

FALL 2017 RFP

CONSOLIDATED REQUEST FOR PROPOSALS FOR AFFORDABLE HOUSING PROJECTS

Issue Date: November 30, 2017

Closing Date: 11:59 pm, February 14, 2018

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

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I. INTRODUCTION

The greater Washington DC area is one of the most expensive housing markets in the country. More than 4 out of every 10 renters in the District of Columbia pay more than 30 percent of their monthly income toward housing.¹ The greatest gap between the need for and supply of affordable housing is among households with the lowest incomes, those earning no more than 30 percent of the U.S. Department of Housing and Urban Development (HUD) Median Family Income (MFI, currently \$110,300 annually for a family of four).

In the most extreme situations, the lack of affordable housing leads to homelessness. Nearly 8,350 residents of the District of Columbia are homeless,² and another 4,700 households face a high risk of homelessness. Almost all growth in the homeless population between 2007 and 2016 is due to the rise in family homelessness.³

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 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:

- 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 than 50 percent of AFI, 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;

¹ Tatian, Peter. *Affordable Housing Needs Assessment for the District of Columbia: Phase II*. Urban Institute. May 2015.

² 2007-2016 Point-in-Time Estimates by CoC (<https://www.hudexchange.info/resource/5178/2016-ahar-part-1-pit-estimates-of-homelessness/>).

³ 2007-2016 Point-in-Time Estimates

- 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. This RFP is substantially similar to the 2017 Consolidated RFP, although a number of notable updates have been made. The changes include but are not limited to the following:

- **Scoring Criteria:** The scoring criteria has been modified to align with the 2017 Qualified Allocation Plan.
- **9% Tax Credits Available:** An estimated \$2.7 million in 9% Low Income Housing Tax Credits are available through this RFP.
- **National Housing Trust Fund (NHTF) Available:** Approximately \$5.4 million in NHTF loan funds are available to support Extremely Low Income (0-30 percent MFI) units in New Construction projects.
- **Construction Cost Guidelines:** Construction cost guidelines have been updated, with the limits for most building types increased by five percent.
- **LRSP Prioritized for PSH:** Operating Subsidy from the Local Rent Supplement Program (LRSP) is prioritized for Permanent Supportive Housing (PSH) units. If additional funds are made available, additional considerations will be made.
- **2017 Rent and Income Limits:** The RFP includes the updated 2017 HPTF Rent and Income Limits.

These updates build upon changes that were included in the 2015, 2016, and 2017 Consolidated RFPs. 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 as soon as possible.

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, supportive services provider (for PSH Projects), lenders and investors, and any other team members necessary to finance, construct, and operate the development.

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

Lead applicants and project team members may be non-profit or for-profit entities, 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.

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://goo.gl/DvyJ6R>.

The Online Application System will be available to begin new applications for this funding round on December 11, 2017. Applicants should visit the website as soon as possible to register as users and become familiar with the system. Detailed instructions on how to create, build, and submit an application are provided on the website.

Applications are due by 11:59 PM on February 14, 2018.

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

Additionally, applicants will be required to upload an extensive list of documents, some provided by DHCD and filled out by the applicant (such as the Form of Contract Affidavit for every team member), and others obtained directly by the applicant (such as the appraisal and Phase I environmental 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	
2017	November 30, 2017	RFP Released		
	December 13, 2017 (10AM - 12PM)	RFP Orientation (details below)		
2018	January 14, 2018	DCHFA preliminary Stage II Application due for projects using 4% LIHTCs and bonds		
	February 14, 2018 (11:59 PM)	Proposals Due to DHCD		A. Threshold Review
	March 9, 2018	Projects that meet Threshold proceed to scoring		B. Scoring and Selections
	April 30, 2018	Project selection results announced		C. Underwriting
	August-October 2018	Reservation Letters and gap financing Letters of Commitment (if applicable) executed		D. Pre-Closing Due Diligence
	December 2018	Carryover Allocation Agreements executed (if applicable)		
2019	February-May 2019	Closing on gap financing (if applicable)		

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 & Time: December 13, 2017 | 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.

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. In limited instances, DHCD may reach out to applicants for clarification regarding an aspect of an application, but applicants will not have an opportunity to remedy Threshold deficiencies once an application has been submitted. 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 four 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 and prioritization. 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.

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 April 2018. 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 the loans and 9% LIHTC allocations to the DHCD Director or request additional information or clarification. Projects that are approved by the Loan 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. Applicants will not be given an opportunity to remedy deficiencies once an application has been submitted and the application deadline has passed.

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% 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 9% LIHTC financing without additional HPTF gap financing may propose to produce units up to 60 percent of MFI.
- 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 the Department of Behavioral Health (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	PRODUCTION (Rental) w/ HPTF	PRODUCTION (Homeownership) w/ HPTF	PRESERVATION w/ HPTF	LIHTC Only (no 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>	✓	✓	✓	✓

These eligibility categories apply uniformly to all projects, regardless of funding source requested. 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 on Pages 13-14 of the [2017 Qualified Allocation Plan \(QAP\)](#).

2. Permanent Supportive Housing

For new construction rental projects, and rental projects that rehabilitate an existing, vacant building, 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). A Supportive Services Plan must be included with all applications that will provide PSH (except for projects that are requesting grant funds from the DBH and do not wish to be considered for other PSH subsidies should DBH funds be unavailable).

3. Site control

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

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

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

4. Zoning

The applicant must demonstrate that the proposed development is matter of right or that applicable zoning approvals have been applied for. If the proposed project requires approval of a Map Amendment or a Planned Unit Development (PUD), the Map Amendment application, Stage 2 PUD 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 prior to 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 2017 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 updated for this RFP and Applicants must use the most recent version of the form. 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% 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% 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% 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. If a waiver request is not granted, the project will be disqualified and will not proceed into the scoring phase.

