

MULTI-FAMILY HOUSING REHABILITATION LOAN FUND HUD SECTION 108 FINANCING APPLICATION

Applicant: District of Columbia Department of Housing and Community
Development

Address: 1800 Martin Luther King Jr. Avenue SE
Washington DC 20020

Contact: Polly Donaldson, Director

Phone:

Email:

Website: www.dhcd.dc.gov

Date:

1. Executive Summary

The District of Columbia's ("the District" or "D.C.") Department of Housing and Community Development ("DHCD") is applying for a Section 108 loan guarantee ("Section 108") for \$38,800,000 to create a loan fund that will provide third party loans for the preservation of housing for households earning up to 80% of the area median family income ("AMI" or "MFI"). The financing fees due to the United States Department of Housing and Urban Development ("HUD") for the Section 108 program have been included in the overall request.

DHCD's Section 108 borrowing authority presents the District an opportunity to expand its gap financing offerings, enabling it to support the preservation of additional affordable housing units in the District. The funding will be targeted to two types of preservation projects: 1) acquisition and substantial rehabilitation of naturally occurring affordable housing or existing affordable rental properties that expect to be recapitalized utilizing Low Income Housing Tax Credits ("LIHTC"); and 2) acquisition and rehabilitation of Limited Equity Cooperatives ("LEC")¹ that typically have difficulty securing competitive financing terms from the private market.

It is envisioned that the loan fund will be used to assist projects selected through DHCD's established Consolidated Request for Proposal² ("RFP") process. The selected projects will include a mix of projects in DHCD Development Finance Division's ("DFD") current pipeline for which DHCD does not have the immediate Fiscal Year 2021 funding resources, and possibly other projects from the 2019 RFP round that were previously not selected due to resource limitations.³ Selected projects will also be evaluated against DHCD's underwriting requirements as well as any applicable HUD underwriting guidelines for the Section 108 program.

The selected projects will address the CDBG national objective for Low to Moderate Income Individuals for Housing. Each project will provide finance to developers for the acquisition and/or rehabilitation of multi-family units; an eligible CDBG activity. DHCD's Office of Program Monitoring will ensure that all project comply with 24 CFR 570 and all cross-cutting federal requirements.

2. Description of Loan Fund

The greater Washington DC area is one of the most expensive housing markets in the country. Nearly 50,000 District households out of 300,000 total households pay more than 50 percent of their income on housing costs.⁴ In the most extreme situations, the lack of affordable housing leads to homelessness. As of the January 22, 2020, Point-in-Time Count, 6,380 residents of the District of Columbia were

¹ An "Limited Equity Cooperative" is one in which the resale price of membership is limited in order to keep the housing affordable to incoming low and moderate income members.

² 2019 Consolidated RFP document attached as Appendix A and accessible on DHCD's website.
<https://dhcd.dc.gov/page/2019-rfp-consolidated-request-proposals-affordable-housing-projects-0%20a>

³ DHCD, through its Development Finance Division, provides funding for the development of rental, homeownership, and community facility developments that serve District of Columbia neighborhoods. DFD plays a prominent role in helping the agency achieve its annual multifamily housing production goals. The division is staffed with a team of two managers, approximately ten project managers, and five support staff.

⁴ Mayor's Order 2019-036. May 15, 2019.

<https://www.dcregs.dc.gov/Common/NoticeDetail.aspx?NoticeId=N0083042>

experiencing homelessness.⁵ Unfortunately, the challenges facing this vulnerable population and other low-income households working to find housing stability has grown exponentially during the COVID-19 pandemic.

The District has grown by over 100,000 residents since 2010 and although it issued permits for thousands of new housing units during this time, housing costs have continued to rise. In order to ensure that the District remains diverse, inclusive, and economically resilient, Mayor Bowser's Administration determined last year that: 1) 36,000 net new housing units must be created by 2025; 2) 12,000 of these units must be protected and covenanted as affordable units for the long-term; and 3) an additional 6,000 existing affordable housing units with expiring covenants in the near future must be preserved. The [Mayor's Order 2019-036](#) outlines the District's housing goals and offers an integrated framework for increasing affordable housing production and promoting equitable housing opportunities for existing and future residents.

Due to the ongoing COVID-19 pandemic and the resulting economic crisis, demand for high quality affordable housing has grown during the last seven months, while the District's resources have shrunk dramatically. Consequently, there is an immediate need for DHCD to creatively utilize its Section 108 borrowing authority to expand its affordable housing financing offerings.

DHCD's proposed Section 108 loan fund will be used for the acquisition and rehabilitation of existing housing with at least five units, where affordability will be preserved for existing and new households at income levels no greater than 80 percent of MFI. The loan fund will target two types of multifamily preservation projects: 1) acquisition and substantial rehabilitation of naturally occurring affordable housing or existing affordable rental properties that will be recapitalized utilizing LIHTCs; and 2) acquisition and rehabilitation of Limited Equity Cooperatives that typically have difficulty securing competitive financing terms from the private market. Loans for both types of projects will be made to qualified for-profit and nonprofit developers with eligible affordable housing projects.

The initial projects that would receive Section 108 funds will include a mix of affordable housing projects selected through an RFP process, the District's primary vehicle for awarding federal and local funds for the creation and preservation of affordable housing. RFPs are typically completed in coordination with the D.C. Housing Finance Agency, the D.C. Housing Authority, the D.C. Department of Behavior Health, and the D.C. Department of Human Services. For additional detail on DHCD's RFP requirements and the selection process, please refer to the 2019 RFP included in Appendix A.

The first group of projects to be considered will be from DHCD's current pipeline that were selected from the 2019 RFP round for further underwriting, but for which DHCD does not have immediate Fiscal Year 2021 funding resources. For example, this may include five preservation projects totaling approximately 270 units for households earning up to 80% of MFI that would require approximately \$21.5 million in Section 108 gap financing.

The second group of projects to be considered for Section 108 funding through the loan fund will be projects from the 2019 RFP round that were previously not selected due to resource limitations. As part of this recent RFP round, there were numerous projects that were waitlisted that may have otherwise been brought into DHCD's pipeline if not for the COVID-19 pandemic and its effect on available resources.

⁵ 2019 Point-in-Time Count of Persons Experiencing Homelessness in the District of Columbia: <https://www.mwcog.org/documents/2020/06/10/homelessness-in-metropolitan-washington-results-and-analysis-from-the-annual-point-in-time-pit-count-of-homeless-persons-featured-publications-homelessness/>

3. Loan Portfolio Information

DHCD's Section 108 gap financing will be structured as subordinate, third-party loans that are repaid on a cash flow basis from individual projects. While the specific terms for each project-level loan will vary, the following loan terms will serve as DHCD's guide:

- **Loan Amount:** Individual project loans are expected to range from approximately \$1,000,000 to \$20,000,000, depending on a project's financing gap after taking into account other sources of permanent financing (e.g. senior debt, equity, grants, and deferred developer fees).
- **Loan Origination Fee:** Will match up-front fee required by HUD, which was 2.15% for federal fiscal year 2020. Fee is expected to be amortized into the loan amount.
- **Loan Term:** Will be determined by individual project; may vary based on presence of other financing sources. Generally expected to be 20 years from date of loan closing.
- **Interest Rate:** Will be determined by individual project. At a minimum, the interest rate will match or exceed the rate DHCD will initially pay HUD (e.g. 3-month LIBOR plus 20 basis points). For example, the rate for each project could equal the value of the 10-year Treasury yield plus a reasonable spread to cover DHCD's loan fund administrative costs. The interest rate will not exceed 3% simple interest which is DHCD's underwriting standard in the RFP. Initial interest payments due to HUD will be paid by DHCD on a quarterly basis, based upon the amount drawn down, regardless of an individual project's ability to pay.
- **Repayment – Third Party Borrower to DHCD:** Annual payments to be made from a percentage of net cash flow. Per RFP requirements, this payment is typically structured as 75% of available net cash flow, subordinate to investor-related fees and deferred developer fees. The amount of the annual payment will be determined through an auditor's analysis of project financial reports. Any outstanding balance of the loan (principal and accrued interest) will be (will come) due at the end of the loan term.
- **Repayment – DHCD to HUD:** As described in next section, there will be annual appropriations in an amount sufficient to act as a reserve for debt service payments owed to HUD, sufficient to cover all approved projects ("Repayment Reserve"). Repayment will be made in accordance to the repayment schedules approved by HUD for each project.
- **Collateral:** HUD will be assigned a lien on each property receiving a Section 108 loan. The Deed of Trust for each third-party loan will be in second position, following the senior lender.
- **Affordability Period:** Determined on a project by project basis given the requirements imposed by the various funding sources for the project and effectuated through the appropriate affordable housing covenant, indenture of restrictive covenants, or another operative covenant. For example, DHCD multifamily rental -projects that have financing from the District's Housing Production Trust Fund usually have a minimum 40-year affordable housing covenant.

4. Underwriting Process Information/Organizational Arrangements

The underwriting process that DHCD will use to evaluate loan applications will align with the established process required for all projects selected through the 2019 RFP or another RFP round, if applicable. Specifically, DHCD will conduct due diligence, environmental and other regulatory reviews, review other proposed and committed sources of financing and operating subsidy, and verify representations made in

the application. DFD project managers perform project underwriting and will establish tentative underwriting terms including (where applicable) loan amounts, loan terms, interest rates, security and collateral requirements, and other applicable covenants. Site visits will be scheduled with each applicant to visit the proposed project site.

Projects that pass the initial underwriting phase will be submitted to DHCD's Office of Program Monitoring ("OPM") for thorough review against all program compliance criteria. DFD project managers will finalize loan proposals and present loan packages to an internal loan review committee ("LRC" or "Loan Review Committee"), which recommends approval of grants, loans, and 9 percent LIHTC allocations to the DHCD Director or requests additional information or clarification. Senior staff and managers from DHCD's Office of General Counsel, Office of the Director, Portfolio and Asset Management Division, Office of Program Monitoring, Residential and Community Services Division, Property Acquisition and Disposition Division, Housing Regulation Administration, and a representative from D.C.'s Office of the Deputy Mayor for Planning and Economic Development comprise the Loan Review Committee. Projects that are recommended by the LRC will be invited to execute a conditional Letter of Commitment that finalizes the loan terms, subject to a set of conditions precedent to closing.

Once a Letter of Commitment has been executed, a set of final pre-closing steps will occur. DHCD attorneys draft loan documents for the project; loans of \$1 million or more are submitted to the Council of the District of Columbia for required approval; developers must secure final funding commitments from all funding sources and obtain final building permits. Once all pre-closing requirements have been met, projects will proceed to closing and the rehabilitation will be able to commence.

DHCD will continue to monitor projects during their rehabilitation period, at lease-up, and for the entire affordability compliance period and loan repayment term. Loans will be monitored for long-term compliance by DHCD's Portfolio and Asset Management Division ("PAMD") and serviced by Tax Credit Asset Management ("TCAM"), DHCD's contracted loan servicer.

5. Underwriting Criteria

The underwriting criteria that DHCD will use to evaluate projects will be based on established guidelines used for all projects selected through the 2019 RFP or another RFP round, if applicable. Additional criteria will be utilized as needed to ensure projects meet Section 108 program requirements.

DHCD RFP applications require the submission of an Application for Financing ("Form 202")⁶, a multi-tab Excel workbook that asks applicants to provide sufficient detail to make a compelling and coherent case for their DHCD funding request, including but not limited to providing their affordable unit information, itemized development budget, tax credit calculations (if applicable), senior loan debt sizing, and 20-year operating proforma. All prospective Section 108 loan recipients will be required to submit an updated Form 202.

DFD staff will review the Form 202 submission against DHCD's established underwriting guidelines and standards. As part of this process, DFD staff will complete an underwriting standards checklist for each project to evaluate the reasonableness of acquisition; hard and soft costs; household income and affordable rent assumptions; per unit operating expenses; capitalized and annual reserve deposits; vacancy rates; debt service coverage ratios; financing assumptions for other non-DHCD sources; and ultimately

⁶ <https://octo.quickbase.com/db/bjc34b76f?a=showpage&pageid=65>

the requested DHCD loan requirements/terms. For example, a summary of some of the key underwriting criteria used for evaluating the operating proforma component follows:

- **Operating Expenses:** Estimated annual operating expenses, including real estate taxes and excluding reserve for replacement deposits, should range from \$6,100 to \$7,100 per unit, as described in the RFP. For projects with proposed operating expenses that are outside of this range, applicants must submit a request for a waiver that includes a detailed, documented explanation of the reasons operating expenses are expected to be outside the range.
- **Reserves:** Capitalized operating and debt service reserves are typically expected to include six months of operating expenses and must pay debt service payments. The proposed reserve for replacement deposits must not be less than the minimum standards for the scope of work proposed. Depending on the scope and type of rehabilitation, a project's minimum annual deposit could range from \$300 to \$400 per unit annually.
- **Vacancy Rate:** The pro forma vacancy rate must be supported by the market environment described in the appraisal and the market study. Applicants are expected to assume a five to seven percent vacancy and collection loss rate. During subsequent underwriting by DHCD staff, the rate may be adjusted up or down to reflect documented market conditions.
- **Debt Service Coverage Ratio ("DSCR"):** For DHCD debt, subordinated or in first position, projects are typically required to have a minimum debt service coverage ratio between 1.15 and 1.25 by the end of the first year of sustained operations taking into account all must-pay debt service payments. To ensure that projects maximize their private first trust debt, a critical component of a project's overall capital stack, projects will be required to limit the first-year debt service coverage ratio to the extent practicable and reasonable to HUD.

DHCD undertook an analysis of different structures for Section 108 project level loans such as second mortgage must pay debt, cash-flow loans, and interest only balloon payment loans. DHCD determined that the most advantageous financing structure for its affordable housing projects that would maximize private financing raised for a project, minimize the amount of public gap funding required, and ultimately maximize the number of affordable housing units that could be supported by a Section 108 loan fund program involves utilizing a second deed of trust cash flow loan structure supplemented with annual appropriations in an amount sufficient to act as a reserve for debt service payments owed to HUD.

The majority, if not all, of the third-party Section 108 loans are expected to be structured as subordinate cash flow loans with no hard debt service payments. Consequently, DHCD acknowledges that these project-level loans will likely not meet HUD's recommended underwriting guidelines of a DSCR of 1.20 and a Loan-to-Value (LTV) ratio of 80% on their own. However, annual appropriations sufficient to act as a reserve for debt service payments owed to HUD and sufficient to cover all approved projects can help provide additional collateral and mitigate potential risks associated with these projects. DHCD proposes calling this annually appropriated budget line item a "Repayment Reserve."

The Repayment Reserve will be funded by the District from local or federal sources. Repayments made by borrowers from available cash flow will be applied to the project-level loans, while minimum HUD repayment requirements will be satisfied by resources allocated to the Repayment Reserve. The annual appropriation will assume a 20-year fully amortized loan. For example, if DHCD provided \$35 million in third-party loans through its Section 108 loan fund in the first year, approximately \$2 million would be initially allocated to the Repayment Reserve budget line item. (Assumes principal paid to HUD annually and interest paid quarterly, plus an additional cushion of at least 50 basis points to account for further rate fluctuations.)

In addition to establishing a Repayment Reserve, DHCD proposes that all third-party loans be collateralized with a second deed of trust. HUD will be assigned a second position lien on each property, following the senior lender. This feature along with the proposed Repayment Reserve should provide HUD enough protection to allow project-level loans to have LTV ratios above 80% and DSCRs below 1.20 when taking into account both the first and second trust loans. In addition, the District fully understands that it must pledge its CDBG line of credit as guarantee on the requested Section 108 loans.

6. Information for Program Requirements

DHCD will establish a Section 108 Multi Family Housing Rehabilitation Loan Fund to assist in meeting the National Objective for Low-Moderate Income – Households as cited in 24 CFR 570.208(3). To meet this national objective, DHCD's loan fund will provide financing for the following eligible activities:

- a. acquisition of improved property for rental rehabilitation, cited in 24 CFR 570.703(a);
- b. housing rehabilitation cited in 24 CFR 570.703(h) and eligible under 24 CFR 570.202;
and
- c. payment of relocation costs, when applicable, cited in 24 CFR 570.703(d).

NOTE: Specific CDBG Section 108 Certifications to accompany application submission.

APPENDIX A: 2019 RFP

2019 RFP

CONSOLIDATED REQUEST FOR PROPOSALS FOR AFFORDABLE HOUSING PROJECTS

Issue Date: June 28, 2019

Closing Date: September 18, 2019; 11:59am

Housing Production Trust Fund (HPTF) | Department of Behavioral Health (DBH) Grant Funds |
HOME Investment Partnerships Program (HOME) | Community Development Block Grant (CDBG)
| National Housing Trust Fund (NHTF) | Local Rent Supplement Program (LRSP) | Annual
Contributions Contract Program (AAC) | Department of Human Services (DHS) Supportive
Services Funds

Brian Kenner
Deputy Mayor for Planning and Economic Development

Polly Donaldson, Director
Department of Housing and Community Development
1800 Martin Luther King Jr. Avenue SE | Washington, DC 20020



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I. INTRODUCTION

The greater Washington DC area is one of the most expensive housing markets in the country. Nearly 50,000 District households out of 300,000 total households pay more than 50 percent of their income on housing costs.¹ In the most extreme situations, the lack of affordable housing leads to homelessness. As of the January 23, 2019 Point-in-Time Count, 6,521 residents of the District of Columbia were homeless.²

Since 2010, the District has experienced population growth of over 100,000 residents and although it issued permits for 36,000 housing units during this time, housing costs have continued to rise. In order to ensure that the District remains diverse, inclusive, and economically resilient, 36,000 new housing units must be created by 2025. One-third of these units must be affordable and the District must preserve an additional 6,000 affordable housing units.

[Mayor's Order 2019-036](#) outlines the District's bold, new housing goals and offers an integrated framework for increasing housing production and promoting equity for existing and future residents. A critical element of the Housing Initiative is to plan for rental and ownership units for households at all income levels to increase access to high opportunity neighborhoods and access to jobs, schools, and transit.

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

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

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

- [Mayor's Order 2019-036](#) (Attached in Appendix B)
- the Housing Production Trust Fund (HPTF) statutory requirement that at least 80 percent of project delivery expenditures go to units for households earning no more

¹ Mayor's Order 2019-036. May 15, 2019.

<https://www.dcregs.dc.gov/Common/NoticeDetail.aspx?NoticeId=NOO83042>

² 2019 Point-in-Time Count of Persons Experiencing Homelessness in the District of Columbia:

http://community-partnership.org/_literature_140838/TCP_Fact_Sheet_%E2%80%9393_Point_in_Time_2019

than 50 percent of MFI, including 40 percent for households earning no more than 30 percent of MFI;

- the goals outlined in Chapter V of the Interagency Council on Homelessness' (ICH) 2015-2020 strategic plan, titled *Homeward DC*, with particular emphasis on the production of PSH units;
- the need to preserve existing affordable housing, as guided by the Housing Preservation Strike Force Final Report published in November 2016, which was developed by an 18-member advisory group created by Mayor Muriel Bowser in July 2015; and
- the need for the production of new affordable housing to ensure that net new units are created.

All prospective applicants are strongly encouraged to read the following document in its entirety prior to beginning an application. A number of notable updates have been made since the last funding round, including the following:

- **Income Averaging:** The 2019 Qualified Allocation Plan includes provisions that allow projects to select Income Averaging when using Low Income Housing Tax Credits (LIHTCs). Proposals in this RFP may propose projects that utilize Income Averaging. If a project is proposing Income Averaging, at least 10 percent of the total units must be designated as 30 percent MFI units.
- **LRSP:** Local Rent Supplement Program (LRSP) operating subsidies are available through this RFP. The majority of these operating subsidies will be prioritized for PSH units, but a portion will be available for non-PSH 30 percent MFI units in projects that are not pursuing Income Averaging.
- **2019 Rent and Income Limits:** Proposals responding to this RFP should use the updated 2019 HPTF Rent and Income Limits which go into effect on July 1, 2019.
- **Permanent Supportive Housing:** The RFP includes changes to the PSH Threshold Requirements. Applicants are now required to sign a certification that outlines the number of PSH units proposed and requirements for providing PSH units. This certification will replace the case management Supportive Services Plan that was required in the previous RFP. Applicants are able to select a preferred DHS-approved Supportive Services Provider.
- **Community Engagement Plan:** This is a new Threshold Requirement. DHCD expects applicants to inform the community about the planned project and develop a community engagement plan. If the planned project includes the preservation of existing housing, the engagement plan should address communications with current residents.
- **Green Design and Building:** Under this Threshold Requirement, all projects must either include solar panels, qualify as a Solar Ready Building as defined by the U.S. Department of Energy, or provide an explanation as to why the project is unable to utilize solar panels and is not pursuing Solar Ready status at this time.
- **Overall Team Past Performance:** Under the Development Team Capacity Underwriting Scoring, the past performance of existing projects in the development

team's portfolio will be critically evaluated with consideration for any legal/noncompliance matters.

- **Resident Services Plan:** Prioritization Scoring points are available to projects that propose high-quality, property-wide resident services designed to improve the quality of life of residents, empower residents, and support broader community-building goals. Such services are in addition to the PSH case management services funded through this RFP that serve a limited resident population with more intensive needs.
- **Accessible Housing:** The Special Populations Prioritization Scoring category has been revised to include points for accessible housing. Applicants can now receive points for projects in which 30 percent of the units are Type A units. Type A units are adaptable units that can allow seniors and others with mobility issues to age in place.
- **Geographic Targeting:** The Economic Opportunity map has been updated to reflect updates to housing cost data, as well as data on planned residential development throughout the city. In addition, Prioritization Scoring Points are available for projects located in Opportunity Zones.
- **Construction Cost Guidelines:** DHCD has updated maximum allowed construction costs for each project/building type based on costs of recently completed, active, and planned projects in DHCD's and DCHFA's portfolio.
- **Cost Containment Measures:** In an environment of increasing project costs and an ongoing housing affordability crisis, the District must implement cost containment measures to responsibly manage resources committed to affordable housing projects and produce and preserve as many high-quality units as possible. These changes include:
 - *Soft Cost Containment:* DHCD seeks to incentivize the containment of variable soft costs to reasonable amounts. Projects will be ranked based on the amount of soft costs (inclusive of developer fee) on a per square foot basis with maximum points awarded to projects with the lowest soft costs.
 - *Clarification to Developer Fee Policy:* In cases where there is an Identity of Interest between the developer/owner/sponsor and the Construction Manager, the Construction Management Fee must be paid from the Developer Fee.
 - *Construction Management Fees* are now capped at 2 percent of the construction budget. Any Construction Management Fees above this threshold must be paid from the Developer Fee.

