to all applicants, unless otherwise stated. Applicants must meet all of the following criteria. Please read this section carefully.

Development Team Requirements

1. Previous Project Performance: Members of the applicant's team may not:

- ☐ Have participated as an owner or manager in the development or operation of a project that has defaulted on a Department or other government or private sector loan in the previous ten years.
- ☐ Have failed to provide documentation required by the Department in connection with other loan applications or the management and operation of other, existing developments;
- ☐ Have been involuntarily removed within the previous five years as a general partner or managing member from any affordable housing project whether or not financed or subsidized by the programs of this Department;
- ☐ Have a current Limited Denial of Participation from the U. S. Department of Housing and Urban Development (HUD); or
- ☐ Be debarred, suspended or voluntarily excluded from participation in any federal, state or local program.

Failure to disclose required information on the application may subject the applicant to penalties under District of Columbia law.

Members of the development team are: individuals or organizations, including officers and directors of corporate members of the team, general partners of partnership members, and members of limited liability company members, that are involved in the development of the project in any of the following roles:

- ☐ Applicant;
- ☐ Applicant's project manager
- ☐ Developer and co-developer, if any;
- ☐ Guarantor(s), if applicable;
- ☐ Owner (including any ownership interest other than limited partners);
- ☐ Architect;
- ☐ General Contractor;
- ☐ Management Agent;
- ☐ Service Provider (if applicable) or
- ☐ Consultant.

The developer's designated project manager must be identified and a resume provided. NOTE: the table titled "Current and Recent Projects" in Form 203 must be completed for EACH team member, including the designated project manager. Information for one or more alternative project managers may be provided if the project manager has not been designated at the time of the application.

Incomplete information regarding the development team will result in a rejection in the Eligibility/Threshold Criteria stage. The applicant's and team members' previous project performance will be evaluated during the underwriting process to determine if the applicant and team have the experience and success necessary to carry out the proposed project.

2. Financial Capacity: In addition, members of the development team acting in the role of sponsor, developer, guarantor, or owner with chronic past due accounts, substantial liens or judgments, foreclosures or bankruptcies within the past five years, and inadequate financial capacity to carry out the proposed project will not be considered for funding. This evaluation will be based on a review of Department records, personal credit histories, commercial credit reports, financial reports, and other available data. NOTE: To be considered, applicants—including all entities within a joint venture, and the managing general partner of partnerships—must submit their three most recently completed annual financial audits. Applicants lacking audits should submit their most recent year-end and interim financial statements, as well as tax returns for the past three years complete with schedules, along with a full explanation of applicant's financial capacity and condition.

Developer financial statements will be analyzed to determine:

- Whether the developer has short- and medium-term liquidity sufficient to absorb pre-development and construction period staff and third-party costs, including potential delays – or there is a committed third party that will provide funds as needed
- Whether the developer has contingent liabilities or negative cash flow from other projects that could impinge on the developer's ability to fund ongoing project needs – if so increased reserve amounts may compensate (if there are projects with negative cash flow, project managers will need to understand why/how this project will be different from troubled projects – what lessons has developer learned and how has the new deal been structured to avoid pitfalls?)

3. Previous Participation: Development team members are also ineligible to participate in the program if they received reservations or commitments of funding but were unable to carry the project forward. This prohibition applies only to reservations or commitments issued within four years prior to the date of the application. For low income housing tax credits, this includes entities that:

- Received a reservation but were unable to place their projects in service in the year of their reservation or to meet the requirements to receive a Carryover Allocation;

- Received a Carryover Allocation but could not meet the 10% test necessary to keep a Carryover Allocation; or

- Received a Carryover Allocation or other Allocation but could not place their projects in service within the time required by the tax credit program.

For loan programs, this includes entities that received a reservation or commitment of loan funds but were unable to close the financing.

Explanation must be provided by the applicant if any development team member was involved in any DHCD-funded or committed project that is stalled, delinquent, not reporting or otherwise troubled. The project analyst will consider whether the current project will avoid similar problems, given the explanations provided.

4. No Fees Due: Development team members are also ineligible to participate in the program if they have unpaid fees or other obligations due to the Department on other projects. The development team should provide a list of any names under which it may have been organized previously.

Project Support

Please provide any and all letters of support for project.

Advisory Neighborhood Commission Notice Requirements

In accordance with the Home Rule Act and the Advisory Neighborhood Commissions Act of 1975, D.C. Law 1-58, March 26, 1976, codified at DC Official Code §1-309.10 (2003), the Department is required to provide notice to Advisory Neighborhood Commissions (ANCs) before the award of any grant funds to a citizen, organization or group if the award is of significance to neighborhood planning and development in the affected commission area. ANCs are entitled to a thirty (30) day comment period to submit written or oral comments and recommendations to the Department in response to any proposed funding award. If comments are received, the Department is required to respond to all legally relevant recommendations prior to making a final decision on any funding award.

Site Requirements

Applications that do not meet all of the following requirements will not be considered for funding.

1. Site Control: ***NOT APPLICABLE at time of application*** This may be in the form of a current deed, fee simple ownership, lease option (lease term must be equal or greater than the proposed financing term), or a contract of sale. At the time of application, site control must extend for at least 180 days after the application date.