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 are eligible for HPTF funding that is up to 66 percent of Total Sources (inclusive of the acquisition and rehabilitation phases of the project).

- Projects with a substantial number of units serving Extremely Low Income Households (0-30 percent of MFI) may 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 or 66 percent limits, however 9% 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 (2018 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 new units above 50 percent MFI. Non-eligible uses must be displayed in the application for financing, but shall be segregated out of the budget. Similarly, the sources side of the budget must show what portion of each source is allocated to eligible and ineligible uses. The budget must show the following:

- Eligible uses (line by line, and total)

- Ineligible uses (line by line, and total)
- Total uses
- Sources allocated to eligible uses
- Sources allocated to ineligible uses
- Total sources

In summary, 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 “Uses - Ineligible Uses” that applicants must use to demonstrate the proposed allocation of sources and uses.

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 document 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

Applicants must submit letters of interest or letters of commitment from all other participating financial sources, including permanent, construction, and predevelopment financing sources. If the application proposes a financing scenario that includes 4% LIHTCs, an initial debt sizing memorandum from DCHFA must be included in the application.

To obtain a debt sizing memo, borrowers shall submit one copy of DCHFA’s (the “Agency”) Stage II application to the Agency no later than January 14, 2018. The DCHFA application fee is not required at that time. If this deadline is met, DCHFA will return a debt sizing memo to the applicant, and the applicant is responsible for submitting this document to DHCD through the Online Application System.

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 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.

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)
- Guarantor
- Developer
- Development or Financing Consultants (if applicable)
- Architect
- General Contractor
- Construction Manager (if applicable)
- Management Agent
- Supportive Services Provider (if project includes PSH units not designated as DBH units)

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

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.

Contract Debarment Affidavit

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

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, had chronic past due accounts, substantial liens or judgments, chronic housing code violations, excessive tenant complaints, or consistently failed to provide information to DHCD about other loan applications or existing developments. Their history regarding substantial liens, 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.

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).

Appraisals must be no more than six months old as of the date of 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 may 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

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 be no more than six months old as of the date of the RFP application deadline. If your project proposes units that target a specific population (other than PSH units, for which the District has already determined the need), your market study must demonstrate demand for that type of housing.

The market study must adhere to the current National Council of Housing Market Analysts (NCHMA) Model Content Standards.

11. Environmental Site and Physical Needs Assessments

Applicants must include a completed Phase I Environmental Site Assessment, which must be no more than six months old as of the date of 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 also must submit a lead assessment. For selected projects, the Phase I must not be more than one year old at the time it are submitted to OPM for compliance review, so an update may 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 should 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.

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

14. Relocation and Anti-Displacement Strategy

For existing and occupied buildings/properties that result in the temporary or permanent displacement of current occupants, 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 units or buildings that are occupied at the time of acquisition or site control; or
- tenants will be displaced because the proposed rents are not affordable.

15. 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> 	<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
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| <ul style="list-style-type: none"> • The Rental Housing Conversion and Sale Act of 1980 (D.C. Law 3-86) • The Rental Housing Act of 1985 | <ul style="list-style-type: none"> • 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 et seq. • 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, 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; or (b) the project is the result of a tenant purchase or assignment of TOPA rights. 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.

LIHTC-Specific Requirements

16. 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 clearly describe:

- The exit strategy for the limited partner 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.

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 for the proposed eligibility category (that is, Production or Preservation). In general, it is DHCD’s goal

to provide funding to those projects that provide the greatest public benefit while maximizing the impact of public resources.

Underwriting Scoring

1. Financial and Economic Feasibility (maximum 30 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 10 points)

- **10 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, appraisal and market study), and follow the instructions and guidance issued by DHCD through this RFP and any subsequent Q&As sent through the Online Application System. The uses are appropriate for the project and the requested financing sources. 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.

- **5 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. 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 and the contract has been put out to bid and pricing has been finalized.
- ❑ **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 and it is unlikely that the budget will change before loan closing.
- ❑ **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.

e. Overall Financial and Economic Feasibility (maximum 5 points)

- ❑ **5 points** = Based on DHCD's assessment of overall feasibility and project readiness, long term financial sustainability of the project is highly likely and an appropriate level of public subsidy is being requested. The proposed project adheres to DHCD's underwriting guidelines or has adequately justified any deviations. It is highly unlikely that the project budget will change significantly between application and closing. Any uncertainty related to the project's budget is mitigated by the applicant's demonstrated ability to absorb unforeseen costs without requesting concessions from DHCD.
- ❑ **2 points** = Based on DHCD's assessment of overall feasibility and project readiness, long term financial sustainability of the project is likely, but there are some doubts about the application's assumptions or the level of public subsidy that is being requested. There are aspects of the project that are inconsistent with DHCD's underwriting guidelines and working through these issues may potentially cause delays. There is some concern that the project

budget could change substantially between application and closing, to a degree that the applicant would not be able to absorb without requesting additional concessions from DHCD.

- **0 points** = Based on DHCD's assessment of overall feasibility and project readiness, long term financial sustainability of the project may be possible, but there are significant doubts about the application's assumptions or the level of public subsidy that is being requested. There are aspects of the project that are inconsistent with DHCD's underwriting guidelines and working through these issues will likely cause delays. There is significant concern that the project budget could change substantially between application and closing, to a degree that the applicant would not be able to absorb without requesting additional concessions from DHCD.