Further information and guidance related to each of these topics is included in this document, its attachments, and in the Online Application System. Prospective applicants should read the document thoroughly, attend the RFP Orientation session, begin an online application, and ask questions through the online Q&A portal.

II. WHO SHOULD APPLY

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

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

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

Applicants may submit development proposals for more than one project in the same funding round if their project team's capacity allows it. However, if the funding round is particularly competitive, DHCD may decide to limit awards to one per developer/applicant.

Projects must be far enough along in the pre-development process to meet all Threshold Eligibility Requirements. Failing to meet even a single Threshold Eligibility Requirement will result in disqualification, and the application will not be scored or further evaluated. Applicants that know their project will not pass Threshold are encouraged to further develop their proposals before applying for funding.

III. HOW TO APPLY

All proposals in response to this RFP must be created and submitted in DHCD's Online Application System, located at:

<https://octo.quickbase.com/db/bjc34b76f?a=showpage&pageid=40>

The Online Application System will be available to begin new applications for this funding round on or before July 19, 2019. Applicants should visit the website to register as users and become familiar with the system. Detailed instructions on how to create, build, and submit an application are provided on the website.

Applications are due by 11:59 AM on September 18, 2019.

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

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

In order to submit a responsive, fully competitive proposal and maximize the scoring potential of the application:

- all application filing requirements must be closely followed;
- all information requested in the application must be responded to completely; and
- all information and figures provided must be consistent throughout the application.

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

IV. PROCESS & TIMELINE

The project selection and financing process has four phases and takes approximately 12 months, as summarized in the table below. This timeline assumes no unforeseen delays.

Project Review Timeline			
	DATE	MILESTONE	REVIEW PHASE
2018	June 28, 2019	RFP Released	
	July 25, 2019 (10AM - 12PM)	RFP Orientation (details below)	
	August 12, 2019	DCHFA preliminary Stage I Application due for projects using 4% LIHTCs and bonds	
	September 18, 2019 (11:59 AM)	Proposals Due to DHCD	
	October 23, 2019	Projects that meet Threshold proceed to scoring; All Applicants will be notified of their Threshold Review results	A. Threshold Review
2019	December 18, 2019	Project selection results announced	B. Scoring and Selections
	June-September 2020	Reservation Letters and gap financing Letters of Commitment (if applicable) executed	
	December 2020	Carryover Allocation Agreements executed (if applicable)	C. Underwriting
	October 2020-May 2021	Closing on gap financing (if applicable)	
2020			D. Pre-Closing Due Diligence

Following the release of this RFP, DHCD will host an in-person RFP Orientation session. The session will highlight new and notable features of the RFP and will be an opportunity for prospective applicants to ask questions about the RFP or the process. The Orientation details are provided below:

Subject: RFP Orientation

Date and Time: July 25, 2019 | 10:00am to 12:00pm

Location: Housing Resource Center (First Floor, Corner Entrance)
DC Department of Housing and Community Development
1800 Martin Luther King Jr. Avenue SE
Washington, DC 20020

During the application period, prospective applicants may submit clarification questions to DHCD about the RFP through the Online Q&A Portal, which is part of the Online Application System. DHCD will respond to all questions submitted and will distribute the responses to all registered users of the system. DHCD will establish a deadline by which all questions must be submitted, usually at least two weeks before the application deadline, to allow sufficient time for DHCD to respond to questions and for applicants to consider or incorporate the guidance in their proposals.

Applicants should not directly contact DHCD staff with questions about a specific proposal. All questions must be submitted through the Q&A. Upon release of this RFP, DHCD staff are unable to discuss an individual project proposal with an applicant and will not respond to these inquiries.

The application review and selection process has two stages. Projects that are selected for further underwriting will be accepted into DHCD's financing pipeline. The four major stages of the project selection and financing process are described below.

A. Threshold Review

Once the application window is closed, DHCD will conduct a Threshold review to determine whether applications conform to the Threshold Eligibility Requirements outlined in Section V of the RFP. Applications must meet every single requirement or they will be deemed ineligible and will not be reviewed further. After completing the initial Threshold Review, DHCD will reach out to applicants with questions about the application. Applicants will have 24 hours to respond to DHCD's Threshold Review questions. Applicants should ensure that: (1) they have uploaded and submitted all required attachments; (2) information is consistent throughout the application; and (3) all time-sensitive requirements (such as third-party reports) are up-to-date. Applications that meet all of the Threshold Eligibility Requirements will be advanced to the Scoring phase. Applicants will be notified of their Threshold Eligibility status approximately five weeks after applications are due.

B. Scoring and Selections

Applications that meet all Threshold Eligibility Requirements will be scored against the Underwriting Scoring Criteria and the Prioritization Scoring Criteria outlined in Section V of the RFP.

Applications, scores, and tentative Development Finance Division (DFD) recommendations will be forwarded to an interagency review panel of District government partners for review. Projects that the panel finds meet the eligibility requirements and score competitively compared with other proposed projects of similar type will be recommended to DHCD for funding. DHCD will conduct the final review of applications and will select projects for further underwriting.

In order to ensure a variety of housing unit types are produced and preserved and depending on the applications received, DHCD reserves the right to group projects with similar characteristics. For example, projects could be grouped into two or more of the following categories: homeownership, production, preservation, or senior housing. The top scoring projects of a similar type will be recommended for funding.

Final selection decisions will be made by the DHCD Director. No project that fails to meet one or more of the Threshold Eligibility Requirements will be selected. In general, it is DHCD's goal to provide funding to those projects that provide the greatest public benefit while maximizing the impact of public resources. DHCD reserves the right to disqualify projects for justifiable reasons that were not contemplated when the selection criteria were established.

DHCD anticipates issuing selection and declination letters by the end of December 2019. The selection letter is not a firm commitment and will not outline terms and conditions. Projects that are selected for further underwriting will be advanced to the Underwriting phase, where loan terms and conditions will be developed and refined.

C. Underwriting

Project underwriting will begin with DHCD convening a kick-off meeting with DHCD staff, staff from partner agencies, and representatives from all projects selected for further underwriting. The purpose of the kick-off meeting is to establish a common understanding of the DHCD's process, requirements, and loan terms. Borrowers will be introduced to their assigned DHCD Project Manager, who will be their primary point of contact for the duration of the underwriting phase.

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

Projects that pass the initial underwriting phase will be submitted to DHCD's Office of Program Monitoring (OPM) for thorough review against all program compliance criteria. Detailed information about the OPM review process is included in the **Compliance and Monitoring Reference Guide**, provided as a supplement to this RFP. DHCD project managers will finalize loan proposals and present loan packages to an internal Loan Review Committee, which has the authority to recommend approval of grants, loans, and 9 percent LIHTC allocations to the DHCD Director or request additional information or clarification. Projects that are recommended by the Loan Review Committee will be invited to execute a Reservation Letter or a Letter of Commitment that finalizes the loan terms, subject to a set of conditions precedent to closing.

D. Pre-Closing Due Diligence

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

Post-Closing

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

Anti-Deficiency

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

V. SELECTION CRITERIA

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

The Online Application System will prompt applicants to submit documentation in response to all requirements and scoring criteria, and further details and instructions about each element are available once an online application is started. All instructions provided in the Online Application System or issued through the Online Q&A Portal are considered official guidance and are essential components of this RFP.

A. Threshold Eligibility Requirements

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

Project Criteria

1. Eligible Project Type

To align with the priorities stated in the Introduction section of this document, DHCD will only consider funding requests for the following project types through this Consolidated RFP:

a. Production

Funding for new construction projects, or projects that rehabilitate vacant buildings, that produce units reserved for households earning 0-30 percent of MFI or 31-50 percent of MFI.

- Funded units may be within a mixed income project, but DHCD will not use HPTF to fund new units capped at higher MFI levels. Projects that request financing sources other than HPTF (9 percent LIHTC, eligible federal sources) without additional HPTF gap financing may propose to produce units up to 80 percent of MFI as long as the MFI mix conforms to the requirements of the requested funding source.
- Five percent of the funded units, and no less than one unit, must be reserved and operated as PSH that adheres to the Housing First model

and fills vacancies through the Coordinated Entry System, or through referrals from DBH.

- Projects must produce at least five funding-eligible units.

The above requirements apply to rental developments. Homeownership units reserved at up to 80 percent of MFI are eligible for funding, and homeownership developments are not required to provide PSH.

OR

b. Preservation

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

- The property may have an existing and expiring affordability deed-restriction or operating subsidy, or it may currently be a market-rate project that provides housing to low-income tenants.
- To qualify as a Preservation project in this RFP, the goal of the project must be to upgrade the housing quality for existing low-income residents and commit to long-term affordability.
- Projects that propose replacing an existing, occupied building with new on-site construction are considered Preservation projects, provided affordable units are replaced on a one-for-one basis. Although certain aspects of these projects will be evaluated against the criteria for Production projects – see note below for additional guidance.
- Projects that renovate existing buildings to create housing for new residents will be subject to the requirements for Production projects outlined in 1a above.

Units Eligible for Funding*
(*Developments may include units at higher MFI levels if funded with other sources)

INCOME CAP	PRODUCTI ON (Rental) w/ HPTF	PRODUCTION (Homeownership) w/ HPTF	PRESERVATION w/ HPTF	LIHTC Only or Rental PRODUCTION w/ non-HPTF
<i>Above 80% of MFI</i>				
<i>80% of MFI</i>		✓	✓	✓
<i>60% of MFI</i>		✓	✓	✓
<i>50% of MFI</i>	✓	✓	✓	✓
<i>30% of MFI</i>	✓	✓	✓	✓

The requirements do not preclude mixed-income or mixed-use proposals. However, applicants will be responsible for demonstrating in their application materials (particularly the development and operating budgets) that any DHCD funds requested will only be allocated toward costs associated with eligible units. Further

guidance on this subject is provided under Threshold Eligibility Requirement Number 5 (Development Budget and Operating Pro Forma) and in Section VII of this document.

Projects sometimes have characteristics of both Production and Preservation. For example, an existing affordable project that proposes to construct a new building within its property's footprint and relocate residents (and possibly a Housing Assistance Payment contract) from the existing building to the new building. In these cases, certain aspects of the application will be evaluated against the requirements for Production projects (for example, construction costs) and certain aspects will be evaluated against the requirements for Preservation projects (for example, income targeting). Other aspects of these applications will be held to a blended requirement; for example, the PSH set-aside requirement will be applied to all net new units in the project.

Projects requesting LIHTCs also must meet the program's basic eligibility requirements outlined in the [2019 Qualified Allocation Plan \(QAP\)](#).

2. Permanent Supportive Housing

For new construction rental projects – and rental projects that rehabilitate existing, vacant buildings – at least 5 percent of the units, and no less than one unit, must provide PSH as defined in this RFP.

Permanent Supportive Housing (PSH). Supportive housing for an unrestricted period of time for individuals and families who were once homeless and continue to be at imminent risk of becoming homeless, including persons with disabilities as defined in 24 C.F.R. 582.5, for whom self-sufficient living may be unlikely and whose care can be supported through public funds. (Homeless Services and Reform Act of 2015) Likewise, under the CoC Interim Rule, HUD defines PSH as permanent housing in which supportive services are provided to assist homeless persons with a disability to live independently. For the purposes of this RFP, PSH units that are used to meet the 5 percent set-aside requirement must follow the Housing First model and fill vacancies through the Coordinated Entry System.

For projects that preserve existing housing and also add net new units, the PSH set-aside requirement will apply to the net new units created.

PSH units that are used to meet the 5-percent set-aside requirement must follow the Housing First model and fill vacancies through the Coordinated Entry System (as defined in this RFP). In previous RFPs, a Supportive Services (Case Management)

Plan was required for all applications that proposed PSH units, unless the units were reserved for DBH consumers.

A Supportive Services Plan for PSH units is no longer a required submission. Applicants proposing PSH units must certify the number of PSH units proposed and acknowledge the District's PSH requirements using the template provided within the Online Application System.

3. Site Control

Applicants must have control of the site proposed for development. This may be in the form of:

- a current deed evidencing fee simple ownership;
- a lease option (lease term must be equal or greater than the proposed financing term);
- a land or property disposition agreement (LDA or PDA) executed with the District of Columbia; or
- a contract of sale.

At the time of application, site control **MUST** extend for at least 180 days beyond the date of the application submission or be demonstrably renewable so site control can extend to the 180-day period.

4. Entitlements and Development Review

The applicant must demonstrate that the proposed development is matter of right or that applicable zoning approvals have been applied for. For any proposed project that requires a more substantial zoning decision or design review, the Map Amendment application, Stage 2 Planned Unit Development (PUD) application, Design Review application, or Consolidated PUD application is required to have been submitted to the Zoning Commission prior to the Consolidated RFP submission deadline. Projects that have submitted an application to the Zoning Commission but not yet received full entitlements must provide reasonable evidence of an ability to close on DHCD financing and begin construction within one year of being selected for further underwriting. DHCD will take into account whether the project has completed a Setdown Hearing and/or whether the Zoning Commission has held a vote on the proposed project.

If a new construction or rehabilitation and expansion project is in a Historic District or requires approval from the Historic Preservation Review Board (HPRB) for any other reason, HPRB approval of the conceptual design is required before application submission.

Projects that only have Stage 1 PUD approval and have not submitted their Stage 2 PUD application, or that have not obtained HPRB approval of the conceptual design (if applicable), are not eligible for financing through this RFP. The purpose of this requirement is to ensure that the design and scope reviewed by DHCD during the

selection process is roughly identical to the final design and scope that will receive building permits.

If at any point during the application review process or underwriting the Zoning Commission disapproves a pending Map Amendment or PUD application that would be required to allow the project to proceed as designed, the project will be disqualified from further consideration and, if applicable, will be removed from the pipeline.

The detailed Zoning requirement described above supersedes the brief requirement outlined in the 2019 QAP.

Financial Criteria

5. Development Budget and Operating Proforma

The financial component of this application is a multi-tab spreadsheet titled “Form 202 - Application for Financing,” (Form 202) that will be provided by DHCD (available within the Online Application System). The Form 202 has been revised for this RFP and Applicants must use the most recent version of the form. The Form 202 has been revised to allow projects to utilize Income Averaging.

Applicants will use this workbook to present the details of their proposal, such as the development budget, operating pro-forma, tax credit calculations (if applicable), and unit information. The financial information submitted must make a compelling and coherent case for the funding request, and all data must match the corresponding information provided elsewhere in the Online Application.

DHCD’s core underwriting principle is that the Department is a gap lender. Applicants must demonstrate that they have pursued and secured all other feasible funding sources before applying for DHCD funds. This includes private debt and equity, as well as other below-market sources, such as tax exempt bond financing, 4 percent LIHTCs, private and foundation grants, subordinate seller’s notes, and deferred developer fee. The applicant will provide letters of interest with terms and conditions substantiating the information in the Form 202 in order to demonstrate that they have aggressively pursued non-DHCD funding. Senior loans, for example, should have competitive Debt Service Coverage Ratios (DSCR) and interest rates. Any project for which 4 percent LIHTCs would have a substantial positive impact on the budget must pursue this source in order to reduce DHCD’s participation. DHCD expects any project with \$10 million or more in total development costs to present a financing scenario that uses 4 percent LIHTCs.

On the uses side of the budget, applicants should pay special attention to DHCD’s cost and funding guidelines that apply to all projects, which include formula caps on the following:

- Developer Fee
- Builder's Profit
- Builder's Overhead
- General Requirements
- Architect Design
- Architect Administration
- Construction Management
- Development/Financing Consultants

Submitting an application for financing that includes costs in excess of any one of these categories may result in automatic disqualification of the project.

Section VII provides cost guidelines for the following categories:

- Construction and Rehabilitation Costs
- Operating Costs

Applicants may justify exceeding the construction and operating cost guidelines by up to 15 percent, but doing so will negatively impact their score. Construction costs that exceed DHCD's guidelines by more than 15 percent may submit a waiver request, which will be considered in the Threshold review process. In exchange for approving waivers, DHCD, at its discretion, may consider requiring a longer affordability period. If a waiver request is not granted, the project will be disqualified and will not proceed into the scoring phase. Construction cost waiver requests should emphasize any additional sources of funding that the project is leveraging to offset the additional costs. For example, projects that cost more per square foot to construct than DHCD's guideline allows, due to advanced Green Building features, should highlight how much additional debt or sources of subsidy (PACE financing, SRECs, etc.) they are able to leverage as a result of their reduced utility costs.

Overall Funding Guideline:

- The HPTF contribution to a project cannot exceed 49 percent of the project's Total Sources. The only exception is Limited Equity Cooperatives which must maximize non-HPTF sources but are not subject to a percent cap.
- Projects with a substantial number of units serving Extremely Low Income Households (0-30 percent of MFI) may request a waiver to receive a combination of HPTF, DBH and/or NHTF funds that in total exceeds 49 percent of the Total Sources.
- LIHTC equity contributions of investors are not subject to the 49 percent limit, however 9 percent LIHTC equity will be counted as a DHCD contribution in the leverage calculation on Underwriting Scoring Criteria 7.

Full instructions on completing the Form 202 (2019 Version), along with a full list of Cost Caps and Guidelines can be found in Section VII (UNDERWRITING GUIDELINES) and APPENDIX A (INSTRUCTIONS FOR COMPLETING FORM 202) of this document. Applicants should refer to and adhere to the guidelines as well as any additional parameters included in this RFP.

Special Note for Mixed-Income or Mixed-Use Projects:

DHCD sources cannot fund non-eligible uses, such as commercial space and HPTF funding for new units above 50 percent MFI. Non-eligible uses must be displayed in the application for financing, but shall be segregated from residential uses. The application must show what portion of each source is allocated to eligible and ineligible uses.

The applicant must be able to show that the portion of the building that is ineligible for DHCD funding can be financed without DHCD assistance. For example, if your project has ground floor retail or market rate units, you must demonstrate financing commitments (or realistic interest) from non-DHCD lenders or investors sufficient to cover the costs associated with that portion of the building. The Form 202 includes a tab titled “Rental_Development_Budget” that applicants must use to demonstrate the proposed allocation of sources and uses. See Appendix A – Instructions for Completing Form 202 for a complete explanation of how to allocate sources.

Applicants cannot divert funds from a source that is generated by income from eligible uses or eligible cost basis (such as LIHTC equity or the portion of debt attributable to affordable units) to fund ineligible expenses, thereby creating a larger funding gap for DHCD to cover.

Special Note for Homeownership Projects:

The Form 202 - Application for Financing is designed for rental projects. Financing applications for Homeownership Projects should use the template to the greatest extent possible to capture the details of their proposal. However, to allow DHCD to fully evaluate homeownership proposals, applicants should submit any other spreadsheets or documents that reflect the nature and financing/construction details of the project, and sale of its units. In the Online Application System, DHCD will provide an additional financial model required of homeownership projects.

6. Financing Letters of Interest, Intent, or Commitment

Applicants must submit letters of interest or letters of commitment from all other participating financial sources, including permanent, construction, and predevelopment financing sources. Applicants intending to utilize Income Averaging must submit written acknowledgement from the LIHTC investor/syndicator of this intention.

If the application proposes a financing scenario that includes 4 percent LIHTCs, an initial debt sizing memorandum from DCHFA must be requested from DCHFA. To obtain a debt sizing memo, borrowers shall submit one copy of DCHFA’s (the “Agency”) Stage I application to the Agency no later than August 12, 2019. The DCHFA application fee is not required at that time. DCHFA will return a debt sizing memo to the applicant and DHCD during DHCD’s Threshold Review.

7. Financial Information for Operational Projects

For existing and occupied buildings/properties ONLY, additional information is required to describe the current status of the project, including:

- the current debt structure;
- any operating subsidies currently available to the project;
- any supportive services currently provided;
- the current occupancy; and
- the project financials.

The applicant must provide:

- A current rent roll, showing occupancy status of each unit and current rents, including a breakdown of the portion paid by tenants. Rent roll should not be more than one month older than date of application submission.
- Audited financial statements for the prior three fiscal years of project operations, or if audited statements are not available, then three fiscal years of un-audited year-end financial statements AND three corresponding years of certified federal income tax returns must be submitted.
- Documentation of all existing loans secured by the property, including DHCD loans, and copies any existing operating subsidy contracts.
- Proposed flow of funds for the recapitalization of existing properties.

Applicant Criteria

8. Development Team Thresholds

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

- Owner (including all parties involved in the partnership or limited liability company, as applicable)
- Guarantor(s)
- Developer
- Development or Financing Consultants (if applicable)
- Architect
- General Contractor
- Construction Manager (if applicable)
- Management Agent
- Resident/Supportive Services Provider (if applicable)

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

At least one of the key team members – Owner, Developer, or Development/Financial Consultant – must have prior experience completing affordable housing projects of a similar type and scope as the project being proposed.

Forms and Attachments

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

Clean Hands Certificate and Certificate of Good Standing

Core development team members will be required to submit a Clean Hands Certificate and a Certificate of Good Standing issued by the District of Columbia.

Legal/Compliance Issues

Within the past five years, no member of the development team acting as sponsor, developer, guarantor, or owner may have been debarred, removed as general partner or managing member, as applicable, had chronic past due accounts, substantial liens or judgments, chronic housing code violations, excessive tenant complaints, failed to receive IRS Form 8609 for a completed project, or consistently failed to provide information to DHCD about other loan applications or existing developments. Their history regarding substantial liens, defaults, judgments, foreclosures, and/or bankruptcies must be disclosed and found acceptable to DHCD. Development team members must be in compliance with all existing and prior agreements with DHCD and/or the District of Columbia, including major health, safety or building codes. Development team members may not have had an award terminated by DHCD within the past three years, and the proposed property management company must not have received an unsatisfactory rating from DHCD or HUD.