2. Zoning: Applicants must demonstrate that the proposed improvements will meet the requirements for the existing zoning, or any proposed rezoning. For any proposed new construction, an Architect's Zoning Analysis demonstrating how the proposed improvements fit the zoning must be submitted. Properties must be properly zoned for their intended use. 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.

3. Phase I Environmental Assessment: A Phase I environmental assessment is NOT REQUIRED at the time of application. Successful applicants will be required to submit a Phase I or Phase I update. If the Phase I suggests any environmental remediation may be required, a plan for addressing the environmental concerns must be included at the time of Phase I submission. The Phase I must be no more than 1 year old. If the Phase I is more than 6 months old, an update must be included.

Project Location and Marketability

DHCD will accept proposals for eligible projects throughout the city. Points will be given to projects located in the targeted geographic areas. These areas are described within the RFP.

Documentation of the market demand for the project must be included. A conventional market study prepared by a third party is required for affordable rental, TOPA, and for sale projects. This is a ***Threshold Requirement***. Projects exclusively or primarily providing supportive housing to populations with special needs and public facilities may provide alternative documentation of demand.

Occupancy and rent levels of current DHCD-funded projects will be used as reference points for market analysis of new projects, whenever possible.

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.

At a minimum, sponsors must agree that low-income units in the projects will be rented to families with incomes that do not exceed the levels required under the proposed funding sources, as indicated in Section III – General Program Requirements under the RFP.

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.

Maximum unit rents (including tenant paid utilities) may not exceed 30% of the beneficiary's gross income limit applicable to each unit. Under the CDBG program, the gross income limit will be based on 1.5 persons per bedroom for units with one or more bedrooms and 1.0 person for efficiency units, and household size limits are as shown below. Income limits can be found in the Request for Proposals for CDBG, HPTF, HOME, DBH, and HOPWA programs.

- Efficiency – 1 person
- One bedroom – 2 persons
- Two bedrooms – 3 persons
- Three bedrooms – 5 persons
- Four bedrooms – 7 persons
- Five bedrooms – 8 persons

For elderly projects, the imputed household size may not exceed three persons regardless of the number of bedrooms.

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. The Department will consider the project's capture rate in reviewing the rents.

Relocation and Anti-Displacement Strategies

For existing occupied buildings, the applicant must submit a draft of the relocation strategy for projects that result in the temporary or permanent displacement of current occupants. If the project will result in the relocation of any tenants (i.e. households or businesses), the Department requires the applicant to comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970 (42 U.S.C. 4601 also known as "URA") and §104(d) of the Housing and Community Development Act of 1974 [42 U.S.C. §5304(d)] **if CDBG funds are used**, or local relocation regulations found at Title 10, District Code of Municipal Regulations (DCMR) Chapter 22 **if HPTF funds are used**, regarding resident notice and compensation.

Applicants should make themselves familiar with the requirements of URA, §104(d) or 10 DCMR 22, as applicable, including notices from both the purchaser and seller to residents that may apply to their project. Information on federal relocation requirements may be found on the Internet at http://www.hud.gov/offices/cpd/library/relocation/index.cfm.

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: In general, loans through the department's funding must be totally repaid on an amortizing 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). At the Department's discretion, loans may be repaid to the Department on a cash flow basis. If the loan will be repaid on a cash

flow basis, the Department expects to receive a portion 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.

The sponsor may request a waiver of these payment requirements in writing, with detailed and specific reasons for the waiver request, at the time of application or, if the need for the waiver arises after application, and before execution of letter of commitment, DHCD will evaluate each waiver request on a case-by-case basis.

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/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	$135	$120	$85
Garden Apartments/Condos	115	105	75
Residential Elevator Buildings (≤5 floors) and Public Facilities	130	115	85
Mid-rise Buildings (6 or more floors)	160	140	100

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 (exclusive of 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 Department funds.

Total Development Cost Limits

Mixed Use Projects with Commercial or Public Facilities Components: Total development costs of commercial or public facilities components will be evaluated on a case-by-case basis. Costs must be reasonable in comparison to acquisition, construction, rehabilitation and soft costs related to the development of similar facilities in DC. **(No public facility applications will be accepted in the 2014 RFP.)**

Residential Projects: Residential development projects with exceptionally high total development costs (TDCs) per unit typically require higher DHCD subsidies—and thus reduce the resources available to benefit other households. Therefore, the TDCs of DHCD-funded projects should not exceed the amounts in the table below. Exceptions will be considered only for applications for residential projects that provide a valid rationale for higher per unit TDCs with supporting data. Possible valid reasons for exceptions could include:

- A need for special amenities, fixtures, equipment, common space, etc. for special needs populations.

- A high property acquisition cost reflecting a "green/sustainable" location that is within walking distance of many services and transit.

- A high property acquisition and/or demolition cost reflecting the challenges of assembling property in areas which the District has indicated as a high priority for redevelopment.

Maximum Total Development Costs (TDC) Per Residential Unit			
	Studios/1BR	2 BR	3+BRs
Development Cost Limit	$230,000	$250,000	$270,000

To determine whether a proposed residential project complies with these TDC limits, DHCD will calculate the weighted average of bedroom sizes of all dwelling units proposed for DHCD subsidies and apply the appropriate dollar limit above. Projects should not exceed these limits without a well-documented and justified request for an exception.