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

Development teams will be evaluated on their experience with and performance on comparable projects, as well as 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. 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 regulations such as Davis-Bacon and the Green Building Act. The General Contractor is familiar with the local subcontractor market and DC regulations 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 regulations 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 regulations 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 regulations such as Davis-Bacon and the Green Building Act. Concerns over the GC's familiarity with the local subcontractor market and/or DC regulations 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 a successful track record in projects of similar size, scale, type, and complexity to the proposed project, and has the capacity and experience to ensure that the proposed design is compliant with all applicable 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 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 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 Capacity and Experience (maximum 5 points)

- **5 points** = Based on DHCD's assessment of overall team capacity and experience, it is highly likely that this project will be delivered on time and on budget and will remain in compliance for the life of the project. The development team is prepared for and/or has the capacity to absorb most unforeseen circumstances that may arise during the project life cycle.
- **2 points** = Based on DHCD's assessment of overall team capacity and experience, there are some concerns about whether this project will be delivered on time and on budget, or about the likelihood that the project will remain in compliance for its entire lifespan. The development team may need additional concessions from DHCD during the project life cycle due to a lack of experience or familiarity with policies, requirements or regulations that apply to DHCD projects and/or an inability to absorb delays or costs without additional DHCD assistance.
- **0 points** = Based on DHCD's assessment of overall team capacity and experience, there are major concerns about whether this project will be delivered on time and on budget, or about the likelihood that the project will remain in compliance for its entire lifespan. The development team may need additional concessions from DHCD during the project life cycle due to a lack of experience or familiarity with policies, requirements or regulations that apply to DHCD projects and/or an inability to absorb delays or costs without additional DHCD assistance.

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

Proposed project design must blend with the neighborhood and meet the needs of the occupants with appropriate unit design and amenities.

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

- ❑ **3 points** = While generally the design is appropriate, some questions remain on either site selection or tailoring of unit design and amenities to the population.
- ❑ **0 points** = There are significant unaddressed concerns regarding site selection or unit design and amenities.

4. Market Demand and Need Analysis (maximum 10 points)

Developer must provide documentation that demonstrates sufficient market demand and need for the project. This must be in the form of a conventional market analysis produced by a third-party market research firm. Rental market studies must adhere to the current NCHMA Model Content Standards. The characteristics of the subject property in the market study must be identical to characteristics of 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.

- ❑ **10 points** = Information presented makes a compelling case for the market demand and need for the project. Assumptions used throughout the application are supported by the market study. If the project proposes to serve a specific population, the market study evaluates and demonstrates a need for that type of housing.
- ❑ **5 points** = Information presented makes a reasonable case for the market demand and need for the project. There are some inconsistencies between the application and market study and/or some of the assumptions used in the application are not reflected in or supported by the market study. If the project proposes to serve a specific population, there is some doubt regarding the need for that type of housing.
- ❑ **0 points** = There are significant questions regarding the demand and need for the project, and/or the assumptions used throughout the application are not reflected in or supported by the market study. If the project proposes to serve a specific population, the market study does not evaluate or does not adequately demonstrate a need for that type of housing.

5. Acquisition Cost Reasonableness (maximum 5 points):

Proposed property acquisition costs must be reasonable and may not exceed the market value of the property as evidenced by an appraisal DHCD will determine reasonableness through an analysis of the appraisal and by comparison of recent DHCD-funded projects in similar locations and for uses similar to those proposed in the application. DHCD reserves the right to request a second appraisal. An

appraisal update will be required 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 been acquired within the past two years, acquisition cost reasonableness will be considered as part of the project evaluation. If the property has already been acquired, submit the most recent appraisal.

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 market data, including 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 market data, but some questions linger regarding acquisition price or with the nature of the transaction.
- ❑ **0 points** = Acquisition price is out of line with market data, or results in a significant windfall for a related-party seller.

6. Compliance with DHCD Cost and Funding Guidelines (maximum 10 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	\$180	\$145	\$100
Garden Apartments/Condos	175	135	95
Elevator Buildings (-5 floors)	210	150	125
Mid-rise Buildings (6 or more floors)	240	165	140

- ❑ **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 point** = 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.

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 PHS 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.

7. 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. 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:

- HAP contracts;
- 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
- 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

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.

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

Additional points are available for projects that demonstrate that at least 20 percent of PSH units created will be Fully Accessible.

- ❑ **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; AND the applicant commits, and demonstrates with architectural plans, that 20 percent of all PSH units created will meet the Uniform Federal Accessibility Standards (UFAS) standard of Full Accessibility.

- ❑ **8 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; AND the applicant commits, and demonstrates with architectural plans, that 20 percent of all PSH units created will meet the UFAS standard of Full Accessibility.
- ❑ **3 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.
- ❑ **2 points** = Applicant commits, and demonstrates with architectural plans, that 20 percent of all PSH units created will meet the UFAS standard of Full Accessibility.
- ❑ **0 points** = Applicant does not exceed the minimum requirements for PHS.

2. Supportive Services Plan (maximum 5 points, if applicable):

(Does not apply to Homeownership Projects or DBH Projects)

All projects that include PSH units must submit a Supportive Services Plan, unless the units will be reserved for DBH consumers. The Supportive Services Plan, the services budget, and the proposed service provider will be evaluated by DHS. Applicants that will meet the PSH requirement by providing DBH units do not need to select a service provider partner or submit a Supportive Services plan. DBH clients are supported by neighborhood based service providers, not through an on-site supportive services provider funded by DHS.