Contract Affidavit

All development team members must sign and submit a Contract Affidavit certifying that they: (1) are not debarred from participation in any federal program; (2) do not have any unresolved default or noncompliance issues with the District of Columbia; and (3) meet the legal/compliance standards outlined above.

Reports and Plans

9. Appraisal

Applicants must submit three valuations, which can be submitted together in a single report or as separate reports. A licensed Appraiser must provide the following values:

1. the “as-is” value
2. the “as-built” or “as-complete” value, assuming restricted rents
3. the “as-built” or “as-complete” value, assuming unrestricted, market-rate rents

The “as is” appraisal must provide a value of the land and existing improvements in their current state. The “as built” appraisals must contain post-construction estimates of value (based on the project concept as proposed to DHCD) under two sets of circumstances: (1) assuming rents restricted to the MFI limits proposed to DHCD; and (2) assuming market-rate rents (in the event of foreclosure).

If the property includes existing improvements that will be demolished as part of the development plan, the appraisal must take the cost of demolition into consideration for an “as vacant” land value.

Appraisals must have been completed no more than six months prior to the RFP application deadline. For selected projects, the appraisals must not be more than one year old at the time they are submitted to OPM for compliance review, so an update will be required at that point. For all projects, appraisals (or the most recent update) must be no more than 120 days old at the time of closing. Any updated reports or studies requested by DHCD post-selection must be procured and returned promptly, and applicants should budget for these costs now.

10. Market Study and Market Demand Analysis

Applicants must submit a comprehensive market study of the housing needs of low-income individuals in the area to be served by the project. The market study must have been completed no more than six months prior to the RFP application deadline. The characteristics of the subject property in the market study must be identical to characteristics of the project proposed in the application. Proposed rents, vacancy rates, and other assumptions used in the application must be supported by the market study. If the project proposes to serve a specific population, such as senior citizens or artists, the market study must demonstrate the need for this type of housing. DHCD has sufficient evidence related to the need for PSH and the market study does not need to formally address this aspect of the project.

The market study must adhere to the current National Council of Housing Market Analysts (NCHMA) Model Content Standards. Any projects supported by LIHTCs should also comply with the requirements in IRC Section 42(m)(1)(A)(iii).

11. Environmental Site and Physical Needs Assessments

Applicants must include a completed Phase I Environmental Site Assessment, which must have been completed no more than two years prior to the RFP application deadline. If the property contains existing improvements, the scope of the Phase I Assessment must include the identification of: (1) possible asbestos containing materials; and (2) the identification of potential mold hazards (destructive testing not required).

If the property includes an existing structure that will not be deemed exempt due to age or usage, applicants must prepare to complete a Lead Risk Assessment either at application or, if selected, during the Environmental Review phase of underwriting. For selected projects, the Phase I must not be more than one year old at the time it is submitted to OPM for compliance review, so an update will be required at that point. Any updated reports or studies requested by DHCD post-selection must be procured and returned promptly, and applicants should budget for these costs now.

If the Phase I identifies any potential environmental hazards, applicants must include a narrative plan to address the issues and a budget for remediation. If a Phase II has been completed, that document must also be provided.

For projects that involve the rehabilitation of existing buildings, applicants also must provide a Building Evaluation Report, which is a preliminary engineering assessment of the building(s). In rehabilitating properties, developers may encounter unforeseen issues that can delay, increase the cost of, or even halt rehabilitation. To avoid this, DHCD requires that an engineer or other qualified professional complete an assessment of the property. A Capital/Physical Needs Assessment or a Property Conditions Needs Assessment will satisfy this requirement.

Projects that involve the rehabilitation of existing buildings must submit the Property Code Compliance report from the Department of Consumer and Regulatory Affairs ([DCRA\) Property Information Verification System \(PIVs\)](#) website.

12. Architectural Plans and Cost Estimates

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

- a. Final Schematic scope of work narrative, architectural plans, and materials specifications sufficient to create a detailed cost estimate, as outlined in the “Requirements for Architectural Plans” document located in the Online Application System.
- b. Complete Form 215 with detailed estimates of costs based on “take-offs” from those plans, completed and signed by a general contractor or professional construction cost estimator. “Rule of thumb,” square foot costs or other non-detailed cost estimates are not acceptable, and a Form 215 completed and signed by the developer will not be accepted.

Construction cost estimates must be consistent across all parts of the application, including the Form 202, the Form 215, and the Online Application System. Cost estimates must adhere to DHCD’s construction cost guidelines identified herein or follow the waiver request requirements if the costs exceed the allowable limits.

Compliance Criteria

13. Green Design and Building

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

- Projects of 10,000 square feet or more funded through this RFP must be certified by Enterprise Community Partners using the 2015 Enterprise Green Communities Criteria. Projects also may pursue a “substantially similar standard.” Currently certification with the U.S. Green Building Council using LEED for Homes and LEED for Homes Multifamily Midrise rating systems at the Silver level or above are pre-approved “substantially similar standards.” If a project team would like to use another standard, it must be pre-approved by DCRA’s Green Building Division before submission.
- For projects pursuing Green Communities Criteria certification, project teams must hold a Goal Setting and Integrated Design Charrette prior to application to consider the most cost-effective ways to integrate required green design elements. The findings of this charrette must be documented and submitted along with confirmation of Enterprise Green Communities Criteria registration on the online certification portal and an intended methods checklist. As a condition precedent to loan closing, project teams must submit proof of 2015 Enterprise Green Communities Step 1 Pre-Build certification. Once construction is complete, projects must demonstrate that they have achieved certification.
- Project pursuing LEED for Homes or LEED for Homes Multifamily Midrise at the Silver level or above must be certified by the US Green Building Council. At the time of submission, upon consultation with your team’s design professionals, the appropriate completed LEED checklist must be submitted, demonstrating compliance with all prerequisites and sufficient points to achieve LEED Silver or above. Please note that submission of evidence of an integrated design charrette is not mandatory for LEED projects, but is strongly recommended by DHCD. If selected for financing, as a condition precedent to loan closing, project teams must be registered with LEED Online and add the DC Government account to the LEED Online project team. Once construction is complete, projects must demonstrate that they have achieved the appropriate certification.

- All projects must either include solar panels, qualify as a Solar Ready Building as defined by the US Department of Energy at <https://www.nrel.gov/docs/fy10osti/46078.pdf>, or provide an explanation as to why the project is not pursuing Solar Ready status at this time. Explanations could include financial considerations, competing alternatives (green roof), technical aspects of the project that make solar infeasible, shade from nearby buildings or trees, etc.

Projects should include specifications for the system in the schematic plans and any related funding sources should be evident in the Form 202. Technical assistance for complying with this section is available from the District of Columbia Sustainable Energy Utility (DCSEU).

14. Community Engagement Plan

The District is committed to the development of affordable housing across all areas of the city in an equitable and transparent manner. DHCD expects applicants to inform the surrounding community about the planned project and develop a community engagement plan. If the planned project includes the preservation of existing housing, the engagement plan should also address communications with current residents. Applicants must complete the Community Engagement Plan section of the Project Narrative in the Online Application. The plan must include the following:

1. A description of the activities and strategies completed to date that demonstrate the applicant's efforts to engage current residents (if applicable).
2. A description of the applicant's post-selection approach and strategies for engaging residents (if applicable), the local community, and other stakeholders.

Approval or letters of support by the Advisory Neighborhood Commission (ANC) or other community groups will not be considered as part of the application.

15. Relocation and Anti-Displacement Strategy

For existing and occupied buildings/properties that result in the temporary or permanent displacement of current occupants, including commercial tenants, the applicant must submit a Relocation and Anti-Displacement Strategy. This strategy (due with the application) provides the groundwork for the Relocation and Anti-Displacement Plan (due before the issuance of a Letter of Commitment for financing). All projects financed through this RFP will be held to the standards of the Uniform Relocation Act and the District's Rental Housing Act.

Instances where a strategy and plan are required include the following, regardless of funding source:

- tenants will be required to move to facilitate the building's rehabilitation, even if they are moved to other units within the same building or complex;

- demolition of existing dwelling or commercial units or buildings that are occupied at the time of acquisition or at the time the applicant executes a legal instrument that demonstrates site control; or
- tenants will be displaced because the proposed rents are not affordable.

16. General Compliance

Each applicant must certify that the project is, and will be, in compliance with all applicable federal and local rules and regulations by completing the Monitoring Certification Form included in the Online Application. Applicants should refer to the supplemental **Compliance and Monitoring Reference Guide**, which is considered part of this RFP. Applicants receiving financial assistance from DHCD could be subject to any and all of the following laws and regulations listed in the table below:

<ul style="list-style-type: none"> • Housing Production Trust Fund - D.C. Code §42-28; DCMR 10-B41 • Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - 2 CFR Part 200 • Community Development Block Grant (CDBG) - 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 Part 58 • Certified Business Enterprise Agreement • Age Discrimination Act of 1975 - 24 CFR Part 146 • 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 <i>et seq.</i> • The Rental Housing Conversion and Sale Act of 1980 (D.C. Law 3-86) • The Rental Housing Act of 1985 • The Housing Trust Fund (HTF) -Title I of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289). • Violence Against Women Act (VAWA)- 42 U.S.C. sections 13701 through 14040. 	<ul style="list-style-type: none"> • Section 3 of the Housing and Urban Development Act of 1968, -12 USC. 1701u - 24 CFR Part 135 • First Source Program - D.C. Official Code §§2-219.01 <i>et seq.</i> • Americans with Disabilities Act of 1990 - 42 USC 2181 <i>et seq.</i> • 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 <i>et seq.</i> • Davis Bacon and related Acts - 40 USC §§276a-276a-5 and 42-USC 5310: 42 USC 327 <i>et seq.</i> • Conflict of Interest - 24 CFR §570.611: 24 CFR §§ 85.42 and 85.36 • Fair Housing - 24 CFR Part 107: 24 CFR Part 100 • Hatch Act - 5 USC Chapter 15 • LIHTC - § 42 of IRS Code of 1986 • National Environmental Policy Act (NEPA) of 1969 - 24 CFR Part 58 • Sections 9a and 9b of the Historic Landmark and Historic District Protection Act of 1978, as amended • Section 106 of the National Historic Preservation Act of 1966 - 36 CFR Part 800 • Drug Free Workplace - 24 CFR Part 21 • Inclusionary Zoning Implementation Act of 2006, D.C. Law 16-275, D.C. Official Code §§6-1041.01 <i>et seq.</i> • Broadband Infrastructure in HUD-Funded New Construction & Substantial Rehabilitation: HOME - 24 CFR 92.251(a)(2)(vi); CDBG - 24 CFR 570.202(g)
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Tenant Opportunity to Purchase Act (TOPA) Compliance

Applicants must demonstrate compliance with all requirements, rules, and regulations under the Rental Housing Conversion and Sale Act of 1980 ("The Act"), including the Tenant Opportunity to Purchase Act (TOPA), and that if TOPA applies, then either: (a) the Tenants' right to first refusal has not been exercised and the deadline for doing so has passed; (b) the project is the result of a tenant purchase or assignment of TOPA rights; or (c) the project will notice tenants as a result of the application for DHCD funding. If available, applicants must submit documentation, including but not

limited copies of the notices delivered to tenants, demonstrating compliance. DHCD reserves the right to request further evidence of compliance as applicable.

The Act requires that owners provide TOPA notices to tenants upon the intent of the owner to sell the property. Current owners applying to DHCD with the intent to transfer ownership to a new entity are required to provide TOPA notices immediately upon submitting the application for funding, not when/if that funding is awarded. Continued compliance with TOPA is required and applicants will need to provide proof of proper notices to the tenants prior to closing.

LIHTC-Specific Requirements

17. Year 15 Plan

All applicants proposing projects with LIHTC as a source must present a clear plan for the project at the end of the initial 15-year compliance period. The plan must include support and rationale for the following decision points:

- The exit strategy for the limited partner or investor member, as applicable, and the anticipated ownership changes.
- Any anticipated refinancing, re-syndication, or sale to a third party.
- How affordability will be maintained through the 30-year extended affordability period.

Applicants must agree to maintain the 30-year extended affordability period by waiving their right to seek a qualified contract for the project purchase at the end of the 14th year of the compliance period. This is a requirement in the DC 2019 Qualified Allocation Plan (QAP).

B. Scoring Criteria

Applications that meet all of the Threshold Eligibility Requirements will be competitively evaluated, rated and ranked based on underwriting and scoring selection criteria, established in accordance with federal law and the District's housing priorities and needs. Proposals receiving Underwriting and Prioritization Scoring will then be compared against all other scored proposals.

Underwriting Scoring

1. Financial and Economic Feasibility (maximum 35 points)

The Financial and Economic Feasibility score is a composite of several factors, listed below. Applications will be scored on the sub-criteria below, and the scores will be summed. All projects that meet the Threshold Eligibility Requirements and proceed to the Scoring phase must be financially and economically feasible. Most points in this section relate to how advanced a project is in the predevelopment process. Projects that are closer to being shovel ready are considered more financially and economically

feasible because rates, terms, and costs are more certain and there is less possibility for delay or disruption between project selection and closing.

a. Form 202 – Application for Financing (maximum 20 points)

Note: The Form 202 has been revised. The current version of the Form 202 must be used for all applications.

- ❑ **20 points** = The Form 202 contains a realistic set of sources and uses, development budget, and pro forma operating budget and is based on solid assumptions (operating expenses, development costs, vacancy rate, debt service coverage ratios, LIHTC raise rates, funding levels for reserves, etc.). The proposed budgets are realistic and viable, but demonstrate maximum leverage of non-DHCD funding and minimize the gap funding request. The assumptions and figures are consistent throughout the application, are consistent with market data and supporting documentation (that is, the appraisal and market study), and follow the instructions and guidance issued by DHCD through this RFP and any subsequent Q&As published through the Online Application System. All uses and financing sources are appropriate for the proposed project. Projects that have proposed uses that are associated with dedicated third-party funding sources must include those sources in the Form 202. For example, a project meeting the Green Building standards for priority scoring points must demonstrate that all viable green financing/funding sources (i.e., SRECs, ITC, DCSEU grants/rebates, etc.) were pursued. Letters of interest with terms and conditions are submitted from multiple lenders and investors (at least two, but no more than three) for each proposed financing source, to demonstrate competitiveness of private loan and syndication terms. If multiple alternative financing scenarios are presented, letters of interest substantiate each. Lender and investor letters are recent enough to reflect current market conditions and describe the project (for example, income mix) exactly as it is being proposed to DHCD.
- ❑ **10 points** = The Form 202 contains a realistic set of sources and uses, development budget, and pro forma operating budget, but there are some concerns about the assumptions on which they are based (operating expenses, development costs, vacancy rate, debt service coverage ratios, LIHTC raise rates, funding levels for reserves, etc.). The uses are appropriate for the project and the requested financing sources. Projects with proposed uses that are associated with a dedicated third-party funding sources have not identified those sources on the 202. At least one letter of interest with terms and conditions is submitted for each proposed financing source. There are some concerns over whether the assumptions used in the application will change before closing, there are instances of the applicant not following the RFP instructions or subsequent guidance, or there are inconsistencies within the application.

- ❑ **0 points** = One or more proposed financing source is not supported by a letter of interest or other evidence of commitment, or there are concerns over the Form 202 and/or the assumptions on which it is based. There are substantial concerns over whether the assumptions used in the application will change prior to closing, there are numerous instances of the applicant not following the RFP instructions or subsequent guidance, or there are frequent inconsistencies within the application.

b. Timeline (maximum 5 points)

- ❑ **5 points** = There is a strong likelihood that the project could proceed into construction within 180 days of being selected for further underwriting by DHCD, based on the timeline, narrative, and supporting documentation.
- ❑ **2 points** = There is a small likelihood that the project could proceed into construction within 180 days of being selected for further underwriting by DHCD, based on the timeline, narrative, and supporting documentation.
- ❑ **0 points** = It is unlikely that the project could proceed into construction within 180 days of being selected for further underwriting by DHCD, based on the timeline, narrative, and supporting documentation.

c. Architectural Plans (maximum 5 points)

- ❑ **5 points** = Construction plans and documents (that is, architectural, civil engineering, specifications) are permit-ready, and the construction budget is aligned with the plans. The plans reflect all design characteristics committed to in this application, such as unit mix, green building and accessibility features. The construction budget has been prepared and signed by the General Contractor.
- ❑ **2 points** = Construction plans and documents (that is, architectural, civil engineering, specifications) are not permit ready, but have been developed beyond the Schematic Design phase to at least the 50-percent design development phase. The plans reflect all design characteristics committed to in this application, such as unit mix, green building, and accessibility features. The construction budget has been prepared and signed by the General Contractor.
- ❑ **0 points** = Construction plans and documents (that is, architectural, civil engineering, specifications) are in the Schematic Design phase and reflect all design characteristics committed to in this application, such as unit mix, green building and accessibility features. Schematic Design is a Threshold Eligibility Requirement and no additional points are awarded to projects that are in this stage of the design process.

d. Firm Financing Commitments (maximum 5 points)

- ❑ **5 points** = Final Letters of Commitment from all other participating financial sources are provided. Rates and terms have been locked in and lenders are ready to close as soon as DHCD commits to funding the final gap (that is, letters of commitment are executed by lender/investor and borrower). This situation is rare and typically only applies to projects that are shovel ready. Projects in this category should have approved building permits and an executed construction contract.
- ❑ **2 points** = Firm commitments are in place for some, but not all other major participating financial sources. Some rates and terms have been locked in and lenders are ready to close as soon as DHCD commits to funding the final gap. It is unlikely that funding terms, such as the interest rate and LIHTC raise rate, will change to a degree that the borrower will not be able to absorb.
- ❑ **0 points** = Financing commitments are substantiated with Letters of Interest that include basic term sheets, as evaluated in Scoring Criteria 1a. Letters indicate the lender/investor's interest in financing a project under specified terms, but thorough underwriting and due diligence has not commenced. This is the most common situation, and no additional points are awarded to projects in this stage of financing.

2. Development Team Capacity and Experience (maximum 30 points)

Development teams will be evaluated on their experience with and performance on comparable projects, on past performance, and on their capacity to deliver the proposed project and maintain long term viability and compliance. Applications will be scored on the sub-criteria below, and the scores will be summed.

a. Sponsor/Developer/Owner Capacity and Experience (maximum 10 points)

- ❑ **10 points** = The applicant (owner, borrower, sponsor, developer, guarantor) has the financial and workload capacity to make this project a top priority and execute it on an accelerated timeline. The lead developer (and co-developer and/or development consultant, if applicable) demonstrate an exemplary track record in projects of similar size, scale, type, and complexity to the proposed project. Past performance indicates that the project will deliver on time and on budget and that no additional concessions will be needed from DHCD before closing. The applicant has the willingness and capacity to take the predevelopment risk necessary to move this project toward closing, parallel to DHCD's underwriting and approval process. The guarantor has the financial capacity to ensure that this project will deliver regardless of any potential delays or cost overruns.

- ❑ **5 points** = There are some concerns over the applicant's (owner, borrower, sponsor, developer, guarantor) financial and workload capacity or their ability to make this project a top priority and execute it on a rapid timeline, or the lead developer (and co-developer and/or development consultant, if applicable) has less experience in projects of similar size, scale, type, and complexity to the proposed project. Past performance indicates that the project could potentially face delays or cost overruns, or that additional concessions might be requested of DHCD prior to closing. There are some concerns over the applicant's willingness or capacity to take the predevelopment risk necessary to move this project toward closing, parallel to DHCD's underwriting and approval process. There may be concerns over the guarantor's financial capacity to ensure that this project will deliver regardless of any potential delays or cost overruns.
- ❑ **0 points** = There are significant concerns over the applicant's (owner, borrower, sponsor, developer, guarantor) financial and workload capacity or their ability to make this project a top priority and execute it on a rapid timeline, or the lead developer (and co-developer and/or development consultant, if applicable) has minimal experience in projects of similar size, scale, type, and complexity to the proposed project. Past performance indicates that the project will likely face delays or cost overruns, or that additional concessions will be requested of DHCD prior to closing. There are substantial concerns over the applicant's willingness or capacity to take the predevelopment risk necessary to move this project toward closing, parallel to DHCD's underwriting and approval process. There are concerns over the guarantor's financial capacity to ensure that this project will deliver regardless of any potential delays or cost overruns.

b. General Contractor Capacity and Experience (maximum 5 points)

- ❑ **5 points** = The selected General Contractor demonstrates an exemplary track record in projects of similar size, scale, type, and complexity to the proposed project. The General Contractor has the capacity and experience to deliver this project on time, on budget, and to the highest quality standards, while maintaining compliance with applicable laws such as Davis-Bacon and the Green Building Act. The General Contractor is familiar with the local subcontractor market and DC laws related to hiring (First Source) and sub-contracting (Small Business Enterprise (SBE)/ Certified Business Enterprise (CBE)) and these are appropriately accounted for in the construction budget.
- ❑ **2 points** = The selected General Contractor demonstrates a successful but limited track record in projects of similar size, scale, type and complexity to the proposed project. There are some concerns based on the General Contractor's capacity and experience about their ability to deliver this project on time, on budget, and to the highest quality standards, while maintaining compliance with

applicable laws such as Davis-Bacon and the Green Building Act. There are some concerns over the General Contractor's familiarity with the local subcontractor market and/or DC laws related to hiring (First Source) and sub-contracting (SBE/CBE), which could potentially cause delays or cost increases between application and closing.