Lead Hazard Elimination

The Department is committed to the goal of 100% elimination of risk from lead hazards in housing. Any rehabilitation of existing buildings must meet HUD/EPA clearance standards and must be certified by the District's Department of Health (DOH) as lead-safe. All abatement and clean-up must be carried out in accordance with the 1992 Housing and Community Development Act included in Title X (Title Ten) of 24 CFR 35 Subpart H – Rehabilitation; and with District requirements found in Title 6, of the D.C. Code. All abatement contractors or subcontractors must be certified and accredited by the District. For information on District abatement requirements, please call 202-535-1934, the Department of Health's Lead Paint Risk Assessment and Certification Office.

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 two 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 the Department.
- 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. The Department, 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, the Department 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. The Department 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 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 standards established by the Department. Projects subject to federal subsidy layering requirements have the same limitations under a Memorandum of Understanding between the Department and HUD.

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 5% of the construction contract
Architect Administration	1% to 3% of the construction contract
Developer's Fee	10% to 15% of total development costs not to exceed $2.5 million.

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 will range from 5% to 10% of the net construction costs.

3. Builder's Overhead: Allowable builder's overhead may 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 may range from 5% to 10% of net construction costs.

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

6. Developer's Fee: The developer's fee must include all fees paid to processing agents and development consultants. The range of allowable developer's fees is from 10% to 15% of total development costs based on the table below. The developer's fee may not exceed $2.5 million. For projects with proposed developers' fees in excess of $2.5 million, sponsors must submit a request for a waiver that includes a detailed explanation of the reasons for increased developer's fee. Staff will evaluate waiver requests for reasonableness on a case-by-case basis to determine compliance with the threshold requirements. Any fee in excess of $2.5 million must be recommended by DHCD's Loan Review Committee and approved by the Director of the Department. Increasing the fee to increase the tax credit basis is not a valid justification for a waiver.

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 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 $5,750 to $6,250 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, the Department 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 the Department 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 Department 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. The Department may waive this requirement upon specific request provided that such 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 shall only be used for and based on the financing gap on affordable units. To size deferred debt, the calculation will be the TDC per affordable unit, less amortizing debt supportable with restricted rents, 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: occupancy stabilization at desired levels can take longer than expected; occupancy levels can fluctuate over time, and not maintain desired levels; and 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.

Project Schedule

Sponsors must submit a project completion schedule with the application, included on the 202 Form. Sponsors are expected to meet the development schedules as proposed if projects are approved for reservations of funding.

The Department must approve any significant deviations from project schedules. In these cases, sponsors must submit updated schedules, including an explanation for the delays, to the Department for review. Sponsors must promptly notify the Department if for any reason projects that received reservations become infeasible. The Department will monitor the progress of projects to ensure timely completion, as the applicant's processing schedule must be consistent with the Department's loan submission process.

Guidance For Projects Serving Populations with Special Needs

Housing for persons with special needs serves different populations than family-resident populations. These projects often have different financing sources, different sources of operating revenue, and require modified physical environments. DHCD will take into consideration the following aspects of developing and operating special needs housing for those applicants, which are especially important in projects primarily or exclusively serving populations with special needs. Be sure the narrative and Exhibits address the following considerations unique to special needs developments.

<u>Project Development Team</u>
The experience with the developer, property manager, and service provider with the specific population proposed is critically important.

- How many projects with this population has each (developer, property manager, and service provider) participated in?
- How many projects are served by this team of property management and service provider?
- How has the division of labor and interaction of property manager, developer, and service provider been structured and documented? Are written job descriptions for each property staff person available?

The experience of the architect with special needs housing, either this special need or a similar use, is also very important.

- Does the architect think creatively about use of space for special populations, as evidenced by successful innovation in similar projects?
- How does the physical design address:
    - security,

- opportunities for community building,
- resident privacy (including sound control),
- space for provision of supportive services, and
- durability of fixtures and finishes?

- Have potential concerns of neighbors been addressed through design of exterior space & landscaping?

Physical Analysis

Special needs housing tends to be hard on properties. In special needs housing it is particularly important to insure that:

- All needed renovation is performed up front;
- The design addresses both the special needs of prospective residents (such as any physical disabilities and space for supportive services) and their needs for security, community, and privacy;
- Indoor and outdoor recreational facilities are provided on site, appropriate to the target population, to the maximum extent possible.
- Design for durability and sound control is included in every design & material choice;
- Any capital needs which will not be addressed immediately should be planned for in advance, with a careful analysis of a capital needs assessment and replacement reserve. Serious consideration should be given to prefunding a reserve to cover any anticipated capital needs which are expected to occur in the 5-10 year time frame. (There should be no anticipated capital needs in the 1-5 year time frame, any anticipatable needs in the near future should be addressed in the renovation, as that will be less expensive, easier to physically manage, less disruptive to the residents, and enhance the predictability of the replacement reserve balance.)
- Special needs housing is sometimes located in marginal sites, which may be unattractive to other developers. Have relevant site issues been addressed in the design process, such as:
    - Security of residents
    - Security of neighbors
    - Where will residents congregate outside?
    - Are there any immediate hazards, sources of noise pollution or unsightliness that should be mitigated in site design or landscaping?

Density (on the project site) and concentration of people with special needs in a given neighborhood is an additional concern in special needs housing. Will other funding sources be supportive of:

- the number and type of units on this site; and
- the location of the project relative to other special needs units in the City?