- ❑ **5 points** = All the criteria for 4 points are met AND the supportive services provider is a registered 501(c)(3) not-for-profit organization.
- ❑ **4 points** = Supportive services plan is complete, thorough, and specifically tailored to the needs of this project. Responsibilities among all parties are clear and well defined. Development team members are well-experienced in successfully implementing such a plan. The supportive service budget is complete and thorough, and sources of funding for services match or exceed expected expenditures.
- ❑ **3 points** = All of the criteria for 2 points are met AND the supportive services provider is a registered 501(c)(3) not-for-profit organization.
- ❑ **2 points** = A draft supportive services plan is included that is in the process of being tailored to the specific needs of the project. The draft is an appropriate

model for this project. Development team members have some experience in successfully implementing such a plan. There is a draft budget. The supportive services provider is a non-profit organization.

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

3. Family-Oriented Units (maximum 10 points)

This score awards points to projects that provide more units with three or more bedrooms, and partial points with 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.

4. Senior/Artist Housing (Maximum 5 Points)

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, OR up to two prioritization scoring points 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. A total of no more than five points will be awarded in this category (that is, if points are maximized in one category, no additional points will be awarded in the other).

- ❑ **5 points** = At least 50 percent of the project is reserved for seniors (55+) and all senior units follow the universal design standards.
- ❑ **2 points** = At least 20 percent of the project is reserved for seniors (55+) and all senior units follow the universal design standards, OR 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.

5. 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 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. 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

6. 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

Applicant Criteria

7. 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. A participating non-profit partner must have effective project control, serving as the majority owner or as the managing member and 51 percent+ owner of a joint venture general 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 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). To obtain points under this preference, the applicant must provide a signed 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 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 a signed 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.

8. TOPA Preference (maximum 5 points)

Projects proposed by or in partnership with tenant groups that exercised their TOPA rights to purchase their building with Acquisition Financing from DHCD 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 used DHCD financing to purchase 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 that used DHCD financing to purchase the building.
- ❑ **0 points** = The criteria required to obtain points is not met.

Location Criteria

9. Transit Proximity (maximum 5 points)

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

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

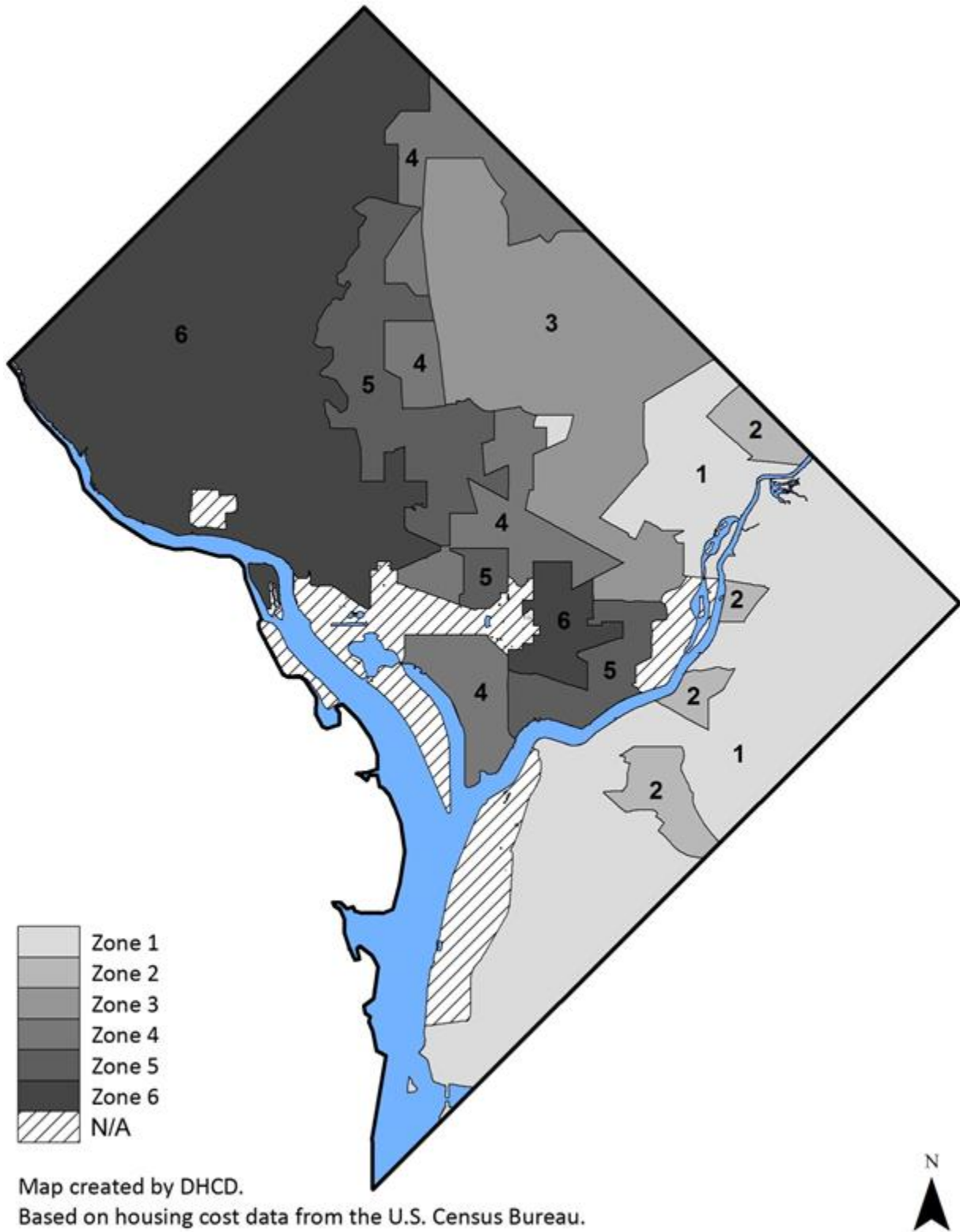
10. Economic Opportunity Targeting (maximum 14 points)

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. Applicants should use the interactive map (<https://arcg.is/O85OrC>) provided in the Online Application System to determine in which zone their project is located.