- ❑ **0 points** = Either no General Contractor has been selected, or the selected General Contractor has minimal experience in projects of similar size, scale, type and complexity to the proposed project. There are more major concerns based on the General Contractor's capacity and experience about their ability to deliver this project on time, on budget, and to the highest quality standards, while maintaining compliance with applicable laws such as Davis-Bacon and the Green Building Act. Concerns over the GC's familiarity with the local subcontractor market and/or DC laws related to hiring (First Source) and sub-contracting (SBE/CBE), suggest a likelihood of delays or cost increases between application and closing.

c. Management Agent Capacity and Experience (maximum 5 points; N/A for homeownership projects)

- ❑ **5 points** = The selected Management Agent demonstrates a successful track record in projects of similar size, scale, type, and complexity to the proposed project, including a demonstrated ability to maintain ongoing compliance over the life of a project. Properties under the agent's management are well-maintained and violation-free, as evidenced by DHCD and DCRA inspections and records.
- ❑ **2 points** = The selected Management Agent demonstrates a successful but limited track record in projects of similar size, scale, type, and complexity to the proposed project. There are some concerns based on the Management Agent's capacity and experience about their ability to maintain ongoing compliance over the life of a project. There are some concerns over the quality of property management, based on DHCD and DCRA inspections and records.
- ❑ **0 points** = Either no Management Agent has been selected, or the selected Management Agent has minimal experience in projects of similar size, scale, type and complexity to the proposed project. There are more major concerns based on the Management Agent's capacity and experience about their ability to maintain ongoing compliance over the life of a project. There are major concerns over the agent's physical property management, based on DHCD and DCRA inspections and records.

d. Architect/Construction Manager Capacity and Experience (maximum 5 points)

- ❑ **5 points** = The selected Architect demonstrates (1) a successful track record in projects of similar size, scale, type, and complexity to the proposed project; and (2) has the capacity and experience to ensure that the proposed design is

compliant with all applicable laws and regulations, such as the Green Building Act, accessibility standards, zoning, and historic preservation. The Architect and/or Construction Manager have/has the capacity and experience to provide project oversight to guarantee that it is delivered on time, on budget, and to the highest quality standards.

- ❑ **2 points** = The selected Architect demonstrates a successful but limited track record in projects of similar size, scale, type, and complexity to the proposed project, and there are some concerns based on the Architect's capacity and experience about their ability to ensure that the proposed design is compliant with all applicable laws and regulations, such as the Green Building Act, accessibility standards, zoning, and historic preservation. There also may be some concerns about the Architect and/or Construction Manager's ability to provide project oversight to guarantee that it is delivered on time, on budget, and to the highest quality standards.
- ❑ **0 points** = The selected Architect has minimal experience in projects of similar size, scale, type and complexity to the proposed project, and there are more major concerns based on the Architect's capacity and experience about their ability to ensure that the proposed design is compliant with all applicable laws and regulations, such as the Green Building Act, accessibility standards, zoning, and historic preservation. There also may be more major concerns about the Architect and/or Construction Manager's ability to provide project oversight to guarantee that it is delivered on time, on budget, and to the highest quality standards.

e. Overall Team Past Performance (maximum 5 points)

DHCD will assess projects developed and managed by the development team, both non-DHCD and DHCD-supported. In addition to providing the list of LIHTC/affordable projects completed by the applicant (Form 203) and the list of properties currently managed by the applicant's management agent (Form 209), the applicant is required to submit two additional documents: (1) a schedule of real estate owned and (2) a list of contingent liabilities. This information should be provided for all related parties/affiliated entities of the Sponsor/Developer/Owner.

Upon review of the applicant's development and property management track record, scoring will be determined as follows for all eligible projects/units:

- Total Affordable Housing Projects Developed by the Developer/Owner/Sponsor (maximum 2 points)
 - ❑ 2 points: 3 or more Affordable Housing projects developed of a similar size, scale, type, and complexity as the proposed project

- ❑ 1 points: 1 or more Affordable Housing projects developed of a similar size, scale, type, and complexity as the proposed project
 - ❑ 0 points: No similar Affordable Housing projects developed
- Total Affordable Housing Units Managed by the proposed Property Manager (maximum 2 points)
 - ❑ 2 points: 500 or more Affordable Housing units managed
 - ❑ 1 point: 1 or more Affordable Housing project(s) managed of a similar size, scale, type, and complexity as the proposed project.
 - ❑ 0 Points: No similar Affordable Housing property management experience
- Total Affordable Housing Projects Developed in the District of Columbia by the Developer/Owner/Sponsor (maximum 1 points)
 - ❑ 1 point: 1 or more Affordable Housing projects developed of similar size, scale, type, and complexity as the proposed project in the District of Columbia
 - ❑ 0 Points - No similar Affordable Housing projects developed in the District of Columbia

Properties listed by the developer and property management company must be in compliance in order for applicants to receive points under this section. DHCD will confirm the status of the projects listed in the District of Columbia with its internal records to confirm that there are no legal/compliance issues of a physical, operational, financial, or administrative nature. Any projects with adverse findings within the last five years will not be considered an eligible Affordable Housing project for this section. DHCD will also confirm that any projects developed in other states do not have any unresolved 8823s. Projects with unresolved 8823s will not be considered an eligible Affordable Housing project for this section.

3. Site Selection and Design Characteristics (maximum 5 points)

Site selection and project design must meet the needs of the occupants with appropriate unit design and onsite amenities. Considerations for points will be based on review of the project's site, location, architectural plans and specifications, the building evaluation report (if applicable), and the overall project narrative.

- 5 points = Site selection is desirable for the proposed project and planned use(s). The project's construction/rehabilitation scope of work is appropriate for the anticipated needs of the target population(s). The site design, amenities, and unit designs are innovative and specifically tailored for the project's target population(s).

- 3 points = Site selection is appropriate for the proposed project and planned use(s). The project's construction/rehabilitation scope of work, proposed amenities, and unit designs are appropriate for project's target population(s).
- 0 points = There are unaddressed concerns regarding site selection and/or unit design and amenities.

4. Acquisition Cost Reasonableness (maximum 5 points):

Proposed property acquisition costs must be reasonable and may not exceed the property's fair market value as evidenced by an appraisal. DHCD will determine reasonableness through an analysis of the appraisal, the proposed flow of funds, and by comparison of recent DHCD-funded projects in similar locations and for uses similar to those proposed in the application. DHCD reserves the right to request a second appraisal. An appraisal update will be required before closing so that a current appraised value is available within 120 days of closing. If federal funding is proposed, the acquisition cost (regardless of how it is funded) may not exceed the market value per a new or updated appraisal made within 120 days of closing on DHCD financing.

For projects where the property has already been acquired, acquisition cost reasonableness will be based on the original purchase price plus reasonable carrying and settlement costs. Applicants must submit the following for DHCD to determine reasonableness: the deed, the appraisal at the time of acquisition, the HUD-1 settlement sheet at the time of acquisition to demonstrate the purchase price and associated settlement charges, and detailed assumptions behind carrying charges included in the budget since acquisition. If the property was previously purchased by a party affiliated with the Developer/Owner/Sponsor, has increased in value, and the project budget reflects the current appraised value of the property, DHCD expects a reasonable proportion of the net proceeds from the increased property value to be offset by a seller's note or other similar instrument. If the property was acquired as a result of tenants exercising their TOPA rights, the final purchase and sale agreement with the seller must be provided.

If the property includes existing improvements that will be demolished as part of the development plan, the appraisal takes the cost of demolition into consideration for an "as vacant" land value.

Projects that received or will receive discounted land or property through a District land or property disposition (LDA or PDA) must reflect the value of the write-down in their budget. The budgeted acquisition price for these projects must either be zero/minimal or, if the budget reflects the full appraised value of the property, offset by a seller's note or other similar instrument.

- ❑ 5 points = Acquisition price is consistent with all sources of available information, including, but not limited to, the appraisal, market study, and

comparable projects in DHCD's pipeline and portfolio. The appraisal and proposed acquisition price take into account any affordability restrictions or other encumbrances on the property. If the seller and buyer are related parties, the acquisition price does not result in a significant amount of equity being withdrawn from the project.

- ❑ **3 points** = Acquisition price is consistent with most sources of available information, but some questions linger regarding acquisition price or with the nature of the transaction.
- ❑ **0 points** = Acquisition price is out of line with available information, or results in a significant windfall for a related-party seller.

5. Compliance with DHCD Cost and Funding Guidelines (maximum 15 points):

The following cost and funding guidelines apply to all applications. The purpose of these requirements is to ensure efficient use of DHCD funds and thus enable DHCD to serve more households with its finite amount of subsidy funds.

a. Construction Cost Guidelines (maximum 5 points)

Each application for DHCD funding must conform to the maximum construction/rehabilitation cost guidelines described below unless exceptions are requested and justified by the applicant in the Online Application System. Construction cost waiver requests are considered during scoring and evaluated in more detail during underwriting if the project is selected.

Maximum Construction Costs per Gross Square Foot

Type of Building	New Construction	Substantial Rehabilitation	Moderate Rehabilitation
Townhouses	\$207	\$167	\$115
Garden Apartments/Condos	201	155	109
Elevator Buildings (-5 floors)	242	173	144
Mid-rise Buildings (6 or more floors)	276	190	161

- ❑ **5 points** = Construction costs are within the limits outlined above.
- ❑ **3 points** = Construction costs are 5 percent or less outside the limits outlined above, and there are reasonable justifications for the deviation.
- ❑ **2 points** = Construction costs are 10 percent or less outside the limits outlined above, and there are reasonable justifications for the deviation.
- ❑ **1 points** = Construction costs are 15 percent or less outside the limits outlined above, and there are reasonable justifications for the deviation.

- ❑ **0 points** = Construction costs are more than 15 percent outside the limits outlined above, or are less than 15 percent outside the guideline but without reasonable justification. Projects with construction costs that exceed the applicable guideline by more than 15 percent must submit a detailed justification in the Online Application System. DHCD will review this justification in the review process, and if it is deemed inadequate or if there are a sufficient number of other qualified applications with costs that are within the guideline, DHCD may disqualify the application from consideration. Construction costs for rehabilitation projects cannot exceed the guideline for New Construction, even if a waiver allowing the costs to exceed the Substantial Rehabilitation guideline is approved.

Construction cost waiver requests must include a detailed explanation of the reasons why construction costs are outside of established ranges. The request should (1) quantify the impact of the various project features and requirements that contribute to the cost (e.g., quantify the percentage premium and/or the cost per square foot added by each unique project feature; (2) describe any other unique sources of below market funding (other than first trust debt, single-source LIHTC equity, and deferred developer fee, which are reasonably expected of all affordable housing developments) that the Applicant is providing to offset the excess construction costs; and (3) describe the other actions the applicant has taken to reduce costs (e.g., value engineering, competitive bidding, additional operating cost savings from green building). For example, projects that cost more per square foot to construct than DHCD's guideline allows, due to advanced Green Building features, should highlight how much additional debt or sources of subsidy (PACE financing, SRECs, etc.) they are able to leverage as a result of their reduced utility costs.

b. Operating Cost Guidelines (maximum 5 points)

Project operating expenses, as modeled in the Form 202 – Application for Financing and in the Online Application System, should be within a range of \$6,100 - \$7,100 per unit per year. For the purposes of this calculation, any in-unit utilities paid by the owner will be deducted from the per-unit operating expenses. Common area utility expenses are included in the per unit per year limit.

Expenses for case management and supportive services for PSH should not be included in the Operating Expenses tab of the Form 202. These expenses should be funded outside of the real estate budget (that is, not from operating income) through a separate contract between the supportive services provider and DHS. Enhanced supportive services, in addition to those funded by DHS, and general resident services (for example, job training, day care, etc.) are encouraged, but must have a dedicated funding source such as an operating contract or grant if their cost

causes the per unit operating expenses to exceed DHCD's guideline by more than 15 percent.

- ❑ **5 points** = Project complies with Operating Cost Guidelines as outlined above and the operating expense budget is realistic and consistent with all available market data.
 - ❑ **3 points** = Project is between 0.01 percent and 5 percent outside the Operating Cost Guidelines as outlined above, and there are reasonable justifications for the deviation. The operating expense budget is realistic and consistent with all available market data.
 - ❑ **2 points** = Project is between 5.01 percent and 10 percent outside the Operating Cost Guidelines as outlined above, and there are reasonable justifications for the deviation. The operating expense budget is realistic and consistent with all available market data.
 - ❑ **1 point** = Project is between 10.01 percent and 15 percent outside the Operating Cost Guidelines as outlined above, and there are reasonable justifications for the deviation. The operating expense budget is realistic and consistent with all available market data.
 - ❑ **0 points** = Project either: (1) exceeds the Operating Cost Guidelines as outlined above by more than 15 percent and does not have a dedicated source of operational funding (service contract or grant) to offset the excess; or (2) has operating expenses that are 15 percent or less outside the Operating Cost Guidelines but without reasonable justification. Projects with operating costs that exceed the applicable guideline by more than 15 percent and do not have a dedicated source of operational funding (service contract or grant) to offset the excess must submit a detailed justification. DHCD will review this justification in the review process, and if it is deemed inadequate or if there are a sufficient number of other qualified applications with costs that are within the guideline, DHCD may disqualify the application from consideration.
- c. Soft Cost Containment (maximum 5 points)
- DHCD seeks to incentivize the containment of variable soft costs to reasonable amounts. Projects will be ranked based on the amount of soft costs (inclusive of developer fee) on a per square foot basis and placed into percentiles with 100 percent being the highest soft costs per square foot. Costs associated with tax exempt bonds and syndication costs will not be included in the ranking of projects.
- ❑ **5 points** = Project is below the 25th percentile
 - ❑ **3 points** = Project is between the 25th and 50th percentile
 - ❑ **0 points** = Project is above the 50th percentile.

6. Leverage (maximum 10 points)

An application's leverage score reflects both the overall leverage ratio and the project's ability to leverage other non-DHCD subsidies or below market rate funding sources.

a. Overall Leverage (maximum 5 points)

This measures the extent to which DHCD loan funds are leveraged with other public and private resources by calculating the percentage of the total development cost that is funded by DHCD ("DHCD Participation"). DHCD participation includes all development subsidy sources made available through this RFP, including DBH grant funds and 9% LIHTC equity. This calculation will only consider the portion of the building that is eligible for DHCD funding, and the denominator will be the total development costs (total sources) attributable to that portion. To maximize points on this criterion, applicants should pursue alternative financing sources that reduce DHCD's investment in the project, such as tax-exempt bond and 4% LIHTC financing, private grants or soft debt, PACE financing, Housing Assistance Payment (HAP) contracts, etc. In mixed income buildings, applicants may use surplus cash flow from the market rate units to cross subsidize the affordable units and improve their leverage ratio.

- ☐ **5 points** = Less than 30 percent DHCD participation
- ☐ **4 points** = Between 30 percent-34.4 percent DHCD participation
- ☐ **3 points** = Between 35 percent-39.9 percent DHCD participation
- ☐ **2 points** = Between 40 percent-44.9 percent DHCD participation
- ☐ **1 point** = Between 45 percent-49.9 percent DHCD participation
- ☐ **0 points** = 50 percent DHCD participation or greater (Leverage ratio of 1:1 or below)

b. Subsidy Leverage (maximum 5 points)

Additional Leverage points are available to projects that have non-RFP grants/subsidies or subordinate funding sources (in addition to private debt and equity) that decrease the project's funding gap and decrease the amount of DHCD assistance requested. Examples of sources that count toward this section are:

- Increments of additional debt leveraged by non-RFP sources or savings (e.g., existing HAP contracts, property tax abatements or exemptions, operating expense savings due to green improvements, and/or other related operational efficiencies)

- Grants (Foundation, Federal Home Loan Bank, etc.)
- Deferred developer fees
- Sponsor equity (in addition to Tax Credit equity)
- Subordinate Seller's note
- Land value write-down
- Surplus cash flow from market-rate units or non-residential uses
- Opportunity Zone investments
- Non-DHCD District agency resources
- Other sources used to finance the project in addition to the private debt and equity DHCD can reasonably assume the project can raise, given current market conditions

Subsidies or grants requested through this RFP (for example, LRSP operating subsidies, DBH grants) are not counted as leverage.

- ❑ **5 points** = Leveraged subsidies or subordinate funding equal to 25 percent of the project's total sources or greater.
- ❑ **4 points** = Leveraged subsidies or subordinate funding between 20 percent-24.9 percent of the project's total sources.
- ❑ **3 points** = Leveraged subsidies or subordinate funding between 15 percent-19.9 percent of the project's total sources.
- ❑ **2 points** = Leveraged subsidies or subordinate funding between 10 percent-14.9 percent of the project's total sources.
- ❑ **1 point** = Leveraged subsidies or subordinate funding between 5 percent-9.9 percent of the project's total sources.
- ❑ **0 points** = Leveraged subsidies or subordinate funding equal to less than 5 percent of the project's total sources.

Prioritization Scoring

1) Demographic Criteria

1. Permanent Supportive Housing (maximum 10 points)

(Does not apply to Homeownership Projects)

The 5-percent PHS set-aside is a threshold eligibility requirement for all non-Preservation projects, but projects also may earn priority points by creating additional PSH, as defined in this RFP, beyond the minimum number required. Units reserved for DBH consumers are considered PSH under this criterion. These points are available to both Production and Preservation projects. There is no limit on the

number or percentage of PSH units that an Applicant can propose, however, Applicants should take into consideration that DCHA has limited LRSP Operating Subsidy resources.

The scoring preference for PSH units is guided by Chapter V of the ICH's 2015-2020 strategic plan, titled *Homeward DC*.

- ❑ **10 points** = At least 20 percent of units (including the required 5 percent PSH set-aside) are reserved as PSH that follows the Housing First model and fills vacancies through the Coordinated Entry system.
- ❑ **5 points** = At least 10 percent of units (including the required 5 percent) are reserved as PSH that follows the Housing First model and fills vacancies through the Coordinated Entry system;
- ❑ **0 points** = Applicant does not exceed the minimum requirements for PSH.

2. Resident Services Plan (maximum 3 points):

Up to three prioritization scoring points are available for Applicants that propose high-quality, property-wide resident services designed to improve the quality of life of residents, empower residents, and support broader community-building goals. Such services are in addition to the PSH case management services that serve a limited resident population with more intensive needs. The proposed Resident Services Plan should outline a thoughtful approach to coordinating and managing all resident services and programming. Applicants must describe the property's Resident Services Plan as part of the narrative template provided within the Online Application System.

- 3 points = The Resident Services Plan is complete, thorough, and specifically tailored to the needs of this project and resident population. At a minimum, this means the following is true:
 - The services to be provided to current and new tenants, cooperative members, or homebuyers, if applicable, is sufficiently detailed and realistic, with the ability to be sustained.
 - Onsite amenity space(s) (if feasible) for planned resident services and activities is adequate.
 - The resident service budget included in the plan is complete and thorough, and expected sources of funding for services match or exceed expected expenditures.
 - Development team members who have been named to provide services are well-experienced in successfully implementing such a plan.
 - Responsibilities among all parties are clear and well defined, and a copy of the services agreement or memorandum of understanding has been provided.

- If the project includes PSH units, the plan addresses how development team members will ensure coordination with the PSH case management services provider.
- 1 point = A draft resident services plan is included which is in the process of being tailored to the specific needs of the project and resident population. The draft is an appropriate model for this project and includes a draft budget and references onsite amenity space(s) (if feasible) that will be used for proposed resident services and activities. Development team members who have been named to provide services have experience in successfully implementing such a plan. If the project includes PSH units, the plan addresses how development team members will ensure coordination with the PSH services provider.
- 0 points = No resident services plan is provided, or no budget is provided as part of the plan, or the plan presented is inappropriate for this project.

2. Family-Oriented Units (maximum 10 points)

This score awards points to projects that provide more units with three or more bedrooms, and partial points for projects that provide a large share of two-bedroom units. The score will be determined based on the unit mix provided in the Online Application System and in the Form 202 - Application for Financing.

- ❑ **10 points** = 30 percent or more of the project's affordable units have three or more bedrooms.
- ❑ **8 points** = Between 25 percent - 29.9 percent of the project's affordable units have three or more bedrooms.
- ❑ **6 points** = Between 20 percent - 24.9 percent of the project's affordable units have three or more bedrooms.
- ❑ **4 points** = Between 15 percent - 19.9 percent of the project's affordable units have three or more bedrooms -OR- at least 50 percent of the project's affordable units have two or more bedrooms.
- ❑ **2 points** = Between 10 percent - 14.9 percent of the project's affordable units have three or more bedrooms -OR- between 40 percent - 49.9 percent of the project's affordable units have two or more bedrooms.
- ❑ **0 points** = Less than 10 percent of the project's affordable units have three or more bedrooms -AND- less than 40 percent of the project's affordable units have two or more bedrooms.

3. Special Populations (maximum 5 Points)

Projects are eligible to receive no more than five points for Special Populations (that is, if points are maximized in one category, no additional points will be awarded in the other).

In alignment with the Age-Friendly DC Task Force recommendations, up to five prioritization scoring points will be awarded for projects that include units designed and reserved for seniors (55+), including assisted living and intergenerational housing units;

Two prioritization scoring points will be awarded for projects in which 30 percent of the units are Type A Units. Type A units are adaptable units that can allow seniors and others with mobility issues to age in place, Type A units must meet the requirements as defined in Chapter 11 of the 2013 District of Columbia Building Code: <https://codes.iccsafe.org/content/chapter/9182/>

One prioritization scoring point will be awarded for projects that include units designed and reserved for visual or musical artists.

The required market study must demonstrate sufficient demand for any units that are restricted to a specific population.

- ❑ **5 points** = At least 80 percent of the project is reserved for seniors (55+) and all senior units follow the universal design standards. Applicants that propose Senior Units mixed with all-ages units must affirmatively demonstrate that their proposed mix is fully compliant with the Fair Housing Act and the Housing for Older Persons Act of 1995 (HOPA) Exemption.
- ❑ **2 points** = For new construction projects at least 30 percent of the units at the project are Type A units. For preservation projects, at least 30 percent of the ground floor units are Type A units.
- ❑ **1 Point** = At least 20 percent of the project's units are reserved for income-eligible artist housing that meets the definition in Section IX of this RFP.
- ❑ **0 points** = The criteria required to obtain points is not met.

4. Income Levels Served (maximum 7 points)

This measure evaluates the weighted average of the income levels served for units proposed to be funded by DHCD, with a preference for projects serving lower incomes. This criterion applies to both Preservation and Production projects. Any units in the building that will not have DHCD funds (HPTF, NHTF, HOME, CDBG, 9% LIHTC etc.) allocated to them directly or indirectly, such as market rate units or other units ineligible for funding through this RFP, will be excluded from the

calculation. This includes units in Production projects that exceed 50% MFI and are eligible for 4% LIHTCs, but are not requesting DHCD gap financing. To the extent that existing rents and resident incomes allow, Preservation projects may propose to lower the rent and income limits on certain units (for example, convert a 60 percent MFI unit to a 50 percent MFI unit) in order to obtain points on this measure.