NIMBY (Not In My Back Yard) is a much stronger potential force to delay or derail a special needs project than with standard rental housing development. Questions to address include:

- Has the project reached out to the neighbors to develop support for the project?
- Is there significant political support or political opposition to this project, and how might that affect the development timeline?

Market Analysis

The two primary tools for market analysis, the appraisal and the market study, have limited usefulness in projects exclusively or primarily serving special needs populations.

The appraisal of a special needs property is most useful in analyzing the "as is" market value. The appraisal should establish that the acquisition price is reasonable, and give a sense of the trends in the neighborhood. An "after renovation" value of the property may be useful, if the post renovation design is easily re-adaptable to non-special needs residents. It is very unlikely that the appraiser will be able to find comparable special needs properties to compare with the subject. It is more important to describe an appropriate "Plan B" for this property if something goes wrong . For instance, if this particular use is unsuccessful for any reason, can the property be easily converted to serve a different population with special needs? Or converted to market rate uses?

A conventional market study is unlikely to be useful in documenting the demand for special needs housing. However, it is still important to establish the demand for this specific project. Raw demographic data about the number of individuals with this special need is only the starting point. Waiting list figures for similar projects are helpful. It is important to address, for this target population:

- Appropriateness and desirability of this location;
- Attractiveness of the project design (& unit mix) to the target population;
- Desirability of amenities (like internet access, recreational facilities, laundry);
- Affordability of the rent (if any is charged to residents);
- Appropriateness and desirability of the package of supportive services;
- The "marketing" -- or referral and selection process for approving residents;
- A reasonable lease up schedule.

Description of Project Financing

Describe the status of each application or commitment for every component of funding, both for development funds and operating subsidy. Since special needs housing often relies upon a complex array of sources to make the units affordable, address how the restrictions imposed by the sources are all compatible.

Special needs housing typically requires at least one source of operating subsidy, if not multiple operating subsidies. Address the following questions regarding operating subsidy:

- Does the term of committed funding match the term of mortgage;
- How stable is this source of operating subsidy (is this pool of funding likely to still exist in a few years?);
- How experienced is the operating team (developer, property manager, and service provider) in securing, administering, and negotiating renewals of this source of funding?
- Is the developer experienced with a wide array of subsidies, so that if one funding source is eliminated, they will be more likely to be able to successfully secure alternate funding?

- Is there an on-going source of funding for supportive services? Is the funding adequate to meet the residents need for supportive services?

Development Budget & Operating Pro Forma

The special needs development budget is much like any other development budget. Areas which need additional consideration are:

- Furniture, Fixtures, & Equipment (FF&E): many special needs projects will provide furnishing along with the housing unit. Address the durability of these expenditures. Provide a scale diagram of how unit furnishings will fit within the unit. Have multi-function items been selected (like beds with drawers underneath) taking limited space into consideration? If FF&E is not included in the development budget, what is the plan to meet resident needs for furnishings?
- Lease up reserve: the more difficult to serve the target population, the more important it is to build adequate time into the budget to allow the lease up process to attract and residents who will be successful in the program;
- Operating reserve: if possible, an operating reserve should be prefunded to address any instability in operating subsidy, higher than anticipated turn over in residents, and higher than anticipated operating costs;
- Replacement reserve: if possible, prefund any capital needs anticipated for years 5 – 10. Anticipate accelerated need for replacement reserves and insure adequate annual contributions to reserves, given potential for high wear and tear on building.
- Staffing to open the building: special needs units often need to be set up prior to receiving residents. Who will construct, move in, and arrange the furnishings, and how will this be paid for? Does staff need a training period prior to opening the doors to the first resident, and how will this be paid for?

The operating budget for a special needs project has several key differences from a typical rental project.

Income

- If income is anticipated from charges to residents, how is this calculated?
- How will vacancies be treated by the subsidy source, including short term vacancies created by hospitalization? Vacancy rate and bad debt needs to be evaluated both based on likely turn over rates for this population (preferably demonstrated by actual vacancy & bad debt experience at comparable projects) and how the operating subsidy source(s) will respond to vacancy.

Expenses

- How do operating expenses compare to other special needs projects? How will the the developer/owner be compensated for their on-going administrative support?
- Given the roles played by the developer/owner and the supportive service provider, is the fee to the property management company reasonable for their responsibilities?
- What is the staffing structure for standard property management functions, including security, janitorial, and maintenance?
- What is the staffing structure for supportive services?

- How has on-going maintenance been budgeted?
- How have contributions to Replacement Reserve been calculated?

Cash flow Projections

- If annual increases in operating subsidy are projected, demonstrate that the increase is consistent with the actual experience with the sources of operating subsidy.
- If annual increases in resident contribution to rent are projected, explain how rents will continue to be affordable (and allowable) to the target market.

Is the level of debt service projected for DHCD ultimately reasonable and sustainable for the project for the long term?

Supportive Services

A Supportive Service Plan must be included as Exhibit T. A budget for both service expenditures and anticipated sources of funding must be included. Be sure the Supportive Service Plan addresses the following questions, and the additional questions outlined in "Guidelines for Developing a Supportive Services Plan" in Exhibit T.