- ❑ **14 points** = Project is located in Zone 6
- ❑ **10 points** = Project is located in Zone 5
- ❑ **7 points** = Project is located in Zone 4
- ❑ **4 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



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

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 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. To achieve points, the percent of market rate units must be between 20 percent - 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 and not a mix of affordable units serving varying MFI levels. 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 - 80 percent (inclusive) of the project's units are market rate, and all proposed market rate units are fully financeable without DHCD participation.
- ❑ **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
- 80 percent to 120 percent MFI
- Market-rate (unrestricted, unsubsidized)

Units in any category above 50 percent MFI are not eligible for DHCD financing through this RFP. Applicants proposing such units 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
 - 80 percent to 120 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
 - 80 percent to 120 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) they are part of the redevelopment of a site formerly owned by the District of Columbia; and (2) the site was awarded to the applicant through a competitive disposition process. 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 is part of the redevelopment of a site formerly owned by the District of Columbia that was awarded to the applicant through a competitive disposition process.
- ❑ **0 points** = The project is not part of the redevelopment of a site formerly owned by the District of Columbia or the site was not awarded to the applicant through a competitive disposition process.

14. Net Zero Energy and Living Building Challenge Preference (maximum 5 points)

Preference points will be awarded 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.

- ❑ **5 points** = Living Building Challenge Certification (Full or Petal Certification). Five prioritization scoring points will be awarded to applicants that design and construct their project to achieve either full or petal certification under Living Building Challenge program. The Living Building Challenge is the world's most rigorous building performance standard. Projects achieving full certification demonstrate a connection to nature and place, net-positive energy generation, net-zero water use, healthy and active design, integration of ecologically responsible material, and equitable development strategies.
- ❑ **3 points** = Nearing Net Zero. Three prioritization scoring points will be awarded to project teams pursuing 2015 Enterprise Green Communities Criteria (GCC) that demonstrate that they will meet 2015 GCC 5.2b Advanced Certification: Nearing Net Zero. Project teams must demonstrate that they are pursuing these points with Enterprise and plan to certify with Passive House Institute US (PHIUS), Living Building Challenge Net Zero Energy Building Certification, or DOE Zero Energy Ready Home. All project

teams pursuing these points also must incorporate solar photovoltaics in their project and maximize their rooftop generation potential to the maximum extent as allowable by District codes and regulations.

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

15. Extended Use 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

		<div style="display: flex; justify-content: space-around; text-align: center;"> <div style="transform: rotate(-45deg);">Production (Rental w/ PSH Units)</div> <div style="transform: rotate(-45deg);">Production (Rental w/ DBH Units)</div> <div style="transform: rotate(-45deg);">Production (Homeownership)</div> <div style="transform: rotate(-45deg);">Preservation</div> </div>			
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	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>LHHC-Specific Requirements</i>					
16	Year 15 Plan	✓	✓	NA	✓
SCORING CRITERIA					
UNDERWRITING SCORING		Potential Points			
1	Financial and Economic Feasibility	30	30	30	30
2	Development Team Capacity and Experience	30	30	25	30
3	Site Selection and Design Characteristics	5	5	5	5
4	Market Demand and Need Analysis	10	10	10	10
5	Acquisition Cost Reasonableness	5	5	5	5
6	Compliance with DHCD Cost and Funding Guidelines	10	10	5	10
7	Leverage	10	10	10	10
Underwriting Scoring Subtotal		100	100	90	100
PRIORITIZATION SCORING		Potential Points			
<i>Demographic Criteria</i>					
1	Permanent Supportive Housing	10	10	0	10
2	Supportive Services Plan	5	0	0	5
3	Family-Oriented Units	10	10	10	10
4	Senior/Artist Housing	5	5	5	5
5	Income Levels Served	7	7	7	7
6	Section 8 and Public Housing Waiting Lists	1	1	1	1
<i>Applicant Criteria</i>					
7	Non-Profit Participation and Right of First Refusal	5	5	5	5
8	TOPA Preference	5	5	5	5
<i>Location Criteria</i>					
9	Transit Proximity	5	5	5	5
10	Economic Opportunity Targeting	14	14	14	14
<i>Project Criteria</i>					
11	Preservation	5	5	5	5
12	Mixed-Income	10	10	10	10
13	Preference for Projects with District Land	8	8	8	8
14	Net Zero Energy or Living Building Challenge Preference	5	5	5	5
15	Extended Use Restriction	5	5	5	5
Prioritization Scoring Subtotal		100	95	85	100
TOTAL		200	195	175	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) HOME Investment Partnerships Program (HOME) Community Development Block Grant (CDBG)
		Tax Credit	9% Low Income Housing Tax Credit (LIHTC)
	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 regulations. All regulations include restrictions on the incomes of families served, and maximum allowable rents, but such restrictions vary among the funding sources.

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

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

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	40 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% 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 2018 and 2019 9% LIHTC. Projects that present a financing scenario in which 9% LIHTCs are not pursued are strongly encouraged to apply for 4% 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.

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 2017 and can be found online: <https://dhcd.dc.gov/publication/2017-dhcd-low-income-housing-tax-credit-qualified-allocation-plan>.

The District of Columbia 2017 Qualified Allocation Plan (QAP) is an attachment to this RFP.