- ☐ **7 points** = Weighted average MFI less than or equal to 40 percent (For example, a project with an equal mix of 30 percent MFI and 50 percent MFI units funded by DHCD).
- ☐ **5 points** = Weighted average MFI between 40.1 percent-50 percent
- ☐ **3 points** = Weighted average MFI between 50.1 percent-55 percent
- ☐ **1 point** = Weighted average MFI between 55.1 percent-60 percent
- ☐ **0 points** = Weighted average MFI greater than 60 percent

5. Section 8 and Public Housing Waiting Lists (maximum 1 point)

One prioritization scoring point will be given for projects in which leasing or sales preference is given to households on the public housing or Section 8 waiting list maintained by DCHA.

- ☐ **1 point** = Applicant commits to leasing or sales preference for households on the public housing or Section 8 waiting list maintained by DCHA
- ☐ **0 points** = No leasing or sales preference for identified households

2) Applicant Criteria

6. Non-Profit Participation and Right of First Refusal (maximum 5 points)

This score will be determined from the Applicant's response to the Development Team Member section of the online application. Points will only be awarded for projects in which a 501(c)(3) Qualified Non-profit Organization materially participates (that is, has an ownership interest and decision-making role) in the development and operation of the project. The Qualified Non-profit Organization, as a participating non-profit partner, must have effective project control and serve as the majority owner or as the managing member and 51 percent plus owner of a joint venture partnership.

For LIHTC projects, points will be awarded for projects in which a Qualified Non-profit Organization is the managing member of the general partner or managing member, as applicable, of the Ownership Entity, and will have the right of first refusal to purchase the project at the end of the compliance period based on IRC Section 42(i)(7). All

eligible LIHTC projects under nonprofit control can apply to participate in the Nonprofit Affordable Housing Developer Tax Relief Program under DC Code section 47-1005.02. Information on the application process can be found on DHCD's website. The real property tax and recordation exemption offered through this program should be reflected in the Form 202 for LIHTC projects receiving 5 points in this category.

To obtain points under this preference, the applicant must sign or intend to sign before closing an agreement between the owner and qualified non-profit organization. All rights of first refusal granted to qualified non-profit organizations under this preference are subject to the requirements of TOPA and the District's Opportunity to Purchase Amendment Act of 2008 (DOPA), DC Law 17-286 (DC Official Code §42-3404.31 *et seq.*), as either the same may be amended from time to time.

- ❑ **5 points** = For a non-LIHTC project: A qualified non-profit organization holds an ownership interest of 51 percent or more in the project ownership entity;
- OR -
For an LIHTC project: A Qualified Non-profit Organization is the managing member of the general partner, the Qualified Non-profit Organization holds an ownership interest of 51 percent or more of the general partner, and the Qualified Non-profit Organization has signed or intends to sign before closing a right of first refusal agreement to purchase the project at the end of the compliance period.
- ❑ **0 points** = A non-profit organization does not have a significant partnership role in the project.

7. TOPA Preference (maximum 5 points)

Projects proposed by or in partnership with tenant groups that exercised their TOPA rights to purchase their building will receive preference under this criterion. If the proposed project will add additional units or square footage, a pro-rata share of the points available in this category will be awarded for the preserved units and no points will be awarded for the new units.

- ❑ **5 points** = The project is led by a tenant group that purchased their building under TOPA. This includes Limited Equity Cooperatives, as well as partnerships in which the tenant group is the managing member of the general partner and has an ownership interest of at least 51 percent or more of the general partner.
- ❑ **2 points** = Tenants assigned TOPA rights to a developer partner to purchase the building.
- ❑ **0 points** = The criteria required to obtain points is not met.

3) Location Criteria

8. Transit Proximity (maximum 3 points)

This item awards priority scoring points to projects that are located within 1/2 mile of a Metrorail station or DC Streetcar stops, as evidenced by using the following website: <http://arcg.is/1OChwCA>. No points are awarded based on proximity to a bus line.

- ☐ **3 points** = The developer/sponsor must demonstrate with a map from the website linked above that its prospective project is located within 1/4 mile of a Metrorail station or DC Streetcar stops.
- ☐ **1 point** = The developer/sponsor must demonstrate with a map from the website linked above that its prospective project is located within 1/2 mile of a Metrorail station or DC Streetcar stops.
- ☐ **0 points** = The criteria required to obtain points is not met.

9. Opportunity Zones (maximum 1 point)

This item awards prioritization scoring points to projects that are located within an Opportunity Zone (OZ) **as designated by the District and certified by the U.S. Department of Treasury, have a signed LOI from a Qualified Opportunity Fund, have designated a minimum of 10 percent of the project's total units as market rate units, and commits to using the OZ financing to fund the market-rate units.**

Refer to the following website for more information on the 25 census tracts that have been certified as Opportunity Zones:

<https://dmped.dc.gov/page/opportunity-zones-washington-dc>

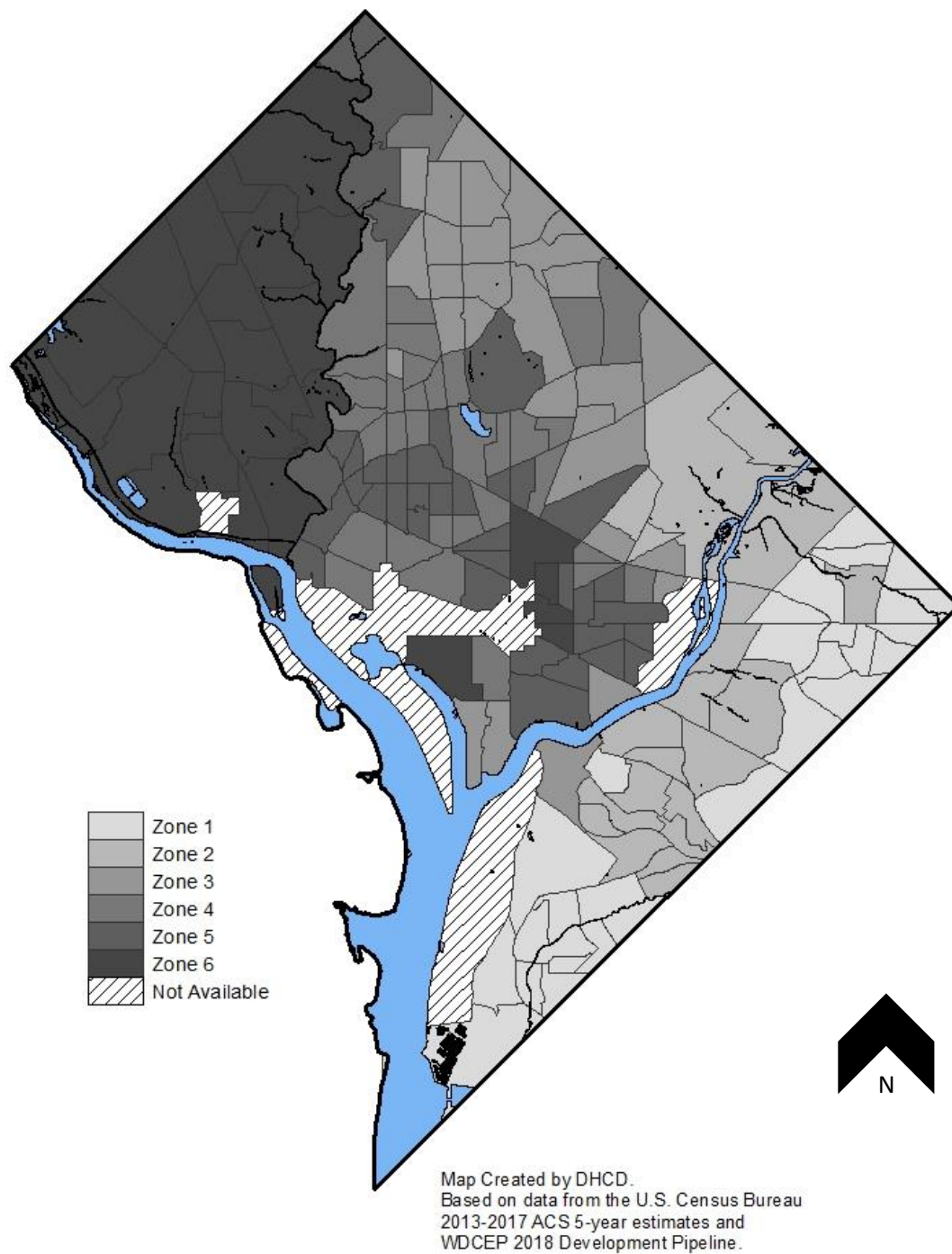
- ☐ **1 point** = The developer/sponsor must demonstrate with a map that its prospective project is located within a designated opportunity zone, provide an LOI from a Qualified Opportunity Fund, designate a minimum of 10 percent of the project's total units as market rate units, and commit to using the OZ financing to fund the market-rate units.
- ☐ **0 points** = The criteria required to obtain points is not met.

10. Economic Opportunity Targeting (maximum 17 points)

This criteria awards preference points for projects based on location. DHCD seeks to create more affordable housing in high opportunity neighborhoods, those with characteristics such as low-crime, low-poverty, and access to high quality schools and jobs. Another goal of this preference is to disperse the District's affordable housing supply more equitably across neighborhoods and Wards, and to provide a counterbalance to the implicit incentive for developers to build affordable housing in low-cost and high poverty neighborhoods. The map provided in Exhibit A on the subsequent page categorizes DC Census Tracts into six zones, based on housing costs and planned development. Applicants should use the interactive map (<https://arcg.is/aXiGe>) provided in the Online Application System to determine in which zone their project is located.

- ☐ **17 points** = Project is located in Zone 6
- ☐ **13 points** = Project is located in Zone 5
- ☐ **9 points** = Project is located in Zone 4
- ☐ **5 points** = Project is located in Zone 3
- ☐ **2 points** = Project is located in Zone 2
- ☐ **0 points** = Project is located in Zone 1 or documentation is not submitted.

Exhibit A: Economic Opportunity Targeting Map



4) Maximizing Impact of DHCD Resources

11. Preservation (maximum 5 points)

Five prioritization scoring points will be awarded to Preservation projects.

Preservation projects have the following characteristics:

- The property may have an existing and expiring affordability deed-restriction or operating subsidy, or it may currently be a market-rate project that provides housing to low-income tenants.
- To qualify as a Preservation project in this RFP, the goal of the project must be to upgrade the housing quality for existing low income residents and commit to long-term affordability.
- Projects that propose replacing an existing, occupied building with new on-site construction are considered Preservation projects, provided affordable units are replaced on a one-for-one basis. (Certain aspects of these projects will be evaluated against the criteria Production projects)
- Projects that renovate existing buildings that are vacant or have tenants who will be permanently relocated to create housing for new residents are not considered Preservation.

☐ **5 points** = Project qualifies as a Preservation project. DHCD may award partial points to projects that provide newly constructed on-site replacement units (to previous residents of a demolished building on the same site) in addition to net-new units.

☐ **0 points** = Project is not a Preservation project

12. Mixed-Income (maximum 10 points)

This preference awards 10 points to projects that include market-rate units and affordable units, and serve a variety of household income levels in the same project as defined below. In order to comply with federal fair housing regulations, the affordable units must be distributed throughout the development project in all floors and sections so as not to concentrate the units in any one area of the development or building. Multifamily buildings must have a shared entrance. Applicants proposing market rate units must be aware that none of DHCD's gap financing sources that might be made available in conjunction with tax credits can be used to subsidize market rate units (directly or indirectly). Therefore, applicants must demonstrate that there is sufficient interest from market-rate lenders and investors to fully finance any market rate units.

a. Inclusion of market-rate units (Maximum 5 points)

Maximum points will be awarded to projects that integrate affordable units with market rate units within the same project. For the purposes of this section, market rate units developed in a condominium ownership structure will count as created within the same project. To achieve points, the percent of market rate

units must be between 20 percent to 80 percent of the total units, and the affordable and market rate units must be equitably distributed within the development in order to comply with federal fair housing rules.

These five points only relate to a mix of affordable and market-rate (unrestricted) units within the proposed project. For example, a 100 percent affordable building that is part of a larger mixed-income redevelopment would not qualify for this preference.

- ☐ **5 points** = Between 20 percent to 80 percent (inclusive) of the project's units are market rate, and all proposed market rate units are fully financeable without DHCD participation, without LIHTC equity, and without debt supported by income from the affordable units.
- ☐ **0 points** = The criteria required to obtain 5 points is not met.

b. Providing units for a range of MFI levels (Maximum 5 points)

Maximum points will be awarded to projects that propose a mix of affordable units serving varying MFI levels and market rate units within the same project. To achieve points, a minimum of 10 percent of units must be proposed in each of the following income categories:

- 0 percent to 30 percent MFI
- 31 percent to 50 percent MFI
- 51 percent to 80 percent MFI
- Market-rate (unrestricted, unsubsidized)

Applicants proposing units that exceed DHCD's MFI eligibility limit for the type of unit (production or preservation) and requested funding source must demonstrate sufficient financing to make the development of those units feasible without DHCD subsidy.

- ☐ **5 points** = A minimum of 10 percent of units are proposed in each of the following income categories:
 - 0 percent to 30 percent MFI
 - 31 percent to 50 percent MFI
 - 51 percent to 80 percent MFI
 - Market-rate (unrestricted, unsubsidized)
- ☐ **3 points** = A minimum of 10 percent of units are proposed in three of the following income categories:
 - 0 percent to 30 percent MFI
 - 31 percent to 50 percent MFI
 - 51 percent to 80 percent MFI
 - Market-rate (unrestricted, unsubsidized)
- ☐ **0 points** = The criteria required to obtain points is not met.

13. Preference for Projects with District Land (maximum 8 points)

Projects will receive preference points if: (1) it is part of the redevelopment of a site formerly owned by the District of Columbia; (2) the site was awarded to the applicant through a competitive disposition process; and (3) the project is being developed on the site that was awarded. This includes dispositions managed by DHCD's Property Acquisition and Disposition Division (PADD), the Deputy Mayor for Planning and Economic Development (DMPED), and DCHA, among others.

Projects that received or will receive discounted land or property through a District land or property disposition (LDA or PDA) must reflect the value of the write-down in their budget. The budgeted acquisition price for these projects must either be zero/minimal or, if the budget reflects the full appraised value of the property, offset by a seller's note or other similar instrument.

- ☐ **8 points** = The project site was formerly owned by the District of Columbia that was awarded to the applicant through a competitive disposition process.
- ☐ **0 points** = The project site was not formerly owned by the District of Columbia or the site was not awarded to the applicant through a competitive disposition process.

14. Green Building (maximum 5 points)

Preference points will be awarded to projects that exceed the minimum threshold Green Building Act requirements and commit to achieving specific certifications defined below. Any project claiming this preference must demonstrate the capacity and experience to achieve certification, and the architectural plans and project budgets (development and operating) submitted in the application must reflect the commitment to certification. Projects that cost more per square foot to construct than DHCD's guideline allows due to advanced Green Building features may submit a construction cost waiver.

- ☐ **5 points** = International Living Future Institute (ILFI) Zero Energy Building Certification or Passive House (PHI or PHIUS Standards). Five prioritization scoring points will be awarded to applicants that design and construct their project to achieve either ILFI Zero Energy Certification or Passive House standards.
- ☐ **3 points** = LEED Platinum or DOE Zero Energy Ready Home. Three prioritization scoring points will be awarded to project teams either pursuing DOE Zero Energy Ready Home or pursuing LEED certification at the Platinum level. All project teams pursuing these points must also incorporate solar photovoltaics in their project and maximize their rooftop generation potential to the maximum extent as allowable by District codes and regulations.

- ❑ 1 Point = HERS Index Score of 70 or lower, or Energy Star version 3.0 certification. One prioritization scoring point will be awarded for preservation projects that achieve a HERS index score of 70 or lower, or Energy Star version 3.0 certification.

- ❑ 0 points = The project will meet the minimum green building requirements.

15. Affordability Period Restriction (maximum 5 Points)

Applications documenting that the owner will maintain the low-income units in compliance for a designated period beyond the affordability period required by the requested funding source will be awarded prioritization scoring points. Maximum points will be awarded to projects that commit to affordability in perpetuity.

- ❑ **5 points** = Applicant commits to placing a permanent, perpetual affordability covenant on the property.
- ❑ **2 points** = Applicant commits to a 60 year affordability period or longer.
- ❑ **1 point** = Applicant commits to a 50 year affordability period or longer.
- ❑ **0 points** = The project will meet minimum required affordability period.

C. Selection Criteria Summary

		Production (Rental)	Production (Homeownership)	Preservation
THRESHOLD ELIGIBILITY REQUIREMENTS		Applicable?		
<i>Project Criteria</i>				
1	Eligible Project Type	✓	✓	✓
2	Permanent Supportive Housing	✓	NA	NA
3	Site Control	✓	✓	✓
4	Zoning	✓	✓	✓
<i>Financial Criteria</i>				
5	Development Budget and Operating Proforma	✓	✓	✓
6	Financing Letters	✓	✓	✓
7	Financial Information for Operational Projects	NA	NA	✓
<i>Applicant Criteria</i>				
8	Development Team Thresholds	✓	✓	✓
<i>Reports and Plans</i>				
9	Appraisal	✓	✓	✓
10	Market Study	✓	✓	✓
11	Environmental Site and Physical Needs Assessments	✓	✓	✓
12	Architectural Plans and Cost Estimates	✓	✓	✓
<i>Compliance Criteria</i>				
13	Green Design and Building	✓	✓	✓
14	Relocation and Anti-Displacement Strategy	✓	✓	✓
15	General Compliance	✓	✓	✓
<i>LIHTC-Specific Requirements</i>				
16	Year 15 Plan	✓	NA	✓
SCORING CRITERIA				
UNDERWRITING SCORING		Potential Points		
1	Financial and Economic Feasibility	35	35	35
2	Development Team Capacity and Experience	30	25	30
3	Site Selection and Design Characteristics	5	5	5
4	Acquisition Cost Reasonableness	5	5	5
5	Compliance with DHCD Cost and Funding Guidelines	15	15	15
6	Leverage	10	10	10
Underwriting Scoring Subtotal		100	95	100
PRIORITIZATION SCORING		Potential Points		
<i>Demographic Criteria</i>				
1	Permanent Supportive Housing	10	0	10
2	Resident Services Plan	3	3	3
3	Family-Oriented Units	10	10	10
4	Special Populations	5	5	5
5	Income Levels Served	7	7	7
6	Section 8 and Public Housing Waiting Lists	1	1	1
<i>Applicant Criteria</i>				
7	Non-Profit Participation and Right of First Refusal	5	5	5
8	TOPA Preference	5	5	5
<i>Location Criteria</i>				
9	Transit Proximity	3	3	3
10	Opportunity Zones	1	1	1
11	Economic Opportunity Targeting	17	17	17
<i>Maximizing Impact of DHCD Resources</i>				
12	Preservation	5	5	5
13	Mixed-Income	10	10	10
14	Preference for Projects with District Land	8	8	8
15	Net Zero Energy or Living Building Challenge Preference	5	5	5
16	Extended Use Restriction	5	5	5
Prioritization Scoring Subtotal		100	90	100
TOTAL		200	185	200

VI. AVAILABLE FUNDING SOURCES

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

Available Funding Sources			
Available To	Agency	Assistance Type	Source
All Eligible Projects	DHCD	Development Subsidy (Cash Flow Loan)	Housing Production Trust Fund (HPTF)
All Eligible Projects	DHCD		HOME Investment Partnerships Program (HOME) Community Development Block Grant (CDBG)
All Eligible Projects	DHCD	Tax Credit	9% Low Income Housing Tax Credit (LIHTC)
All Eligible Projects	DCHA	Operating Subsidy	Local Rent Supplement Program (LRSP) <i>(Prioritized for PSH Units)</i> Annual Contributions Contracts (ACC) <i>(Prioritized for 30% MFI Units)</i>
New Construction, Extremely Low Income (0-30% MFI) Units Only	DHCD	Development Subsidy (Cash Flow Loan)	National Housing Trust Fund (NHTF)
PSH Units Only	DBH	Development Subsidy (Grant)	Department of Behavioral Health (DBH) funds
	DHS	Supportive Services Subsidy	Supportive Services funds (DHS)

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

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

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

Minimum Affordability Terms by Funding Source		
Funding Source	Rental	Homeownership
HPTF	40 years	15 years
HOME	20 years for new construction 5-15 years for rehab <i>(depending on per-unit subsidy)</i>	5-15 years <i>(depending on per-unit subsidy)</i>
CDBG	<i>Determined on a project-by-project basis</i>	<i>Determined on a project-by-project basis</i>
NHTF	30 years	N/A
LIHTC	30 years	N/A
DBH	5-25 years <i>(depending on total grant amount)</i>	N/A

Davis Bacon prevailing wage rates apply to all development subsidy sources offered through this RFP, except for 9% percent LIHTCs. Prevailing wage rates also apply to projects that request LRSP and ACC operating subsidy through DCHA.

A. Tax Credits

Through this RFP, DHCD will award a portion of its 2020 9 percent LIHTC. Projects that present a financing scenario in which 9% LIHTCs are not pursued are strongly encouraged to apply for 4 percent LIHTCs by applying separately to DCHFA (<http://www.dchfa.org/>), if the size of the project makes it financially feasible and beneficial to do so.

As permitted by the Consolidated Appropriations Act of 2018, the 2019 Qualified Allocation Plan (2019) includes provisions that allow eligible projects the option of electing a third minimum set-aside in which 40 percent of the units in the project or more are rent-and-income-restricted to families with incomes at 80 percent or less of the MFI, as long as the average does not exceed 60 percent of MFI (known as the “Average Income” minimum set-aside, or “Income Averaging”). Projects that elect to implement the Income Averaging minimum set-aside must meet the following standards as documented in the District’s 2019 QAP:

- 100 percent of the units are LIHTC-eligible, except for preservation projects with current tenants with documented income above 80 percent MFI.
- Income and rent levels shall be limited to the four following income bands: 30 percent of MFI, 50 percent of MFI, 60 percent of MFI, and 80 percent of MFI.
- The average income of the units shall be limited to 59 percent MFI.
- At least 10 percent of the units must be restricted at 30 percent MFI.
- Applicants must provide reasonable parity between unit size and buildings, as applicable, at each income band.
- All buildings in the project shall be included as one multiple building project, as referenced on line 8b of IRS Form 8609, except on a case-by-case basis.
- 4% Tax Credit projects that elect the Income Averaging minimum set-aside will still be required to meet either the 20/50 or 40/60 minimum applicable to tax-exempt bond financing.