- Are residents required to receive services? If so, which services are required and do all proposed sources allow mandatory services?
- Is case management one of the proposed services?
- What services are provided on site and what are available off site?
- Are supportive service delivery agreements in place with the proposed providers?
- How will the sponsor, property manager, and service provider coordinate their functions?
- What is the plan to assist residents at risk of eviction?

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 like Owners more so 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.

- Minimum Reserve Requirements: Reserves should be budgeted on the high-end due to higher risk owner. Pre-funded reserves equal to 9 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.

Project Development Team:

- Technical Assistance: LEC must contract with a Developer/Technical Assistance provider with TOPA experience, or include such on team. Contract should be for 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.
- 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:

Demonstrate the Strength of Resident Organization on the following criteria:

- 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 Subscription fees and/or fundraising activities, however small;
- Ability to galvanize consensus in decisions, and resolve internal conflicts.
- Majority of members involved in development decision-making and attending ongoing training sessions.

- 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; 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.

Physical Analysis:

- 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)., 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.

SECTION 5: APPLICATION FORM INSTRUCTIONS (202)

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.

Homeownership Applications must ALSO submit the PADD Homebuyer Affordability Budget, in addition to the Form 202.

General Information – Page 1 "General" Tab

Funding Applied For. Show the amount of requested financing.

Project Name and Location. Show the name of the project and address or addresses if scattered site. If there is not a specific street address, provide the lot, parcel and tax map numbers for the project's site. Other information required includes the project's census tract and ward.

Applicant Information. Show the name, mailing address, contact person and title, telephone number, facsimile number and e-mail address of the entity that is applying for financing.

Ownership Entity Information. Show the name, taxpayer's identification number and type of entity that will ultimately be the borrower or recipient of the tax credits and own the project. If the ownership entity has not yet been formed, please indicate. All ownership entities must be formed with taxpayer identification numbers shortly after reservation letters are received. For corporations and controlling general partners, provide the name, taxpayer identification number, percentage of ownership interest for each individual or entity and whether the entity is a nonprofit corporation.

Project Information – Pages 2-3 "General Tab"

Amenities. Indicate the amenities planned for the development.

Type of Project. Indicate the type of development being undertaken by marking all appropriate boxes. *See DHCD Financing Application Form 202 for guidance if the proposed project is a homeownership project.*

Existing Building Information. For the rehabilitation of existing buildings indicate the current percentage of units occupied; whether the rehabilitation will include compliance with historic standards; whether tenants will be permanently or temporarily relocated during the rehabilitation; and the year the building was originally constructed.

Number of Residential Buildings. Show the total number of each type of building included in the project's design.

Total Land Area. Show the total acreage of the project site(s).

Total Building Area. Show the gross square footage of all buildings in the project.

Type of Occupancy. Indicate the number of units that will be occupied by individuals or families, the elderly, for commercial uses or for special needs.

Special Needs Housing. Show the number of units that will serve special housing needs. If a listed option does not accurately describe the project, show the units under other and provide a brief description.

Preservation of Affordable Units. If the project involves the preservation of affordability units for a building with expiring federal subsidies, indicate so here.

Occupancy Restrictions of Project. Show the number of units that will be income restricted at each income level. All units in the project should be included. Changes to income restrictions after approval could cause the loss of a funding reservation.

Low-Income Use Restrictions. Indicate the total number of years for which low-income units in the project will be restricted for occupancy.

Anticipated Development Schedule.

Site Control: Use pull down menus to enter form of site control. PLEASE NOTE: Site Control is an ELIGIBILITY/THRESHOLD criteria. Applications without site control will be rejected during the threshold review.

Zoning Status: Describe zoning status. PLEASE NOTE: Proper zoning for the project is an ELIGIBILITY/THRESHOLD criteria. Applications without zoning approval will be rejected during the threshold review.

Construction Documents: Use pull down menu to select status of construction drawings. PLEASE NOTE: Permit ready documents are a Threshold Criteria for Tier 1 applications. Final schematic drawings are a Threshold Criteria for Tier 2 applications. Applications without sufficiently detailed drawings will be rejected during the threshold review. Additional detail about the drawing requirements is included in Exhibit V.

Development Timeline: In column E, list the months required to complete each stage in the development process for Items A, B, C & D. DO NOT edit column "I" which will automatically generate the development timeline.

Substantial completion is the date when 95% of the rehabilitation or construction is complete, all certificates of use and occupancy have been issued, and the architect has issued the certificate of substantial completion. Sustaining occupancy is when the project's income is sufficient to cover operating expenses and debt service for six consecutive months.

Development Team – "DEV TEAM" Tab

PLEASE NOTE: Complete information about the Development Team is an ELIGIBILITY/THRESHOLD criteria. Applications which do not provide complete information about the development team will be rejected during the threshold review. (General Contractor and property manager may be finalized later in the process.)

Development Team Members. For each member of the Development Team, show the entity's name, mailing address, contact person and title, telephone number, facsimile number, e-mail address, and Duns number. Use pull down menus to show entity status as non-profit, CHDO, other, and/or CBE.

Finance Team Members. For each member of the Finance Team, show the entity's name, mailing address, contact person and title, telephone number, facsimile number, e-mail address, and Duns number. Include all sources of capital, including all loans, grants, equity sources, and bond insurance (if applicable). Also include any source of operating subsidy.