Mandatory Application Fee: 9% 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% 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% LIHTC program is delegated to DCHFA. There is a separate application process for 4% LIHTC allocations. If a project proposed through this RFP relies on tax exempt bond financing and 4% LIHTCs, the applicant must obtain and submit a

preliminary debt sizing memorandum from DCHFA. To obtain this memo, borrowers shall submit one copy of DCHFA’s (the “Agency”) Stage II application to the Agency no later than January 14, 2018. The application fee is not required at this time.

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 II 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 (the “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) 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.

Unless otherwise justified and explained, applicants should follow the most recent HPTF rent and income limits, which currently are as follows:

2017 Housing Production Trust Fund (HPTF) Rent Limits

Unit Size	Income Band		
	0 - 30%	31 - 50%	51 - 80%
Efficiency	\$580	970	1,540
1 Bedroom	660	1,100	1,760
2 Bedroom	740	1,240	1,990
3 Bedroom	830	1,380	2,210
4 Bedroom	910	1,520	2,430
5 Bedroom	990	1,650	2,650

2017 Housing Production Trust Fund (HPTF) Income Limits

Income Band	Household Size							
	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
0 - 30%	\$23,150	26,500	29,800	33,100	36,400	39,700	43,050	46,350
31 - 50%	38,600	44,100	49,650	55,150	60,650	66,200	71,700	77,200
51 - 80%	61,750	70,600	79,400	88,250	97,050	105,900	114,700	123,550

Development subsidies from DHCD are structured as Cash Flow Loans. During the life of the loan, owners will be required to pay 50 percent - 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 1 percent - 3 percent interest rates (0 percent for Limited Equity Cooperatives). The baseline loan terms are 3 percent interest and annual payments equal to 75 percent of available cash flow. A lower interest rate or cash flow payment percentage may be requested, if the applicant can demonstrate that the standard terms make the project infeasible or otherwise negatively impact both the project and DHCD’s investment. DHCD may require additional commitments from the project (such as a longer affordability commitment) in exchange for any reduction.

An additional development subsidy available to applicants is a grant from DBH, which is typically layered with other development subsidies and can only be requested for units that serve DBH clients. More information is available in the section below dedicated specifically to DBH Grant Funds.

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

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

- tenant based rental assistance to tenants;
- capacity building;
- down payment assistance;
- security or utility deposits;
- tax liabilities nor any other district or federal obligations;
- 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 § 42-28) and regulations (DCMR 10-B41). 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, 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/FY17%20ONational%20Housing%20Trust%20Fund%20Allocation%20Plan.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 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 extended use period, for a total restricted use period of 40 years.

Units proposed for development should be permanent housing of the following types: single-family housing, condominium or cooperative units, multifamily building, mixed-use building serving low and moderate-income populations, single room occupancy units (SROs) or buildings, or transitional housing if approved by DBH in writing. Projects that integrate DBH consumers with the general public are desired. No more than 30 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 be referred age eligible residents. Priority populations will be: (1) homeless; (2) consumers discharged from St. Elizabeth's

Hospital; and (3) consumers moving out of a more restrictive setting. DBH provides a project liaison to ensure timely planning for resident occupancy and ongoing monitoring.

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

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

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

Funds granted to prospective developers for Licensed Mental Health Community Residential Facilities (MHCRF) projects are not required to leverage funds, and are not limited to 30 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 DHCD 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). Project based LRSP funding will be prioritized for PSH units receiving funding from DHCD, DBH, and/or DHS in this round. If additional LRSP funds are made available, additional considerations will be made. The amount available will be based on a per-unit subsidy. The term of funding is 15 years with possible extensions. All subsidies are subject to funding availability. Maximum rents are set based on project location and number of bedrooms; current subsidy standards for each neighborhood can be

found at dchousing.org. Unless otherwise provided, LRSP is administered in accordance with federal and District of Columbia Housing Choice Voucher Program (HCVP) rules and regulations (24CFR Chapters 982 and 983) (14 DCMR Chapters 49,41,53,54,56,59,61, 93 and 95) as administered by 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 supportive services (case management) 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.

Residents of DHS-funded units will be selected by DHS or the Coordinated Entry Program (CAHP). Senior housing developments will be referred age eligible applicants. Single adults and families who are provided supportive services through this Solicitation using DHS funding will meet DHS eligibility criteria. These criteria include:

- the completion and submission to DHS of the required assessment tool (either the Vulnerability Survey OR Service Prioritization Decision Assistance Tool (SPDAT) (included for reference in the “Electronic Forms Folder”);
- the individual or family meets or exceeds the threshold criteria on the PSH assessment tool;
- the individual or family is 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 supportive services funding must demonstrate that the monthly rent charged for the DHS unit will be affordable to the resident. Applicants should not assume the DHS resident will have a tenant-based operating subsidy. If other sources of subsidy are not sufficient to cover the operating expenses of the unit, applicants should plan to request project based operating subsidy/voucher assistance through this RFP.

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

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

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

Case Manager Qualifications:

All case managers must meet minimum qualification standards. These minimum qualifications for case managers are a bachelor’s degree in social work, psychology,

sociology, counseling, or other related social services or science disciplines and 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. Any staff supervising case managers providing services under this RFP must possess a Master's Degree in social work, psychology, sociology, counseling, or other related social service/science disciplines and two years of experience supervising case managers. Additionally, possessing the highest level of licensure as a social worker, psychologist, or counselor may substitute for the supervisory experience.

Case Load Standards:

Caseloads for case managers may not exceed 20 adults or 12 families for a scattered site development. Caseloads for case managers may not exceed 25 single adults or 15 families for a single location.

Case Rate Caps:

The rates at which DHS will fund these PSH Case Management and Supportive Services are not to exceed \$502.00 per month for individuals and \$882.00 per month for families.