9% Low-Income Housing Tax Credits (9% LIHTC)

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

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

Federal law requires The District of Columbia to adopt a plan to allocate the LIHTC to projects based on federally mandated requirements and priority needs determined by the District. The District’s LIHTC Qualified Allocation Plan (QAP) is intended to ensure the selection of only those projects that comply with federal law and address, on a priority basis, the housing needs of the District.

The current QAP for the District was published in 2019 and can be found online:
www.dhcd.dc.gov.

The District of Columbia 2019 Qualified Allocation Plan (QAP) is an attachment to this RFP.

Mandatory Application Fee: 9 percent LIHTC applications MUST include the Application Fee with the application. (For-profits: \$750; non-profits: \$500). There is no application fee for projects that are not applying for 9% LIHTC.

The check for the LIHTC application fee (only for projects that are applying for 9 percent LIHTC through this RFP) should be sent to the following address:

Development Finance Division
DC Department of Housing and Community Development
1800 Martin Luther King Avenue SE, 2nd Floor
Washington DC 20020

Checks should be made payable to the DC Treasurer. Reference “Tax Credit Application Fee” and the Project Name on the check. The project name must match what is submitted to DHCD through the Online Application System.

4% Low-Income Housing Tax Credits (4% LIHTC)

Administration of the 4 percent LIHTC program is delegated to DCHFA. There is a separate application process for 4 percent LIHTC allocations. If a project proposed through this RFP relies on tax exempt bond financing and 4 percent LIHTCs, the applicant must request a preliminary debt sizing memorandum from DCHFA. To obtain this memo, borrowers shall submit one copy of DCHFA’s (the “Agency”) Stage I application to the Agency no later than August 12, 2019. The application fee is not required at this time. DCHFA will return a debt sizing memo to the applicant and DHCD during DHCD’s Threshold Review process.

To facilitate timely underwriting and closing, project proposals submitted to DCHFA must match the proposals submitted to DHCD through this RFP. For example, if your project includes 100 units total, with 75 at 50 percent of MFI and 25 at 30 percent MFI, including five PSH units, your application to DCHFA should represent that same unit mix so that the Agency can properly underwrite the deal and size the debt.

In regards to the applying to DCHFA for financing, note that the Stage I application submitted to obtain the debt sizing memo required by this RFP does not double as the official application required per the Agency’s Allocation and Application Guidelines. A formal application as prescribed in the guidelines, with the associated fee, must be submitted in order for the Agency to begin officially underwriting the application.

B. Development Subsidies (Gap Financing)

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

Development subsidies from DHCD are structured as Cash Flow Loans. During the life of the loan, owners will be required to pay 75 percent of annual project cash flow to DHCD (after any approved deferred developer fee is repaid) until the loan is paid off. Loan terms are 40 years, with 3 percent interest rates (0 percent for Limited Equity Cooperatives).

Provided that the costs are attributable to a use eligible for DHCD funding, development financing from any of these sources may be used for most development finance purposes including, but not limited to:

- Acquisition costs
- Soft costs
- Financing costs
- Predevelopment costs
- Hard costs – new construction and rehabilitation

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

- tenant based rental assistance to tenants;
- capacity building;
- down payment assistance;
- security or utility deposits;
- capitalized reserves;
- operating and maintenance expenses; or
- any costs attributable to an ineligible use, such as retail space or market-rate units.

Information specific to each funding source is provided below.

Housing Production Trust Fund (HPTF)

The HPTF is a local fund established under the authority of the Housing Production Trust Fund Act of 1988, D.C. Law 7-202 (the Act). Detailed information about the fund is available in the statute (D.C. Code § 42-2801 *et seq.*) and regulations (DCMR 10-B41). Rental units financed through the HPTF are subject to a minimum 40 year affordability covenant that restricts the maximum allowable rent (varying by unit size and income level served) and establishes maximum income eligibility limits (varying by household size and income level served). Davis Bacon prevailing wage rates apply to any project that uses HPTF.

HOME Investment Partnerships Program (HOME)

Through HUD, HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-and moderate- income households. HOME provides formula grants to states and localities that communities use in partnership with local non-profit groups to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership. Detailed information on the HOME program can be found at: www.hud.gov. Go to "Resources/Handbooks-forms/HUD handbooks, etc./HUDCLIPS/Shortcuts/Code of Federal Regulations.;" HOME is Title 24, Part 92. DHCD's use of HOME funds is guided by the *FY2016-FY2021 District of Columbia Consolidated Plan* (<https://dhcd.dc.gov/node/1185886>). Davis Bacon prevailing wage rates apply to any project that uses HOME.

Community Development Block Grant (CDBG)

CDBG are federal funds provided and regulated by HUD. Detailed information on CDBG can be found at www.hud.gov; go to "Resources/Handbooks-forms/HUD handbooks, etc./HUDCLIPS/Shortcuts/Code of Federal Regulations;" CDBG is Title 24, Part 570; Alternatively, call the Superintendent of Documents Office, Government Printing Office, 202-512-1800 to request regulations in hard copy. DHCD uses CDBG funds for a variety of uses, one of which is to produce and preserve affordable housing through this Consolidated RFP. DHCD's use of CDBG funds is guided by the *FY2016-FY2021 District of Columbia Consolidated Plan* (<https://dhcd.dc.gov/node/1185886>). Davis Bacon prevailing wage rates apply to any project that uses CDBG.

National Housing Trust Fund (NHTF)

The NHTF was established under Title I of the Housing and Economic Recovery Act of 2008 (HERA), Section 1131 (Public Law 110-289). Section 1131 of HERA amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501 et seq.) (Act) to add a new section 1337, entitled "Affordable Housing Allocation" and a new section 1338, entitled "Housing Trust Fund."

DHCD's use of NHTF funds is guided by the *FY2016-FY2021 District of Columbia Consolidated Plan* (<https://dhcd.dc.gov/node/1185886>) and the *National Housing Trust Fund Allocation Plan*:

<https://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/2019%20Financial%20%20DC%20NHTF%20Allocation%20Plan%20%281%29.pdf>)

In accordance with the Allocation Plan, NHTF funds are only available to support units for Extremely Low Income Households (0-30 percent MFI) in New Construction projects. Davis Bacon prevailing wage rates do not apply to any project that uses NHTF.

Department of Behavioral Health Grant Funds (DBH)

The DBH in collaboration with DHCD will fund proposals to finance the acquisition, construction, or rehabilitation of long-term PSH units for the exclusive use of DBH consumers. The per-unit DBH funding will be capped at \$42,000 per unit, with higher funding available at DBH's discretion, based on an explanation of need. Situations that would justify a higher funding level might include UFAS compliant units or larger, family sized units. DBH supports projects that provide housing for extremely low-income individuals and families (less than 30 percent MFI). DBH units follow the HPTF rent and income limits.

DBH shall hold a restrictive use covenant for no less than a five-year period on all projects developed that receive total DBH funding of less than \$100,000. DBH shall hold a restrictive use covenant for a 25-year period on all projects that receive total DBH funding of more than \$100,000. For applicants also receiving HPTF financing, there will be an additional affordability period, for a total restricted use period of 40 years.

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

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

Projects applying for DBH grant funds must demonstrate that the monthly rent charged for the DBH unit will be affordable to the extremely low-income resident. Applicants should not assume the DBH residents will have a tenant-based operating subsidy. Applicants must: (1) request project based operating subsidy/voucher assistance from DHCA in conjunction with their RFP proposal; or (2) provide documentation of other sources of subsidy sufficient to cover the operating expenses of the unit.

DBH will refer eligible DBH consumers to fill vacancies in the use-restricted housing created through this RFP. Senior-housing developments will receive referrals for age-eligible residents. Priority populations will be: (1) homeless; (2) consumers discharged from St. Elizabeth's Hospital; and (3) consumers moving from a more restrictive setting. DBH provides a project liaison to ensure timely planning for resident occupancy and ongoing monitoring.

DBH residents will receive community supportive services from DBH provider agencies.. Applicants requesting DBH grant funds do not need to request DHS supportive services for DBH residents and do not need to secure additional funding for supportive services for DBH residents.

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

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

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

Davis Bacon prevailing wage rates apply to any project that uses DBH funds.

C. Operating Subsidies

A limited amount of rent subsidy will be available to housing projects receiving funding from DCHA in this round. For each type of rent subsidy, DCHA prioritizes: (1) the integration of subsidized units into mixed income housing; and (2) owner/operator successful prior experience operating units with DCHA rental subsidies.

Local Rent Supplement Program (LRSP)

This District of Columbia government funded rental assistance program serves extremely low income families (0-30 percent of MFI). The majority of these operating subsidies will be prioritized for PSH units receiving funding from DHCD, DBH, and/or DHS, but a portion will be available for non-PSH 30 percent MFI units. The amount available will be based on a per-unit subsidy. The term of funding is 15 years with possible extensions. All subsidies are subject to funding availability. Maximum rents are set based on project location and number of bedrooms; current subsidy standards for each neighborhood can be found at dchousing.org. Projects that receive funding awards will be held to the rental subsidy requested in project application. Rental subsidies will not be increased in response to applicant requests prior to the financial closing, regardless of the time elapsed, change in market conditions, or errors on the part of the applicant. Unless otherwise provided, LRSP is administered in accordance with federal and District of Columbia Housing Choice Voucher Program (HCVP) rules and regulations (24 CFR Chapters 982 and 983) (14 DCMR Chapters 49,41,53,54,56,59,61, 93 and 95) as administered by DCHA.

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

Davis Bacon prevailing wage rates apply to any project that uses LRSP.

Annual Contributions Contract (ACC) Authority

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

The Annual Contributions Contract (ACC) available under this RFP will provide rental assistance for housing developments that receive funding from DHCD, DHS or DBH in this round. These funds can serve households earning up to 80 percent MFI. The term is up to 40 years. All subsidies are subject to funding availability. ACC operating subsidy is based on a number of factors; however developers should use \$400 per month per unit for the operating subsidy or Project Expense Level (PEL); and \$200 per unit per month for the Utility Expense Level (UEL). DCHA will calculate the actual ACC subsidy and provide to DHCD prior to award. The ACC subsidy cannot be used to cover debt service. If a project anticipates layering ACC with any other project based subsidy, the maximum rent cannot exceed subsidy standards set based on project location and number of bedrooms.

Davis Bacon prevailing wage rates apply to any project that uses ACC.

D. Case Management-Supportive Services

Supportive Services Funds

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

Projects selected for funding through this RFP must follow a Housing First model. Residents of DHS-funded units will be selected through the District's Coordinated Entry Assessment and Housing Placement (CAHP) system. Senior housing developments will be referred age

eligible applicants. Single adults and families who are provided case management services through this RFP using DHS funding must meet DHS eligibility criteria. These criteria include:

- the completion and submission to DHS of the required assessment tool (either the Vulnerability Survey OR Service Prioritization Decision Assistance Tool (SPDAT) (included for reference in the “Electronic Forms Folder”);
- the individual or family meets or exceeds the threshold criteria on the PSH assessment tool;
- the individual or family is homeless as defined by the Homeless Services and Reform Act of 2015 (HSRA); and
- the individual or family resides on the streets or in a DHS funded homeless services program/facility immediately prior to placement.

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

Starting with the Summer 2019 RFP, Applicants no longer need to propose a Services Provider or submit a Supportive Services (Case Management) Plan. Instead, Applicants will identify the PSH Program Type being proposed and acknowledge the PSH requirements with which they will be required to comply. When the project construction is 50 percent complete, DHS will assign a Services Provider that has an active Human Care Agreement (HCA) in place and is qualified to serve the target population (e.g., families, individuals, site-based programs).

PSH Program Types

PSH Program Types are categorized based on the number of PSH units proposed in a development project as follows:

- Site-Based PSH Projects are those that propose 100 percent of units as PSH.
- Limited Site-Based PSH Projects are those that propose 12 or more PSH units for families or 17 or more PSH units for individuals, but not 100% of units as PSH.
- Scattered-Site PSH Projects are those that propose 11 or fewer PSH units for families or 16 or fewer PSH units for individuals.

In order to provide adequate case management supports to PSH households, Site-Based and Limited-Site Based PSH Projects must provide the following at the project:

- A minimum of one office space for the Services Provider with the following characteristics/services:
 - Minimum size of 120 square feet
 - Provides adequate privacy – the office must not be open and must have a door that shuts and locks

- The property must provide Wi-Fi for the use of the Services Provider
- The building must be accessible to the designated Services Provider staff 24 hours per day
- Limited Site-Based PSH Projects must provide 24-hour front desk/security presence, including weekends and holidays, in the form of either a front desk assistant or security guard, or a 24-hour monitoring/call system.
- Site-Based PSH Projects must provide 24-hour front desk/security presence, including weekends and holidays, in the form of either a front desk assistant or security guard.

The Applicant will select the project's Program Type and certify agreement to providing the above accommodations for the Service Provider in the PSH Acknowledgement Form provided in the Online Application.

Assignment of Service Providers

DHS will select and assign Service Providers from a pre-approved list of currently contracted Service Providers with active HCAs. Applicants can identify their preferred Services Provider for Site-Based and Limited Site-Based PSH projects within the Online Application. All proposed providers must be qualified by DHS to provide case management services through a PSH Human Care Agreement with DHS. DHS will review the request during the evaluation of RFP proposals and passively approve the assignment during the application and selection process. Eligibility of the preferred Service Provider will be reconfirmed when project construction is 50 percent complete. At this time, the contracting process will begin between DHS and the Services Provider to incorporate the new project. RFP Applicants with a Scattered-Site PSH Project may identify a preferred Services Provider in the RFP application. DHS will assign the Service Provider for Scattered-Site PSH Projects and begin the contracting process when project construction is 50 percent complete.

Acknowledgement of Housing First Model and Coordinated Entry Requirements

The Applicant must also certify compliance with the Housing First model in the PSH Acknowledgement Form provided in the Online Application. The form outlines the obligations of the RFP Applicant in relation to PSH units and provides a description of case management services funded by the District for PSH units. The form includes the requirement that owners waive credit score and rental/eviction history requirements when evaluating PSH tenant applications, in addition to abiding by the DC Human Rights Act of 1977/Fair Housing Law (see https://ohr.dc.gov/sites/default/files/dc/sites/ohr/publication/attachments/FairHousingorder_2016.pdf for a summary of protected classes and categories).

Case Management Standards

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

- the capacity to offer high-quality, intensive, comprehensive case management services for individuals and families participating in the PSH Program, and being an existing qualified PSH service provider with DHS;
- a documented good track record of similar services provided by positive evaluations for contracts or grants with federal government, District government, foundations and nonprofit organizations;
- Incorporated and licensed organization in the District of Columbia in good standing with DCRA;
- a clean track record for managing funds;
- submitting a staffing plan that meets the case manager qualifications requirements and maximum case load standards. (as indicated below); and
- adherence to all service standards and requirements that are described in “DHS PSH Supportive Services (Case Management) Standards/Requirements,” as provided in the PSH page within the Online Application System.

Case Manager Qualifications:

All case managers must meet minimum qualification standards set forth in DHS’ PSH HCAs. These minimum qualifications for case managers are a bachelor’s degree in social work, psychology, sociology, counseling, or other related social services or science disciplines and two years of experience providing case management services. Certification or licensure in a relevant discipline (for example, certified additions counselor) may substitute for education requirement. DHS will allow six (6) or more years of experience working with vulnerable and marginalized populations in lieu of the education requirement for Case Managers. Any staff supervising case managers providing services under this RFP must be a Licensed Professional Counselor (LPC) with a minimum of a Master’s Degree in Human Services, a Licensed Independent Clinical Social Worker (LICSW) OR a Bachelor of Science in Nursing. He/she must be licensed to provide counseling services in the District of Columbia and have professional knowledge of the theories, principles, techniques, and practices of social service or health care delivery systems. He/she must also have a minimum of three years of professional experience providing counseling and case management services to individuals/families experiencing homelessness or other related populations.

Case Load Standards:

Caseloads for case managers serving single adults shall not exceed 17 individuals in the first period of performance and up to 25 individuals in the subsequent option years of the contract. Caseloads for case managers serving families shall not exceed 12 families in the first period of performance and up to 15 families in the subsequent option years.

Client Contact Standards:

During the Housing Navigation Phase, Case Managers shall have a minimum of four monthly face-to-face client contacts a month, consisting of one face-to-face client contact per week during the period spent conducting services and activities to find client housing. Once the clients are housed, Case Managers shall have a minimum of four total client contacts a month. Two of these must be face-to-face client contacts, of which one shall be conducted in the home. The other two client contacts may be made by telephone or via email.

Case Rate Caps:

The rates at which DHS will fund these PSH case management services are NOT TO EXCEED rates established in the assigned Service Provider's HCA with DHS.

Note on mixing "Designated Unit" Funding:

DBH and DHS units each are restricted solely to residents selected by the specific funding agency. It is not possible to blend these funding sources in a single unit. However, applicants are encouraged to blend sources within a project and are encouraged to consider requesting funding from multiple agencies. This would result in designated units with more than one agency. For instance, a single 100-unit development might have three DBH units and three DHS units, which together would exceed the minimum 5-percent PSH requirement.

VII. UNDERWRITING GUIDELINES

The following underwriting guidelines pertain to all applications submitted to DHCD. DHCD will review projects using these underwriting standards. If a project deviates from the guidelines, the Applicant must request a waiver that includes a detailed reason that the project is unable to meet the standard. All waivers must be requested in the Online Application System. At DHCD's discretion, DHCD may require an extension to a project's proposed affordability period when considering evaluating waivers.

Submitting an application for financing that does not meet DHCD's underwriting guidelines without requesting a waiver may result in automatic disqualification of the project.

a. Occupancy Restrictions and Rent Levels

Rent and Income Limits:

Unless otherwise explained, applicants should follow the most recent rent and income limits available at: <https://dhcd.dc.gov/service/rent-and-income-program-limits>.

Every DHCD-funded affordable unit in the project must be rent restricted at one of the income bands as described in the proposal and as required by DHCD and federal regulations.

Rent levels, including tenant paid utilities, must be supported by market data. If the market rate rent in a submarket is below the maximum affordable rent, then Applicants should assume they will only be able to charge the lesser amount. Rents also should allow for a reasonable affordability window so those tenants with incomes below the maximum levels are not paying a disproportionate percentage of their income for rent. DHCD will consider the project's capture rate in reviewing the rents.

For Units Requesting Operating Subsidies (LRSP or ACC):

For projects that have or are requesting project-based rental assistance, the application must show the Contract Rent that will be charged on the unit. If any rental assistance is not project-based, the assisted portion of the rent should not be included in the project's income projections. The Contract Rent for these units should be set at the HCVP Submarket Rent, established by DCHA and available at http://www.dchousing.org/rent_hcvp.aspx. Applicants should use the appropriate contract rent depending on whether the landlord or tenant will pay for utilities. If the landlord will pay all utilities, the maximum contract rent is "with all utilities." If the tenant will pay utilities, the maximum contract rent is "without utilities" and the Form 202 must include a utility allowance.

b. Financing Terms and Conditions

Other Financing:

DHCD is a gap lender, so applicants must demonstrate that they have maximized all other financing sources before sizing their request for DHCD funding. This applies to all requests for direct Development Subsidy (HPTF, HOME, NHTF, etc.).

DHCD's funding will be structured as a not-to-exceed loan amount. Any increase in non-DHCD sources between initial application and the project's closing date, or between initial application and the project's placed-in-service date, will result in a decrease in DHCD's loan amount. An exception will be made for additional non-DHCD sources raised to fund unanticipated cost overruns or for additional project costs associated with the increased non-DHCD sources. Any decrease in project uses between application and the project's closing date, or between initial application and the project's placed-in-service date, will result in a decrease in DHCD's loan amount.

Percent of DHCD Participation:

DHCD participation in a project may not be more than 49 percent of the total development cost, or the minimum amount necessary to make the project feasible (whichever is less). Tax Credit equity investments are not counted as DHCD participation in the calculation of this metric, although 9 percent Tax Credit equity is not counted as Borrower leverage in the Leverage scoring criteria.

Maximize Senior Debt:

DHCD expects that every project will have a senior lender, and applicants should ensure that they have secured the most competitive terms available to minimize the gap financing amount requested by DHCD. DHCD analysts will first determine the amount of conventional

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

Mezzanine Debt:

It may be necessary for applicants to include mezzanine financing, particularly in cases where there is a financing gap for DHCD-ineligible uses – for example, market-rate units or commercial uses. Although the DHCD Deed of Trust must be secured in second position, DHCD will consider a variable position in the cash flow waterfall. Applicants proposing such a structure must clearly explain and justify the financing structure in the application.

In addition to senior debt, applicants should explore the following programs to bring additional sources to the project:

- Green/solar funding resources: <https://octo.quickbase.com/db/bknktet3x?a=dr&r=dq&rl=bvmv>
- DC PACE: <http://urbaningenuity.com/dc-pace>
- DC Sustainable Energy Utility (SEU): <https://www.dcseu.com/>
- Federal Home Loan Bank Affordable Housing grants: <https://corp.fhlbatl.com/files/documents/AHP-Competitive-Brochure.pdf>
- Opportunity Zones: <https://dmped.dc.gov/page/opportunity-zones-washington-dc>
- Any other debt or equity source of funding that will reduce the gap funding required from DHCD

DHCD Loan Terms:

DHCD's gap financing will be structured as a not-to-exceed loan, repaid on a cash flow basis using the following loan terms:

- An annual interest rate of 3 percent annual simple interest (0 percent for Limited Equity Cooperatives)
- A term of 40 years for rental projects and 15 years for homeownership projects. DHCD loans to homeownership projects will be assumed by homebuyers in proportionate shares.
- Annual payments required equal to 75 percent of cash flow (but not more than the amount that would be due on a 40-year amortizing loan), as determined through analysis of project financial reports submitted to DHCD's Portfolio and Asset Management Division (PAMD). Deferred developer fee may be repaid ahead of DHCD.
- The Deed of Trust for DHCD gap financing must be in second position, following the senior lender, regardless of DHCD's position in the cash flow waterfall.
- The outstanding balance of the loan (principle and accrued interest) is due at the end of the loan term.