Development Team History. Answer each question concerning the history or prior performance of the members of the development team. If the answer is "yes" to any of the questions, provide a brief explanation.

Nonprofit Participation. This section must be completed if the application involves a nonprofit entity and is seeking additional points under the selection criteria.

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.

Nonresidential Income for Public Facilities. Specification and justification of nonresidential income is an especially critical component of applications for CDBG-funded public facilities. For these applications, show and justify: a) expected fees or other charges for service delivery, b) expected usage of the facility, c) committed sources of operating revenue, aside from fees for service, and d) expected (but not committed) sources of operating revenue, aside from fees for service. (No public facilities applications will be accepted in the 2014 RFP.)

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 "GENERAL" tab, "Total Units" cell H108.

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

Residential projects should fill out only "USES – Residential." Non-housing public facilities should fill out only "USES – Commercial." 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 in the total estimated cost for each use of funds listed that is applicable to the project in column F "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 "GENERAL" Tab cell I87. Cost per unit will automatically calculate based on the total units provided in "GENERAL" Tab cell H108.

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. For limits on builder's general requirements, builder's profit and general overhead refer to Section 4, page 16. 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. 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. Generally, the developer's fee may not exceed $2.5 million.

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. 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 $2.5 million unless a waiver is granted. If a developer fee in excess of $2.5 million is requested, a waiver must be included in the application presenting a justification for the higher fee.

Scoring and CBE Plan – "Scoring" Tab

This page shows information related to scoring for CBE points and scoring for compliance with Cost and Funding Guidelines.

CBE Plan Summary: pulls information entered in "USES" Residential and Commercial "CBE Status" column to calculate the percentage of your total CBE eligible expenditures which are committed or projected to be contracted with CBE eligible entities. CBE Adjusted Budget is total uses minus acquisition costs and guarantees and reserves. Minimum CBE commitment is 35%. Up to two points are awarded for a CBE Plan which demonstrates a commitment to achieve higher than 35% participation.

Cost Guideline 1: Maximum Construction Cost per Gross Square Foot
Enter the appropriate cost guideline for the type of project (type of building and level of construction). The spreadsheet will automatically calculate how the projected cost compares to the guideline.

Cost Guideline 2: Maximum Development Cost per Residential Unit
Enter the number of units in the project by number of bedrooms. The spreadsheet will automatically calculate the maximum development cost and show how the budgeted cost compares to the guideline.

Funding Guideline:
Enter the percentage of total development costs requested from DHCD funding. To calculate this percentage, total the requests of DHCD funds (HPTF, LIHTC, HOME & CDBG – do NOT include DBH, HOPWA, DCHFA, DHS, or Housing Authority funding in this total). Divide the total DHCD funding by the total development cost. If the percentage of funding requested from DHCD is greater than 40%, use the drop down menus to clarify if any potential exceptions to the 40% guideline apply to the project.

After entering the required information in the Cost & Funding Guideline sections, the spreadsheet will automatically estimate the project score on Compliance with Cost and Funding Guidelines. Up to 5 points are awarded for compliance with Cost and Funding Guidelines.

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. 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. The Department 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.

Maximum DHCD Loan Amount. Notwithstanding the above, the maximum Department loan amount is calculated on the cost of the project and the amount of gap financing needed. Subtract the total debt service maximum mortgage amount, financing from non-Departmental sources, the amount of any other cash flow loan, historic tax credit syndication proceeds and Low-Income Housing Tax Credit proceeds from the project's total development costs.

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. No PADD-DFD applications for 9% credits will be accepted.

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 J 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 application 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 the formula draws from. Please DO NOT overwrite the formulas on this page.

General Information. This information is automatically provided from the "GENERAL" tab.

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. Years Until Sustaining Occupancy will populate from the 20 year Operating Pro Forma. 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.

Project Description. Enter a narrative description that highlights the unique or innovative characteristics of the project.

SECTION 6: APPLICATION FORMS

A Development Finance Division (DFD) Financing Application -- Form 202 -- must be submitted that reflects all aspects of the project, including estimated development and operating budgets and pro forma. The application for funding must include the Project Narrative (Appendix 1) and all applicable exhibits (See Exhibit Checklist) and attachments as described in this package. One (1) CD copy and one (1) hard copy of the application in a three-ring notebook binder with each exhibit tabbed must be sent to DHCD.

On or about **July 11, 2014**, the application forms will be available on the DHCD website.

ATTACHMENTS – See Electronic Forms

- ❑ Form 202 - DFD Financing Application (form provided -- executed hard copy mandatory)
- ❑ Form 202 - Completed electronic version of the DFD Financing Application provided on the CD
- ❑ Homeownership applications must also submit the PADD Homebuyer Affordability Budget.
- ❑ Project Narrative (Appendix 1)
- ❑ Exhibit Checklist

PADD 2014
APPENDIX 1 –
PROJECT NARRATIVE FORMAT
Project Name
Address

Background

a) Briefly summarize the nature of the proposed project and support services (if applicable), including the amount and type of financing.
b) How did this specific project originate? What role has the community played in developing this project or project concept?
c) Give a brief history of the relationship between members of the development team on other projects.

Applicant

Use this section of the narrative to describe the applicant, and any sponsoring organization, and its capacity to complete the proposed project. A Certificate of Good Standing and a Certificate of Clean Hands for applicant, any sponsoring organization, and any guarantor, is a Threshold criteria and must be included in Exhibit L.