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.

Note on Funding Rate Implementation:

Using a comprehensive DHS Market Rate Analysis, and Rate Establishment Guidelines provided to DHS by Medicaid (Department of Health Care Finance - DHCF), DHS will formulate and implement a New Standardized Rate that will be more coordinated with corresponding rates sent by Medicaid for the funding of comparable case management services provided by Medicaid.

Note on DHS/Medicaid Funding Transition:

Once those rates have been coordinated and set, DHS will be actively working to have the Case Management and Supportive Services that it is presently funding properly submitted, on behalf of each Client, to Medicaid, for funding by DHCF.

Upon successful implementation of that funding transition, DHS will be reallocating its present Case Management/Support Services funding toward the further development of future PSH.

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.

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 HPTF [rent and income limits](#), which currently are as follows:

2017 Housing Production Trust Fund (HPTF) Rent Limits

Unit Size	Income Band		
	0 - 30%	31 - 50%	51 - 80%
Efficiency	\$580	970	1,540
1 Bedroom	660	1,100	1,760
2 Bedroom	740	1,240	1,990
3 Bedroom	830	1,380	2,210
4 Bedroom	910	1,520	2,430
5 Bedroom	990	1,650	2,650

2017 Housing Production Trust Fund (HPTF) Income Limits

Income Band	Household Size							
	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
0 - 30%	\$23,150	26,500	29,800	33,100	36,400	39,700	43,050	46,350
31 - 50%	38,600	44,100	49,650	55,150	60,650	66,200	71,700	77,200
51 - 80%	61,750	70,600	79,400	88,250	97,050	105,900	114,700	123,550

Every DHCD-funded affordable unit in the project must be rent restricted at one of low-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_hcyp.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, etc.).

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). For tenant-owned Limited Equity Cooperatives acquired with DHCD financing, total DHCD participation may not be more than 66 percent of the total development costs (including acquisition and rehabilitation). Tax Credit equity investments are not counted as DHCD participation in the calculation of this metric, although 9% 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.

Letters of commitment, intent or interest

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

Tax credit equity

For projects that will be syndicated for tax credit equity investment, sponsors must provide a proposal from at least two syndicators showing the amount of tax credit expected, investor type, expected net proceeds, syndication costs and pay-in schedule.

Expected sources of construction and permanent financing, and (if applicable) bridge financing and investor equity, will be confirmed by DHCD staff with those sources. The terms of this expected financing, as confirmed by the sources, will be used by DHCD staff in their pro forma analysis.

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

- Lead Safe Washington: <https://dhcd.dc.gov/service/lead-safe-washington-program-lsw>
- 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>
- 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 loan, repaid on a cash flow basis using the following loan terms:

- An annual interest rate of 1 percent - 3 percent (0 percent for Limited Equity Cooperatives)
 - The baseline interest rate is 3 percent annual simple interest.
 - If an applicant can demonstrate that a 3 percent interest rate makes the project infeasible or otherwise negatively impacts both the project and DHCD's investment, a justification for a lower interest rate (as low as 1 percent) may be submitted for consideration.
 - DHCD may require additional commitments from the project (such as a longer affordability commitment) in exchange for a lower interest rate.
- A term of up to 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 50 percent -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).

- The baseline cash flow split requires 75 percent of annual cash flow to be paid to DHCD to service the loan.
- If an applicant can demonstrate that the 75/25 cash flow split makes the project infeasible or otherwise negatively impacts both the project and DHCD's investment, a justification for a different split (as low as 50/50) may be submitted for consideration.
- DHCD may require additional commitments from the project (such as a longer affordability commitment) in exchange for a reduced cash flow split.
- Deferred developer fee may be repaid ahead of DHCD.
- 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 below, sponsors must submit a request for waiver that includes a detailed explanation of the reason construction or rehabilitation costs are outside of these ranges. Staff will evaluate waiver requests for reasonableness on a case-by-case basis. Even if a waiver is approved, exceeding these cost guidelines will negatively affect a project's score.

Maximum Construction Costs per Gross Square Foot

Type of Building	New Construction	Substantial Rehabilitation	Moderate Rehabilitation
Townhouses	\$180	\$145	\$100
Garden Apartments/Condos	\$175	\$135	\$95
Elevator Buildings (.5 floors)	\$210	\$150	\$125
Mid-rise Buildings (6 or more floors)	\$240	\$165	\$140

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 a related party transaction where the property was acquired less than two years before the application date, the maximum acquisition price may not exceed the lesser of the "as is" appraised value of the property or the original acquisition price plus carrying costs acceptable to DHCD.
- For a related party transaction where the property was acquired two or more years before the application date, the maximum acquisition price may not exceed the appraised value of the property.

For 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.

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.

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. For projects with proposed operating reserves that are outside of this range, sponsors must submit a request for a waiver that includes a detailed explanation of the reasons operating reserves for the project should be set at a different level. Staff will evaluate waiver requests for reasonableness on a case-by-case basis to determine compliance with the threshold limits. DHCD—when evaluating guaranties for completion, lease-up, or operations—will consider the demonstrated financial capacity and liquidity of the owner or other guarantor.

At a minimum, funded operating reserves must remain in place until the project has achieved economic break-even operations for a fiscal year, as confirmed by its annual audit, and has reached 90 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 Requirements	5% to 10% of the net construction costs
Architect Design	2% to 6% of the construction contract
Architect Administration	1% to 3% of the construction contract
Construction Management	2% to 4% of the construction contract

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 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 2 percent - 4 percent of the construction contract amount.

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	Fee on Acquisition 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)	(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 not exceed a maximum debt service coverage ratio of 1.40 in the first year of sustained operations.