- Affordability covenants are not released if a DHCD loan is paid off ahead of schedule.

DBH grants are the one exception to the terms described above. This assistance is structured as a grant to the project to cover development costs. For projects using LIHTC, there are ways to convert these grants to loans if the applicant desires.

C. 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 in the “**Compliance with DHCD Cost and Funding Guidelines**”

Underwriting Scoring section of this RFP, 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. Even if a waiver is approved, exceeding these cost guidelines will negatively affect a project’s score.

Construction or rehabilitation costs include all work, including site development, associated with the physical development of projects, together with the builder’s overhead and profit, but not including architectural and engineering costs or other fees related to design and permitting. The project’s 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.

For projects that consist of the rehabilitation of existing buildings, DHCD has established a minimum rehabilitation standard to ensure that meaningful, and not just cosmetic, rehabilitation is undertaken. The total hard construction costs (excluding fees or overhead items) of rehabilitation for projects must be at least \$15.00 per square foot per unit and supported by a building evaluation report performed by an engineer or other qualified professional.

D. Development Budget

Acquisition Price:

For projects involving acquisition and rehabilitation of existing buildings or the purchase of vacant 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 an affiliated party transaction where the property was already acquired, 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 and settlement costs acceptable to DHCD.

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 DHCD.

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

Syndication Related Costs:

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

Operating Reserves:

Operating reserves must 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. At a minimum, funded operating reserves must remain in place until the project has achieved economic break-even operations for a fiscal year, as confirmed by its annual audit, and has reached 90 percent occupancy for 12 consecutive months. Reserves may then be released over the next three or more years at the discretion of DHCD, provided the project continues to achieve economic break-even operations and 90 percent 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.

Contingencies:

All projects should include contingency amounts for construction and "soft cost" line items. The expected construction contingency ranges are:

- 5 percent - 10 percent for new construction
- 12 percent - 15 percent for rehabilitation, with the higher contingency amounts for smaller or scattered site projects, less experienced contractors and those with environmental or other construction uncertainties.

The soft cost and financing contingency is expected to range from 5 percent - 8 percent of soft costs and financing costs.

E. Limitation on Fees

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

Architect, General Contractor, and Construction Management Fee Limits	
Category	Limitation
Builder's Profit	5% to 10% of the net construction costs
Builder's Overhead	2% to 3% of the net construction costs
General Conditions/ Requirements	5% to 10% of the net construction costs
Architect Design	2% to 6% of the construction contract (excluding contingency)
Architect Administration	1% to 3% of the construction contract (excluding contingency)
Construction Management	1% to 2% of the construction contract (excluding contingency)

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.

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 DHCD guidelines and be approved to act as a general contractor for the project. The allowable profit must range from 5 percent - 10 percent of the net construction costs.

Builder's Overhead:

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

General Conditions/Requirements:

The allowable general requirements are determined based on the size of the project. General requirements must range from 5 percent - 10 percent of net construction costs.

Architect's Fees:

The allowable architect's fee for project design ranges from 2 percent - 6 percent of the construction contract amount. For architectural administration, the allowable fee range is from 1 percent - 3 percent.

Construction Management Fee:

The allowable construction management fee range is from 1 to 2 percent of the construction contract amount. Construction management fee in excess of this threshold must be paid from Developer Fee.

Fees for Development Consultants or Other Professional Services:

Fees for Development Consultants or professional services other than those listed here (for example, financing consultants, green building consultants, etc.) must be priced competitively. DHCD will scrutinize proposed fees and compare to data from comparable projects in the application review and underwriting stages. A separate development consultant fee can only be taken if development consulting is performed by a separate entity from the developer or owner in which no identity of interest relationship exists.

Developer's Fee:

The developer's fee is calculated based on the formula described below and shall be paid out in the manner described below.

Maximum Developer Fee Calculation

Fee on Development 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)	Fee on Acquisition Costs (if there is an identity of interest between the seller and the purchaser, no fee shall be calculated on the acquisition price)
15%	5%
No maximum cap. Any amount in excess of \$2 million shall be deferred, up to the amount that can be recovered from cash flow over 12 years of operations. Amounts that cannot be repaid during this period will be added to the initial \$2 million paid fee.	

Identity of Interest: If an identity of interest exists between the developer and construction contractor, contractor profit and overhead will be considered together with the developer fee and be subject to an overall cap of 18 percent on development costs.

Federal and other funding source guidelines: Developer fees must comply with any other funding-source specific requirements, such as HUD's Safe Harbor standards.

Total development costs include the following: (1) expenses related to the actual construction or rehabilitation of the project; (2) fees related to the construction or rehabilitation such as architecture, engineering and legal expenses; (3) financing fees and charges such as construction interest, taxes, insurance and lender fees; and (4) acquisition related costs. Total development costs do not include the following: (1) hard or soft cost contingencies; (2) syndication related costs; (3) funded guarantee and reserve accounts that are required by lenders or investors; and (4) developers' fees. The Form 202 workbook includes formulas that automate this calculation.

F. Operating Pro Forma

The operating pro forma 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.

Operating Expenses

Estimated annual operating expenses, including real estate taxes and excluding reserve for replacement deposits, should range from \$6,100 to \$7,100 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. Even if a waiver is approved, exceeding these cost guidelines will negatively affect a project's score.

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

Vacancy Rate

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

Applicants should assume a 5 percent vacancy rate unless otherwise substantiated.

Debt Service Coverage Ratios

For DHCD debt, subordinated or in first position, projects must have a minimum debt service coverage ratio of 1.15 by the end of the first year of sustained operations taking into account all debt service payments. To ensure that projects maximize their private debt, projects must limit the first year debt service coverage ratio to the extent practicable.

Resident Services and PSH Supportive Services

Any on-site resident services provided (excluding Case Management Supportive Services for PHS) should be identified in the operating budget, and can be described in the narrative. The costs associated with resident services count toward DHCD's overall Operating Cost

Guidelines, if the services are funded by real estate operating income. The cost of resident service programs (job training, daycare, etc.) that exceed DHCD's overall Operating Cost Guidelines must have a dedicated funding source, such as an annual program grant or service contract.

Supportive services provided exclusively to residents of PSH units are funded through contracts between the service provider and DHS. These expenses should not appear in the project's operating pro forma, since they will not be funded through the owner.

Project Phasing

Applications for subsequent phases of projects already in receipt of a commitment of loan funds or reservation of tax credits 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 three months of break-even operations and 90 percent or above occupancy. DHCD may waive this requirement upon specific request provided that requests include a market study meeting the criteria of this plan and demonstrating that the subsequent phase(s) will not adversely affect the leasing and operations of the initial phase.

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

G. Guidance for Tenant Opportunity to Purchase (TOPA) Projects

The following guidance applies only to projects in which tenants directly purchased their building, converting to a Limited Equity Cooperative (LEC). The guidance does not apply to projects in which the tenant association assigned TOPA rights to a developer.

Tenant purchase projects converting to LEC are a hybrid between rental and ownership; the financial structuring is more akin to a rental, but the LEC is a novice owner without deep pockets working with a professional team and commitments from residents must signal willingness to act more like owners than tenants. The following guidelines are specific to TOPA projects undergoing rehabilitation. For any items not mentioned here, TOPA applicants should follow the general guidelines provided elsewhere in the document.

- **Hard Cost Contingency:** 15 percent hard cost contingency; 20 percent for small projects of 12 units or less.
- **Maximum loan amount:** DHCD is a gap lender. Applicants must demonstrate that they have maximized all other financing sources before sizing their request for DHCD funding. In order to achieve this threshold it is necessary for the LEC, in consultation with their development consultant, to consider the following strategies to minimize percent of DHCD participation:

- In cases where long-time residents are paying far below HPTF or other maximum monthly rents for their household income level, residents must consider raising their own rents to support increased senior debt.
 - If the applicant previously accessed DHCD acquisition financing and the property is subject to an existing affordability covenant, the applicant could consider making a request to modify the MFI mix of the covenant to assist the project in maximizing senior debt.
 - Seek out additional financing sources, including green financing sources (DC PACE, DCSEU, etc.).
 - Contribute interim income or a reasonable percentage of accrued replacement reserves to the rehabilitation.
- **Minimum Reserve Requirements:** Annual budgeted replacement reserve of \$400/unit and operating reserve of \$200/unit.
 - **Other operating budget items:** The annual budget must:
 - account for real estate taxes or real estate tax abatements (temporary or permanent); and
 - include a Resident Training line item of \$100/unit, minimum \$1,000 per project.
 - **Vacancy:** Projects should budget for a 7 percent vacancy and collections factor, except where better performance is demonstrated.
 - **Affordability:** 100 percent of units must be affordable to households with incomes at or below 80 percent MFI.

Project Development Team:

- **Technical Assistance:** The tenant association or LEC must contract with a Development/Technical Assistance provider with TOPA experience. The contact should be involved for the entire development period, with incentive payments to ensure assistance through project completion and stabilization.
- **Property management:** Buildings six units and smaller may self-manage 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.
- **Elections:** Holds elections in fair and open manner.
- **High percentage of resident/member participation:** Reflected in signatures gathered in initial petition, attendance at regular resident meetings, voting in Board elections and on other issues.
- **Payment of Dues:** Regular payment of carrying charges.
- **Consensus:** Ability to galvanize consensus in decisions, and resolve internal conflicts.
- **Decision Making:** 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 a fully funded operating budget, members must vote for an increase, with at least a portion of the increase to take effect by time of the loan closing. LEC members must acknowledge in a resolution that carrying charges will increase in the future to leverage additional first trust resources or to cover inflation.

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 existing household income levels; 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 percent, the Applicant must provide a realistic lease-up schedule and demonstrate by loan closing the “pre-sale” of at least an additional 10 percent of units executing Subscription Agreements and deposits.

Development Budget and Operating Pro Forma:

- **Projected operating expenses:** Provide recent operating history (which provides the initial basis for projecting future expenses) and describe any projected adjustment to utility and maintenance costs given equipment upgrades in the renovation process. Insurance may be higher for the single-site LEC owner. Budget should not be reduced assuming volunteer work by residents, except in case of property management fees for self-management.
- **Property Management Plan:** For occupied buildings, the 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.

VIII. COMPLIANCE & MONITORING REQUIREMENTS

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

- Threshold Review Phase
- Scoring Phase
- Underwriting Phase

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

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

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

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

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

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

IX. DEFINITIONS

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

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

Artist Housing: Dedicated and permanent residential units available specifically to income-eligible individual artists for rental or purchase at accessible below-market rates.

Artist Live/Work Space: The use of all or a portion of a building for both art use and the habitation of working professional artists. Live-work units are designed and intended to function as a work and living space for the person(s) (business operators or their employees and their households) who reside there and where the residential use is secondary or accessory to the primary use as a place of work. Live/work space for professional artists may include a variety of options. Some examples may include: music or photographic studio; studio for visual arts, crafts, writing, acting, dancing, or other performing arts; recording studio; theater, film or video production.

Case Coordination: The active implementation of the goals on the case (service) plan to meet the identified needs and services of the individuals and/or families. The scope and intensity of care coordination depends on the psychosocial assessment of the functionality, needs, strengths and barriers to achievement of cases plan goals. Consideration of the need for intensive wrap around services for individuals and/or families should be integral to the case coordination process.

Case Management: A service that engages individuals and families, and provides assistance in: identifying barriers, needs and strengths; developing goals; identifying resources and support; and connecting individuals and/or families residing in a shelter, temporary housing or permanent housing the needed resources, housing and/or economic security supports and supportive services to achieve identified goals.

Chronically Homeless: As defined in HUD's Continuum of Care (CoC) Program interim rule at 24 CFR 578.3, a chronically homeless person is:

- An individual who: 1) Is homeless and lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; 2) Has been homeless and living or residing in a place not meant for human habitation, a safe haven, or in an emergency shelter continuously for at least one year or on at least four separate occasions in the last 3 years; and 3) Can be diagnosed with one or more of the following conditions: substance use disorder, serious mental illness, developmental disability (as defined in

section 102 of the Developmental Disabilities Assistance Bill of Rights Act of 2000 (42 U.S.C. 15002)), post-traumatic stress disorder, cognitive impairments resulting from brain injury, or chronic physical illness or disability;

- An individual who has been residing in an institutional care facility, including a jail, substance abuse or mental health treatment facility, hospital, or other similar facility, for fewer than 90 days and met all of the criteria for a chronically homeless individual, before entering that facility; or
- A family with an adult head of household (or if there is no adult in the family, a minor head of household) who meets all of the criteria [as described in Section I.D.2.(a) of this Notice, including a family whose composition has fluctuated while the head of household has been homeless].

Coordinated Entry: The Coordinated Assessment and Housing Placement System (CAHP), required by HUD per the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act, that will be implemented by DHS as the designated homelessness planner for the District. The system is a client-centered process that streamlines access to the most appropriate housing intervention for each individual or family experiencing homelessness. Within a CAHP system, clients are prioritized for housing through a process that is data-driven and real time. Residents for PSH units will be referred by CAHP and solely screened through the DCHA/LRSP voucher application process.

DBH Consumers: Adults, children or youth who are eligible to receive behavioral health services or supports funded or regulated by DBH.

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

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

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

Homeless: Derived from the HUD definition: (1) an individual who lacks a fixed, regular, and adequate nighttime residence; and (2) an individual who has a primary nighttime residence that is (a) a supervised publicly- or privately-operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); (b) an institution that provides a temporary residence for individuals intended to be institutionalized; or (c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. A more thorough

definition is included in Appendix 1 of Homeward DC: ICH Strategic Plan 2015-2020:
<https://ich.dc.gov/page/homeward-dc-ich-strategic-plan-2015-2020>

HUD Median Family Income (HMF): In developing many of its rent and income limits HUD begins by dividing the family income distribution into two equal parts: one-half of the cases falling below the median income and one-half above the median. HUD uses this number to calculate income limits for eligibility in a variety of housing programs often making adjustments to account for different beneficiary household sizes, market conditions, and program objectives. The HMF for the District and information on how it is used to generate various HUD program income and rent limits can be found at:
<https://www.huduser.gov/portal/datasets/il.html>

Housing First: Under the Homeless Services Reform Act (HSRA), Housing First means a program that provides clients with immediate access to independent permanent housing and supportive services without prerequisites for sobriety or participation in psychiatric treatment. Clients in Housing First programs may choose the frequency and type of supportive services they receive and refusal of services will have no consequence for their access to housing or on continuation of their housing and supportive services. Residents for PSH units will be referred by CAHP and solely screened through the DCHA/LRSP voucher application process.

Long-term: In the context of DBH-funded units, means that the supportive housing developed under this initiative will be reserved through use restriction covenants for the exclusive use of DBH consumers for time periods specified in this RFP.

Median Family Income (MFI): In this document, MFI is a generic term used to designate rent and income limits across subsidy programs. Program income limits are typically based on HUD Median Family Income (HMF) limits. See the specific program for the rent and income limits used by that program at <https://dhcd.dc.gov/service/rent-and-income-program-limits>. MFI requirements encompass the Area Median Gross Income (AMGI or AMI) limits published by HUD pursuant to the qualified low-income housing project requirements of IRC Section 42(g).

Opportunity Zone: Census tracts designated by the District and certified by the U.S. Department of Treasury as eligible to receive private investments through Opportunity Funds. Refer to the following website for more information on the 25 census tracts that have been certified as Opportunity Zones: <https://dmped.dc.gov/page/opportunity-zones-washington-dc>.

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

Permanent Supportive Housing (PSH): Supportive housing for an unrestricted period of time for individuals and families who were once homeless and continue to be at imminent risk of becoming homeless, including persons with disabilities as defined in 24 C.F.R. 582.5, for whom self-sufficient living may be unlikely and whose care can be supported through public funds. (Homeless Services and Reform Act of 2015) Likewise, under the CoC Interim Rule, HUD defines PSH as permanent housing in which supportive services are provided to assist homeless persons with a disability to live independently. For the purposes of this RFP, PSH units that are used to meet the 5 percent set-aside requirement must follow the Housing First model and fill vacancies through the Coordinated Entry System.

Perpetual Affordability: The period during which units designated as affordable housing are required to remain as affordable housing units in perpetuity, secured by a covenant running with the land that may be extinguished at the sole discretion of the District.

Point-in-Time Count: The Point-in-Time (PIT) Count is an annual count of sheltered and unsheltered homeless persons on a single night in January.

Qualified Non-Profit Organization: Any organization if: (1) such organization is described in paragraph (3) or (4) of section 501(c) and is exempt from tax under section 501(a); (2) such organization is determined by the State housing credit agency not to be affiliated with or controlled by a for-profit organization; and (3) one of the exempt purposes of such organization includes the fostering of low-income housing. (IRC Section 42(h)(5)(c))

Resident Services: Voluntary services designed to improve the quality of life of residents, empower residents, and support broader community-building goals. Including but not limited to coordination of activities and programming; case management; physical and mental health support; substance use management and recovery support; job training, literacy, and education; youth and children's programs; activities for seniors; healthy/green living training; and money management. These services may be property-wide rather than exclusively serving the PSH population.

Supportive Services: Case management or other intensive resident services exclusively serving the PSH population.

Type A Units: Type A units are adaptable units that can allow seniors and others with mobility issues to age in place. Type A units must meet the requirements as defined in Chapter 11 of the 2013 District of Columbia Building Code:

<https://codes.iccsafe.org/content/chapter/9182/>

X. CONTACT US

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

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

Should you need to reach the Department through another means, contact us at:

Mailing Address: Development Finance Division
DC Department of Housing and Community Development
1800 Martin Luther King Jr. Avenue SE, 2nd Floor
Washington DC 20020

Email address: rfpquestions@dc.gov

Phone: (202) 442-7200

APPENDIX A - INSTRUCTIONS FOR COMPLETING FORM 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. The Form 202 has been updated in 2019 to allow for Income Averaging and address issues identified in the prior version. The development budget format is similar to the District of Columbia Housing Finance Agency's (DCHFA) format, with the goal of reducing the burden on applicants of completing two different budget formats for each agency. The current version of the Form 202 must be used for all applications.

Applicants must use the June 2019 version of the Form 202. Applicants should not alter the format or content of the workbook.

"SIGNATURE" Tab

Drop down menus on the Signature tab are used to select the worksheets that are displayed for each project. Complete all of the drop down menus that correspond with your project accurately to display all required worksheets. The "LIHTC Funding Requested?" drop down must be marked "Yes" if the project intends to use either 4% or 9% LIHTCs.

A PDF copy of the signed signature page must be provided with the application.

Project Timeline—2019 Update - "TIMELINE" Tab

The Timeline tab was added for 2019. This tab replaces the timeline that had historically been included in the project narrative. Applicants should outline each step required to complete the project. Key milestones have been identified in the form, but Applicants should add detail as necessary.

The Category field is a drop down menu on the Timeline tab. Please select from the drop down menu the Category appropriate for each Project Step. The Project Step; Date Completed/Expected; and Notes fields are text fields. The Project Step field should include all steps required to complete the project. Notes should be provided on the status of any pending item.

Project Income - 2019 Update - "RENTAL_INCOME" Tab

Residential Income:

For all units in the project, enter: 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 and any subsidy. The monthly income is the contract rent, adjusted for utilities, and multiplied by the number of units of this size and type. 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. Input the proposed Residential Rental vacancy rate into cell F33.

Median Family Income of Units: This section automatically calculates from the Residential Income Section. The % of Sq. Ft. formula has been fixed in the June 2019 version.

Average MFI of Units was added for 2019. The calculation in this section will be used to confirm the average MFI for projects utilizing the Income Averaging Set Aside.

Tenant Paid Utilities:

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

Total Gross Square Footage:

Provide the total as completed square footage for the project. The project is any use included under the ownership entity that receives DHCD funding. Any use that is in a separate condominium or under a separate ownership structure should not be included in the total gross square footage. This box is used throughout the remaining worksheets to calculate the per sq. ft. cost of the project.

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. Input the proposed Nonresidential vacancy rate into cell F53.

Effective Gross Income:

This is the sum of the effective gross income for all income producing uses in the project (residential 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.

For projects using a condominium structure:

Projects proposing a condominium ownership structure to separate DHCD-eligible uses and DHCD-ineligible uses should complete this section. For example, if a project is separating DHCD-eligible residential units from market-rate units within the same project or for projects proposing a commercial space.

Ineligible Condo Residential Income

For all units in the ineligible condo, enter: 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 and any subsidy. The monthly income is the contract rent, adjusted for utilities, and multiplied by the number of units of this size and type. 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. Input the proposed vacancy rate into cell F73.

Ineligible Condo 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. Input the proposed vacancy rate into cell F83.

Project Expenses - "RENTAL_EXPENSES" Tab

The project is any use included under the ownership entity that receives DHCD funding. Expenses for any use that is in a separate condominium or under separate ownership should not be included in the project expenses.

Fill in the annual estimated expenses for each type listed that is applicable to the project. Input Management Fee percentage into cell B10. Utility expenses include only those items paid by the owner and should not include tenant paid utilities.

Cost per unit values will automatically calculate based on the number of units entered in "RENTAL_INCOME" tab, "Total Units" can be found in D32.

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:

Net Operating Income is found in cell D82 and is calculated by subtracting the Total Operating Expenses from the Effective Gross Income for the project.

Predevelopment Budget - “RENTAL_PREDEVELOPMENT_BUDGET” Tab

The predevelopment budget should be consistent with any information submitted to DCHFA.

All predevelopment sources and uses for the project that the developer has incurred or will incur should be listed in the predevelopment budget.

Total Residential Units and Total Gross Square Footage will calculate automatically from information provided on the “RENTAL_INCOME” tab. These totals are used to calculate the Cost per Sq. Ft. and Cost per Unit columns.

Development Budget - “RENTAL_DEVELOPMENT_BUDGET” Tab

Fill out the total estimated cost for each use of funds listed that is applicable to the project in column D “Total Budgeted Cost.”