1. If the applicant is a non-profit organization, provide:
   a) The date organization was incorporated, and 501(c) (3) status. (Articles of Incorporation and Bylaws are required as Threshold criteria to be included in Exhibit L for all relevant entities.)
   b) Who started the group and why?
   c) What is the mission of the organization?
   d) What are the primary programs of the organization, and what supportive services does it provide (if applicable)?
   e) What is the size and composition of the staff?
   f) State the organization's track record in real estate development and provision of supportive services (if applicable), particularly with regard to projects similar to the one proposed.
   g) What are the organization's other significant accomplishments (include dates and current programs).
   h) List key staff members involved in real estate activities and support services (if applicable), and explain their relevant experience and responsibilities. (A complete 203 is a Threshold criteria, to be included in Exhibit L. Use this narrative to summarize and add relevant detail to the information provided in the 203.)
   i) Provide information regarding any planned staff additions for this project, either for the development process or for on-going operations and direct services (if applicable). The information provided should include: Position, primary responsibility and authority, recruitment process, timing of employment, unique skill or anticipated contributions to the project's success.

j) Outline the overall composition of the board (number, % within the neighborhood), and specific areas of expertise of board members which might be helpful to the organization during development of the proposed project.
k) Provide an overview of the financial position of the applicant and any guarantor. Describe current and past sources of significant operational support (include source, amount, and dates). (Three years of audited financials and current management statements for applicant and any guarantor are Threshold criteria, to be included in Exhibit P. Use this narrative section to highlight organizational financial strengths as demonstrated in the financials and to address any issues (including liquidity, negative cashflow, or contingent liabilities) which might arise in review of the financials. A Dun and Bradstreet "Business Information Report" for applicant, sponsor, and any guarantor are Threshold criteria, to be included in Exhibit L.)

2. If the applicant is a for-profit organization:
a) Describe the legal structure(s) and dates of organization, including all related entities, (organizing documents are required as a Threshold criteria, to be included in Exhibit L.)
b) Include an organizational chart describing the relationship of the applicant to ALL related entities which are part of the development team;
c) Who are the principals of the applicant and all other related entities which are part of the development team?
d) What is the size and composition of the staff?
e) What is the organization's real estate development track record, particularly with regard to projects similar to the one proposed?
f) What are the organization's other significant accomplishments (include dates and current programs)?
g) List key staff members involved in real estate activities, and explain their relevant experience and responsibilities. (A complete 203 is a Threshold criteria, to be included in Exhibit L. Use this narrative to summarize and add relevant detail to the information provided in the 203.)
h) Provide an overview of the financial position of the applicant and any guarantor. Describe current and past sources of significant operational support (include source, amount, and dates). (Three years of audited financials and current interim statements are Threshold criteria, to be included in Exhibit P. Use this narrative section to highlight organizational financial strengths as demonstrated in the financials and to address any issues (including liquidity, negative cashflow, or contingent liabilities) which might arise in review of the financials. A Dun and Bradstreet "Business Information Report" for applicant, sponsor, and any guarantor are Threshold criteria, to be included in Exhibit L.)

Neighborhood Description

Discuss how the proposed project fits into the neighborhood. How will it be served by, or contribute to, the existing public transportation, retail and other services, recreation and healthcare facilities, employment opportunities. Describe the general character of the neighborhood, including age, condition and type of housing stock, other current residential or commercial real estate development activity, and any other major uses. Provide basic

demographic information for the neighborhood —median income, major employers, major institutions, etc.

Site Description

Describe the site or sites:

a) Location - the neighborhood, cross streets, and addresses. Is the property in a DHCD targeted geographic area?
b) Distance from nearest public transportation, and distance from the nearest Metro stop, bus hub, or future street car stop.
c) Property visibility within neighborhood and significant features;
d) topography,
e) Size of parcel (in square footage or acreage as appropriate)
f) Type of property (vacant land, vacant building, occupied building, etc.);
g) Zoning (proper zoning for the project is a Threshold criteria to be demonstrated in Exhibit D);
h) Prior uses and environmental concerns. (a Phase I Environmental Analysis is required as a Threshold criteria, to be included as Exhibit G. Use this narrative to summarize the findings of the Phase I and explain how any identified hazards will be addressed.
i) Type of existing and proposed improvements—materials, condition, number of existing and proposed units; (Architectural drawings is a Threshold criteria included as Exhibit V.)
j) Discuss how the proposed project will fit with the overall neighborhood design and reference attached photos in Exhibit F and/or architectural drawings which demonstrate how the project design will fit with the existing neighborhood;
k) Highlight green design and environmental features (Green Design is a Threshold criteria as demonstrated in Exhibit GB 1-3);
l) Current ownership and status of purchase agreements, options, etc. (Site control is a Threshold criteria and must be documented in Exhibit B)
m) Applicants for DBH funding should also address: adequacy of bedroom space, adequacy of common space and shared on-site amenities, fire safety, security, availability of services for DBH consumers in the neighborhood, drug trade in neighborhood, and the suitability of the location for promoting community integration.