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. Applicants will submit a separate budget for PSH Case Management and Supportive Services, which are subject to DHS's cost caps (\$502/month for individuals and \$882/month for families).

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: financial structuring is like a rental; the LEC is a novice owner without deep pockets working with a professional team; commitments from residents must signal willingness to act more like owners than tenants. 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 permanent financing may not exceed 66 percent of total cost, inclusive of DHCD acquisition and rehabilitation financing.
- **Minimum Reserve Requirements:** Reserves should be budgeted on the high-end due to higher risk owner. Pre-funded operating reserves equal to nine months of operating expenses; 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 Developer/Technical Assistance provider with TOPA experience, or include such on team. The contact should be involved for the entire development period, with incentive payments to ensure TA works to 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 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 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 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.

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 (HMFI): 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 HMFI 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.

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 (HMFI) 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>.

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.

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))

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

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

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.

Applicants must use the FY 2018 version of the Form 202. Applicants should not alter the format or content of the workbook.

Project Income - "INCOME" Tab

Residential Rental Income - Low-Income Units:

For all low-income 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. Calculate annual income by multiplying the monthly income by 12 months. The total net leasable square footage for all units is the sum of the unit size multiplied by the number of units for each size and type. To calculate the vacancy allowance, multiply the total annual income for the low-income units in the project by an estimated vacancy rate. Subtract the vacancy allowance from the total annual income to determine the effective gross income of the low income units.

Residential Rental Income - Market Rate Units:

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

Nonresidential Income:

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

Subtract the vacancy allowance from the total annual income to determine the effective gross income for nonresidential units.

Effective Gross Income:

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

Non-Income Producing Units:

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

Tenant Paid Utilities:

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

Project Expenses - “EXPENSES” Tab

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

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

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

Total Operating Expenses:

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

Net Operating Income:

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

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

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

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

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

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

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

Construction or Rehabilitation Costs:

Net construction costs (shown in the Department’s Form 215 - Detailed Cost Estimate) are construction costs that do not include a builder’s general requirements, builder’s profit, general overhead, bond premium, construction contingency or other fees. Also indicate the builder’s general requirements, builder’s profit and overhead, as a percentage of net construction costs. Bond premiums include the actual premium paid for performance and payment bonds or the actual cost paid to a lending institution for letters of credit to ensure construction completion. A construction contingency as a percentage of the total construction contract is required to fund unforeseen construction work items.

Fees Related to Construction and Rehabilitation:

For the architect’s design and supervision fees, show the applicable percentage of the total construction contract. Real Estate Attorney Legal fees directly related to the loan closing are tax credit basis eligible. Marketing costs are generally limited to 1 percent of total development costs and 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. Annotate the spreadsheet to explain how “Construction Interest,” “Real Estate Taxes” and “Insurance Premium” are calculated. Mortgage Insurance Premium is the premium charged for mortgage insurance during the construction loan period only. Title and recording costs are those estimated by the title attorney. A financing (soft cost) contingency may not exceed 1 percent of total development costs to cover unanticipated interest and financing costs.

Acquisition Costs:

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

Total Development Costs:

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

Developer’s Fee:

These figures are automatically filled in at the maximum developer fee calculated at the bottom of the spreadsheet, unless a lower fee is requested here.

Syndication Related Costs:

These are costs incurred when syndicating a project with historic tax credits or LIHTCs. Syndication related costs may not be paid with DHCD loan proceeds. Generally, these costs are not included in the project’s tax credit basis.

Guarantees and Reserves:

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

Total Uses of Funds:

This is the sum of total development costs, developer’s fee, total syndication related costs, and total guarantees and reserves.

Uses Not Eligible for HPTF Financing - “Uses - Ineligible Uses” Tab

This tab is used to distinguish uses that are eligible for HPTF gap financing from those that are ineligible for HPTF gap financing.

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

- Eligible uses (line by line, and total)
- Ineligible uses (line by line, and total)
- Total uses
- Sources allocated to eligible uses
- Sources allocated to ineligible uses
- Total sources

In summary, 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.

Phased Sources and Uses - “Phased S&U” Tab

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

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

Uses:

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

Sources:

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

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

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

Include the interest rate and term for all loans.

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

Primary Debt Service Financing:

For the primary debt service, indicate the type of funds, the name of the bond issuer or lender, the required debt service coverage ratio (DSCR), the total annual payment, the interest rate, the amortization period of the loan, the actual loan term, and the maximum

supported loan amount. Also, show the annual payment associated with any bond insurance premium.

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

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

Subordinate Debt Service Financing:

For all loans that are subordinate to primary debt, show the type of funds, the name of the lender, the DSCR (if appropriate), the percentage of cash flow that will be applied to payments due on the loan (for cash flow loans), the anticipated annual payment, the interest rate, the loan term, and the loan amount. For grants, show the type of funds, the name of the grantor if not DHCD, the term of the grant (if applicable), and the amount of the grant.

Total Debt:

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

Equity:

Indicate the source and amount of equity proceeds generated from the sale of low-income housing and/or historic tax credits. Also, identify the developer’s equity that is not from syndication proceeds.

Total Sources of Funds:

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

Low-Income Housing Tax Credit - “TAX CREDIT” Tab

Only projects using LIHTCs need to fill out this portion of the application.

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

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

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

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

20 Year Operating Pro Forma - “PRO FORMA” Tab

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

Income:

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

Expenses:

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

Primary Debt Service Financing:

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

Subordinate Debt Service Financing:

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

Project Summary Information - “SUMMARY” Tab

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

Project Income:

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

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

Project Expenses and Cash Flow:

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

Sources and Uses of Funds:

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