Total Residential Units and Total Gross Square Footage will calculate automatically from information provided on the “RENTAL_INCOME” tab. These totals are used to calculate the Cost per Sq. Ft. and Cost per Unit columns.

Residential Total:

The Residential Total column (column H) is calculated by multiplying the amounts in the Total Budgeted Cost column by the Residential Percentage in cell H8. The Residential Percentage in cell H8 should be input by the developer and is the percentage of the Total Development Cost assigned to all residential uses (market rate, affordable, amenities, etc.)

Non-Residential Total:

The Non-Residential Total column (Column S) is calculated by multiplying the amounts in the Total Budgeted Cost column by the inverse of the Residential Percentage in cell H8. This represents the amount of the Total Development Cost assigned to commercial space at the project.

Sources:

Beginning in cell I7, list each source being utilized for Residential and Non-Residential development. Allocate each Residential and Non-Residential cost by source. The Sources should match the sources on the “RENTAL_SOURCES” Tab and total amount of each source should match the total amount of each source indicated on the “RENTAL_SOURCES” Tab.

If there are more than two non-residential sources, click the plus sign above column Y at the top of the page for each the non-residential section. There are two additional columns for non-residential sources.

For mixed-income projects with Residential uses that are ineligible for DHCD funding (i.e., market-rate units or units over 50% MFI for a new construction project applying for HPTF),

click the plus sign above column S to show the ineligible sources columns. Separate the 1st mortgage listed on the “RENTAL_SOURCES” Tab into two sources:

1. 1st Mortgage – DHCD-eligible, which is the amount of 1st mortgage supported by income from DHCD-eligible units/uses; and
2. 1st Mortgage – DHCD-ineligible, which is the amount of 1st mortgage supported by income from DHCD-ineligible units/uses.

List each as a source in the Residential section of the development budget and allocate uses accordingly. The same should be done for Deferred Developer Fee or any other source that will be used by DHCD-ineligible uses.

For mixed-use projects, separate the 1st mortgage listed on the “RENTAL_SOURCES” Tab into two sources:

1. 1st Mortgage – Residential, which is the amount of 1st mortgage supported by income from residential units; and
2. 1st Mortgage – Non-Residential, which is the amount of 1st mortgage supported by income from commercial uses.

List the residential source in the Residential section of the development budget and the commercial source in the Non-Residential section and allocate uses accordingly. The same should be done for Deferred Developer Fee or any other source that will be used by the Non-Residential uses.

For projects that are both mixed-income and mixed-use, and have Residential uses that are ineligible for DHCD funding, click the plus sign above column S to show the DHCD-ineligible sources columns. Separate the 1st mortgage on the “RENTAL_SOURCES” Tab into three sources:

1. 1st Mortgage – DHCD-eligible (Residential), which is the amount of 1st mortgage supported by income from DHCD-eligible residential units/uses;
2. 1st Mortgage – DHCD-ineligible (Residential), which is the amount of 1st mortgage supported by income from DHCD-ineligible residential units/uses; and
3. 1st Mortgage – Non-Residential, which is the amount of 1st mortgage supported by income from commercial uses.

List the DHCD-eligible and DHCD-ineligible sources in the Residential section of the development budget and the commercial source in the Non-Residential section and allocate uses accordingly. The same should be done for Deferred Developer Fee or any other source that will be used by both DHCD-ineligible residential and commercial uses.

Acquisition Costs:

If the site includes existing buildings, allocate the cost between land and acquisition. Any carrying costs, relocation costs, etc. should be separated into the other acquisition rows.

Construction 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 conditions/requirements, builder’s

profit, general overhead, bond premium, construction contingency or other fees. 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 ensure construction completion. A construction contingency as a percentage of the total construction contract is required to fund unforeseen construction work items.

Soft Costs:

Architect and Engineer costs are generally limited to 2-6 percent of total development costs. Architect and Engineer Supervision costs are generally limited to 1-3 percent of total development costs. Marketing costs must be supported by a budget.

Financing Fees and Charges:

Construction interest is calculated on the funds disbursed during the construction loan period based on a projected monthly draw schedule. Title and recording costs are those estimated by the title attorney. A financing contingency may not exceed 1 percent of total development costs to cover unanticipated interest and financing costs.

Any tax credit or syndication cost that is not specifically allocated to a line item in the financing fee section should be added together and inputted in the Tax Credit Fee/Legal in cell D81.

Developer's Fee:

These figures are automatically filled in at the maximum developer fee calculated at the bottom of the spreadsheet. If the developer would like to request a lower fee, the cell is editable and can be reduced manually.

Guarantees and Reserves:

The amounts in the guarantees and reserve section should only include capitalized reserves and other guarantees being funded at closing.

Total Uses of Funds:

This is the sum of acquisition, construction costs, soft costs, financing fees and charges, developer's fee, and total guarantees and reserves.

Sources of Funds - "RENTAL_SOURCES" Tab

Permanent Debt:

For all permanent debt, indicate the type of funds, the source of funds (bond issuer or lender), the required debt service coverage ratio (DSCR), the total annual payment (including any required mortgage insurance payment), the interest rate, the amortization period of the loan, the actual loan term, and the maximum supported loan amount.

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

- "must pay," if regular pre-defined payments are due monthly/quarterly/annually/etc.;

- “cashflow,” if payments are calculated based on project cashflow (for cashflow loans, input the percentage of cashflow as the annual payment); or
- “deferred,” if payment is not required until the end of the term.

DHCD funding cannot be used to subsidize an ineligible use. As explained in the development budget section above, for mixed-income, mixed-use, and projects that include both mixed-income units and mixed-uses, the first trust debt should be separated into DHCD-eligible, DHCD-ineligible, and Non-residential sources. The affordable units cannot *cross-subsidize* an ineligible use, thereby indirectly increasing the project’s request for gap financing. Separating the first trust debt into these three uses allows DHCD to confirm affordable units are not subsidizing ineligible uses.

Grants:

List all permanent grants received. Show the type of funds, source of funds, if the grant is recoverable or not, whether the grant is provided at construction or the permanent phase, and the grant term (if applicable).

Equity:

For LIHTC equity, indicate the source of equity and equity pricing. The amount of LIHTC is automatically updated from the LIHTC_EQUITY tab. For other tax credits (Solar, Historic, New Market Tax Credits, etc.), indicate the source of equity, equity pricing and amount of equity proceeds generated from the sale of other tax credits. Identify the developer’s equity that is not from syndication proceeds.

DHCD Loan Amount:

The “do not exceed” or maximum DHCD loan amount is automatically calculated in cell E38 of the RENTAL_SOURCES tab.

Construction Debt:

For all construction debt, indicate the type of funds, the source of funds (bond issuer or lender), the source of repayment, the interest rate, the amortization period of the loan, the loan term, and the loan amount.

20 Year Operating Pro Forma - 2019 update - “RENTAL_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 RENTAL_INCOME, RENTAL_EXPENSES, and RENTAL_SOURCES tab. 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 uses will be increased annually at 2 percent for income and increased annually at 3 percent for expenses, as shown at the top of

the worksheet. The vacancy allowance is the sum of the vacancy rate times the income for each type of income.

Expenses:

The sheet will calculate trended expenses based on the number of years between applications and expected sustained occupancy. The management fee, typically a percentage of collected rents, is to be trended based on rent and occupancy trends. Other expenses will be increased annually at 3 percent. 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 RENTAL_SOURCES page. The debt coverage ratio is calculated by dividing the annual Net Operating Income by the annual total debt service payments.

Subordinate Payments:

Annual cash flow payments are calculated for each year by multiplying the “available” cash flow by the Percentage of Cash Flow for Payment shown in the DHCD loan terms section of the RENTAL_SOURCES tab. The remaining cash flow is calculated by deducting debt service and cash flow payments from the trended Net Operating Income. All anticipated payments must be estimated in this section.

The Accrued DHCD Interest and DHCD Loan Balance formulas have been updated to fix an error in the 2019 version.

Low-Income Housing Tax Credit Eligible Basis - “LIHTC_ELIGIBLE_BASIS” Tab

This tab is only visible to projects that have selected “Yes” to the question “LIHTC Funding Requested?” on the SIGNATURE tab.

The Residential Total from the development budget will populate Column C.

The eligible basis for the project should be separated into Acquisition and New Construction/Rehab. Greyed out cells are items that DHCD does not believe should be included in eligible basis. The developer’s eligible basis amount as determined by this tab may change during DHCD’s underwriting.

The applicable fraction will be applied on the LIHTC_EQUITY tab. Do not discount the amounts on the LIHTC_ELIGIBLE_BASIS tab for LIHTC ineligible units as that will incorrectly reduce the eligible basis for the units twice.

Low-Income Housing Tax Credit Equity - “LIHTC_EQUITY” Tab

This tab is only visible to projects that have selected “Yes” to the question “LIHTC Funding Requested?” on the SIGNATURE tab.

The three questions at the top of the worksheet are to determine the weighted average basis boost for the project. First, select the number of buildings in the project. Second, select “Yes” if any building is in a difficult to develop area, a qualified census tract, or has been granted a basis boost by DHCD. Third, select the number of buildings that qualify for the basis boost. This will determine the weighted average basis boost for the project.

The Eligible Basis for both Acquisition and New Construction/Rehab will populate from the “LIHTC_ELIGIBLE_BASIS” tab.

Input any amounts of grants, loans, non-qualified, non-recourse financing, and Historic Rehabilitation Tax Credits that the project is receiving into rows 12-15.

The calculation for the Applicable Fraction is at the bottom of the page and will automatically select the lesser of the percentage of affordable units or percentage of affordable square footage.

APPENDIX B - MAYOR'S ORDER 2019-036: HOUSING INITIATIVE

GOVERNMENT OF THE DISTRICT OF COLUMBIA

ADMINISTRATIVE ISSUANCE SYSTEM

Mayor's Order 2019-036
May 10, 2019

SUBJECT: HOUSING INITIATIVE

ORIGINATING AGENCY: Office of the Mayor

By virtue of the authority vested in me as Mayor of the District of Columbia pursuant to sections 422(4), (11) and 423 of the District of Columbia Home Rule Act, approved December 24, 1973, 87 Stat. 790, Pub. L. 93-198, D.C. Official Code §§ 1-204.22(4), (11) and 1-204.23 (2016 Repl.), and in accordance with Reorganization Plan No. 3 of 1975, effective July 3, 1975; Mayor's Order 83-25, dated January 3, 1983; Reorganization Plan No. 1 of 1983, effective March 31, 1983; Reorganization Plan No. 3 of 1986, effective January 3, 1987; and Mayor's Order 99-62, dated April 9, 1999, it is hereby **ORDERED** that:

I. POLICY

Housing not only provides physical, financial and emotional health and opportunity for our residents, their children and grandchildren, it also represents a critical underpinning for Washington, DC's sustainable and inclusive economic growth. For this reason, housing affordability is a top policy priority for Washington, DC. The District must work to foster housing opportunities that do not severely burden our residents, especially the most vulnerable, with high housing costs across all District neighborhoods.

The need to address housing affordability across Washington, DC is great. Since 2010, the District has experienced one of the fastest periods of sustained housing production in its history. The population has grown by more than 100,000, while 36,000 new housing unit permits were issued. Yet our housing production has not met the growing demand, as housing costs have continued to rise. Rental households across all income levels are paying a greater share of their income on housing costs and there are fewer opportunities for low- and moderate-income families to become homeowners. Nearly 50,000 District households now pay more than 50 percent of their income on housing. While it is unrealistic to expect housing costs to revert to levels of 20 years ago, increasing supply can help to slow housing cost increases, and affordable set-asides can help to ensure our communities remain inclusive to a wide range of income levels.

The next few decades are projected to continue as one the most significant periods of population growth in Washington DC's history, second only to the period between 1910 and 1950. In the last two decades, the federal government has continued to shrink and decentralize, creating an employment and economic drag on the regional economy. At the same time, however, private and technology sector employment growth in the District

and region, including Amazon's HQ2 in Arlington, VA, foretells both more opportunities for high-paying jobs and pathways to the middle class for residents and increased housing demand from middle- and high-income households.

The District already has one of the most robust set of affordable housing policies in the country and provides the greatest housing trust fund subsidy per capita of any city. Yet policies and funding alone are not enough to address the District's housing need. Increased housing production and preservation is required to address growth and ensure the District lives up to its values of being diverse and inclusive. To do this, the District must create 36,000 new residential units by 2025. Meeting the city's affordable housing needs will require that at least 12,000 of new residential units are affordable to low-income households and that the District preserve an additional 6,000 affordable housing units. The larger region must produce housing for an additional 240,000 households by 2025.

The District must plan for where these units can be located and whom these units house. The need for housing must be addressed on a continuum of income levels, unit types, and tenures. Policies affecting housing must address affordability, especially at moderate- and low-income levels. They must also include the needs for our system to support people experiencing homelessness and the goals of the Homeward DC plan. Similarly, these policies must address opportunities for both rental and ownership throughout the city with a special emphasis on high opportunity areas that provide ease of access to jobs, schools, and transit. The District must also plan for a variety of housing types, including units for large and/or multigenerational families, seniors, and persons with disabilities, in addition to emergency and permanent supportive housing for residents at risk of experiencing homelessness. Because the opportunities to meet these goals vary by neighborhood, area-specific targets for various housing types are needed.

Accordingly, this Order directs the DC Office of Planning (OP) and its sister housing agencies, the Office of the Deputy Mayor for Planning and Economic Development (DMPED), Department of Housing and Community Development (DHCD), Department of Consumer and Regulatory Affairs (DCRA), and Department of Human Services (DHS) to explore and implement a wide variety of policy approaches.

II. INCREASING PRODUCTION AND ACCELERATING DELIVERY

A. A Housing Framework for Equity and Growth

1. To meet the challenge of producing 36,000 additional housing units by 2025, OP shall undertake a comprehensive investigation of housing stock and production from affordable to market rate units to determine how the pace of new units can be increased, while also preserving existing affordable units.
2. Because housing markets and characteristics vary widely by neighborhood, OP shall conduct an area-specific investigation and identify tailored solutions. By area, the housing systems analysis shall:

- (a) Evaluate housing trends, needs, and capacity;
 - (b) Identify production and pipeline patterns, as well as impediments to production;
 - (c) Establish needs and identify targets for production focusing on income level (including low- and middle-income), tenure (including homeownership and emergency housing needs), type (including family-sized units, accessible units, and senior housing units), and affordable preservation;
 - (d) Propose appropriate policies and approaches for each planning area; and
 - (e) Develop a framework for evaluating progress.
3. These area-specific analyses will help achieve the goal of improving affordability and producing affordable housing throughout the city by providing a realistic picture of the opportunities for and impediments to housing production and preservation.

B. Production Incentives

- 1. In addition to the housing systems analysis performed by OP, DMPED and DHCD shall identify and implement policies and incentives for increasing the production of market-rate, affordable, and permanent supportive housing units.
- 2. These agencies shall thoroughly examine existing land use controls and recommend changes to zoning and the land use entitlement process to promote increased housing production consistent with the District's goals.
- 3. Within the existing planned unit development process, affordable housing shall be treated as a top priority public benefit.
- 4. Additional recommended changes shall include a proposal to enhance the District's inclusionary zoning rules by allowing greater density and height in return for increased affordable housing requirements aligned with financing tools such as tax-exempt bonds to achieve greater leverage and production of affordable units.
- 5. OP, with support from other appropriate agencies, shall evaluate increasing allowable building height and density to accommodate the city's housing goals.
- 6. OP shall consider and propose changes to the Comprehensive Plan necessary to facilitate the city's housing targets, and ensure the Comprehensive Plan is consistent with the aforementioned evaluation, including capturing any changes to building density and height.

C. Removing Regulatory Obstacles

- 1. DMPED, DHCD, OP, and the Department of Consumer and Regulatory Affairs (DCRA) shall identify and review regulatory impediments to producing market rate and affordable housing.

2. Based on this review, the agencies shall identify unnecessary and burdensome regulations or processes that can be modified or eliminated.
3. Agencies shall identify and propose more efficient and effective means of achieving important policy and regulatory goals. These regulatory goals include accelerating permit issuance for priority housing projects, including accessory dwelling units.

D. Removing Other Barriers to Affordable Housing Production

1. As part of this broader effort to accelerate housing production, DHCD shall evaluate approaches to lower the barriers of developing and producing affordable and permanent supportive housing units. To do so, DHCD shall examine ways to accelerate the time it takes to acquire property to better keep pace with private sector approaches. This examination shall include methods to expedite project selection, underwriting, and closings.
2. Concurrently, DHCD shall implement their Analysis of Impediments to Fair Housing and develop strategies to remove any such obstacles that would impede on one's ability to deliver affordable units.
3. To keep pace with the private sector and expedite affordable housing delivery, DHCD shall also implement techniques to reduce the risk of developing affordable housing and encourage larger and more complex affordable housing redevelopment projects.

E. Preserving Existing Affordable Units

In line with my efforts to preserve existing affordable housing units, I launched the Housing Preservation Strike Force, which has established a dedicated preservation unit that responsible agencies shall carry out and implement the Task Force's mandates to:

1. Identify and incentivize preserving affordable units;
2. Fund the maintenance, repair and overall inspection of affordable units; and
3. Enable vulnerable populations, such as elderly residents, to age in place.

These orders set forth at II.E.1-3 shall stand to further DHCD's preservation program and plans.

III. FAIR HOUSING

Historical patterns of land use and affordable housing investment present challenges to affirmatively furthering fair housing. DHCD, with the assistance of OP and other partner agencies, is currently conducting an Analysis of Impediments to Fair Housing. To advance Districtwide goals of an inclusive city and advance fair housing goals, I direct as follows:

1. No later than September 30, 2019, OP shall propose planning-area specific fair share targets for affordable housing production by 2025 necessary to achieve an equitable distribution of affordable units by 2045.
2. OP and DHCD shall identify new ways of promoting opportunities for affordable housing throughout the city, especially in high opportunity areas that provide access to good jobs, schools, and transit as part of the Analysis of Impediments to Fair Housing.

IV. CREATING HOMEOWNERSHIP OPPORTUNITIES

Owning a home is an important pathway for many households to achieve stability and economic wellbeing.

1. DMPED, DHCD, and OP shall seek ways to encourage developments that create ownership opportunities.
2. DHCD shall continue to help prepare and assist households to purchase homes and enjoy the stability and increased economic peace of mind that can come with homeownership.
3. Providing DC government employees, especially first responders, teachers, and front-line workers with an opportunity to live in the District is a critical goal. DHCD shall examine the effectiveness and ease of use of the Home Purchase Assistance Program and Employer Assisted Housing Program.

V. THE HOUSING SAFETY NET: HOMEWARD DC

In 2015, the District released a strategic plan to guide transformation of its housing crisis response system, with the ultimate goal of ensuring that homelessness in the District is rare, brief, and nonrecurring. Over the past four years, the District has devoted unprecedented resources to begin transforming its emergency housing stock and increase targeted housing subsidies to help individuals and families exit homelessness. Yet, rising housing costs and diminished affordable housing stock have created barriers to reaching this goal, as hundreds of households newly experience homelessness each year. To continue making progress against the Homeward DC plan, the District must redouble its efforts to fund deeply affordable and permanent supportive housing solutions. The Interagency Council on Homelessness shall work with DMPED, DHCD, and OP on aligning the affordable and permanent supportive housing strategies in the plan with the District's larger efforts.

VI. RESIDENT HOUSING EXPERIENCE

While the production of units is a critical need for the District, it is also critical that residents are able to occupy those units. The Lab @ DC shall:

1. Take a user-centered design approach to improve the way prospective and current homeowners find and utilize affordable housing programs and opportunities; and

2. Create a unified "Front Door" for housing programs that can guide residents to the appropriate opportunities for individual households.

VII. CONNECTION WITH LARGER INITIATIVES

Although there is much that Washington, DC can and must do on its own to address its housing needs, the city's housing market does not exist in isolation or behind a wall. Consequently, the District's efforts to meet the housing needs for existing and future residents must leverage regional and national resources.

The demand for more housing is regional in nature and based on regional job growth. Based on projections from the Metropolitan Washington Council of Governments, DC and surrounding jurisdictions will require a minimum of 240,000 net new housing units by 2025. If other jurisdictions produce insufficient levels of housing and affordable housing or refuse to acknowledge the shared responsibility to accommodate growth, cost pressures will impact District resources and residents and disadvantage low-income residents. To address this:

1. Agencies shall work with their regional counterparts, regional constituencies, and stakeholders to broadly investigate how regulations, market forces, and community impacts and influences impede the ability to produce new housing region-wide and persuade neighboring jurisdictions to undertake their own plans.
2. Agency representatives metropolitan-wide shall advocate that such investigations into new housing production address opportunities for additional capacity, accessibility, and affordability.
3. DMPED, DHCD, and OP shall explore engaging major employers to support moderate- and middle-income housing production with an emphasis on proximity to employment opportunities.
4. Washington, DC must also make its voice heard in federal housing policy. As the Chair of the National League of Cities Task Force on Housing and a member of the advisory board of the US Conference of Mayors, I have a unique opportunity to build a strong coalition around the urgency to produce and preserve new housing units. With staff support from District agencies, this coalition should sound the call to the U.S. Department of Housing and Urban Development (HUD) that funding its public housing assets is a moral imperative. A lack of proper funding and deferred maintenance from HUD has created an unhealthy and unsafe environment for vulnerable residents who rely on public housing. This coalition should also advocate to increase funding for the Housing Choice Voucher Program, the National Housing Trust Fund, and public housing capital and operating funds to ensure the long-term sustainability of these critical sources of and supports for housing.
5. Staff and agencies shall support my efforts, through the National League of Cities and in other coalitions, to form and support partnerships to articulate and raise awareness over the impact that federal taxation policies have on housing affordability for renters and homeowners alike.

VIII. **SUPERCESSION**: This Order supersedes previous Mayor's Orders to the extent of any inconsistency therein.

IX. **EFFECTIVE DATE**: This Order shall become effective immediately.


MURIEL BOWSER
MAYOR

ATTEST: 
KIMBERLY A. BASSETT
ACTING SECRETARY OF STATE OF THE DISTRICT OF COLUMBIA