Development Team

Evidence of experience and current work load documentation are a Threshold requirement for select development team members, as evidenced by complete 203 forms included in Exhibit L (developer), AIA B305 in Exhibit N (architect), AIA A305 in Exhibit M (General Contractor) and the Form 209 in Exhibit O (management agent). Use this narrative section to highlight each team members experience with similar projects.

Who will be the contact person for the applicant during the development period? Who will be the contact person for the applicant after the development period?

- Developer or Development Partners – If different from applicant, summarize qualifications and experience with projects of similar size, type, and financing. Describe relationship with the applicant.
- General Contractor – Explain qualifications of the selected or anticipated contractor, including age of firm. Show experience with projects of similar scale and type. If a contract has been negotiated, include the contract in Exhibit M. If the contractor has not yet been selected, explain the selection process; competitive bid, negotiation, RFP, etc.
- Architect – Experience and qualifications of the design firm. Specifically describe relevant project experience including projects of similar scale and type.
- Property Management – Describe qualifications, number of properties and units managed, number and type of staff, nonprofit or for-profit company, where based, and how many units of this type.
- Consultant(s) – If used, explain qualifications and experiences, as well as the role this individual or firm will play in the project.
- Construction Manager – As applicable, show qualifications and experience, particularly with projects of this scale.

Supportive Services

If supportive services will be provided, a supportive service plan must be included in Exhibit T. Explain in the narrative how the attached plan has been developed and if it is complete or in draft form. Describe the supportive services to be provided to tenants or homebuyers at the property, if applicable, and state who will provide those services. If outside entities will be used, please describe their qualifications. When available, include with the services plan a copy of a services agreement or memorandum of understanding that outlines the type, intensity and frequency of services to be delivered, or proposed hours of availability, and whether services will be provided on-site, off-site or through a combination of the two. If funding specific to the delivery of any service has been secured, or is expected, please provide a copy of the relevant letter of award or date of funding request. Use this narrative section to describe the documents which are available and briefly describe their contents.

Market Overview

In the narrative, summarize the market information included in Exhibit H. (For any project applying for tax credits and conventional rental or for sale housing developments, this must be in the form of a conventional market analysis produced by a third party market research firm. Projects serving exclusively or primarily populations with special needs and public facilities applicants may provide an alternative assessment based on their own data collection. Special needs project are encouraged to provide waiting list data as part of evidence of demand for the project.)

a) Define the market area
b) Discuss vacancy and absorption rates, average rents or sales prices
c) Explain the specific need for the project. Describe evidence of the demand by the targeted population for this type of project.
d) Within the range of eligible residents, is there an income level and household size that the project will target?

e) Describe the special features of the units and amenities provided within the project. Explain how the project design is tailored to the specific needs of the targeted resident population.

Project Financing

For each phase of financing listed below, identify and discuss the status of all anticipated funding sources. Identify participants; dates of commitment letters, application deadlines, anticipated award dates, etc. Provide contact information, to permit DHCD verification, for all anticipated funding sources.

- ☐ Acquisition and Predevelopment
- ☐ Construction
- ☐ Permanent
- ☐ Equity/Subsidy

Development Budget and Operating Pro-forma

Form 212 or Form 215 (Detailed Construction Cost Estimates) is a Threshold requirement, to be included as Exhibit U. The development budget should reflect the costs as shown on Form 212 or 215.

While the Development Budget and Operating Pro Forma are included in the 202 Application Form, in this narrative section:

a) Discuss the assumptions used in the spreadsheets (for example: interest rates, income and expense escalation factors, projected subsidies, affordability, etc).
b) Describe how replacement reserves and any other budgeted reserves were calculated,
c) Address any specific costs which might fall outside the range of expectations and provide an explanation for higher or lower than typical expense. If cost per square foot or cost per unit are higher than the guideline figures, a waiver request must be included in Exhibit Z. In this narrative, briefly explain why a waiver is required.
d) Clarify how any environmental remediation needed is reflected in the 215 and/or separately budgeted in the development budget.
e) Note whether multiple versions of the Development Budget and Operating Pro Forma are included, and if so describe the different financing scenarios and their implications for project feasibility and long term sustainability.
f) If the application includes a request for more than $42,000 in DBH funding, explain why a higher level of DBH investment is necessary.

Collateral Position

a) An appraisal is required in Exhibit C. List the value here, and briefly describe any important conditions or assumptions in the appraisal. Use this narrative section to address any issues which may arise in review of the appraisal. (NOTE: For projects which acquired the site within the last two years, an appraisal from the time of acquisition is still required to document the cost reasonableness of the acquisition price.)

b) Describe the collateral and collateral position offered to DHCD to secure the loan. Who owns the collateral? Is the collateral assignable? What liens currently exist on it? Has the title been checked with real property office or tax records office? Is the land or property encumbered?

c) Describe the most reasonable plan for use of the property if the proposed project did not succeed. (This is particularly important for public facility applicants and special needs units with non-standard unit configurations.)

Project Timeline

Identify the major milestones involved in moving this project forward and in repaying the loan. Use a chart similar to the one below (add or delete rows as necessary). Include milestones already achieved. Be sure to show anticipated loan commitment dates, loan repayment dates, project start and completion dates.

Event:	*Date:*
_____	_____
_____	_____

Importance

Discuss the importance of the transaction to the applicant, the District, and the strategic importance to the neighborhood. How will the residents benefit from the project?