

REQUEST FOR APPLICATIONS AFFORDABLE RENTAL COVENANTS PILOT PROGRAM (ARC)

Release Date: December 21, 2022

Responses Due: February 1, 2023 - 1st of every month thereafter

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Section 1: Request for Applications for the Affordable Rental Covenants Pilot Program

The District of Columbia Department of Housing and Community Development (“DHCD” or “the Department”), is releasing this Request for Applications (RFA) for DHCD's Affordable Rental Covenants Pilot Program (the “Program” or “ARC”). DHCD invites applications from qualified multi-family housing providers with vacant rental units in the Rock Creek West, Capitol Hill, Near Northwest, or Central Washington planning areas in Washington, D.C. (“Applicants”) Preference will be given to District Certified Business Enterprises (“CBE”).

Section 2: Goal and Budget of the Affordable Rental Covenants Pilot Program

Stable affordable housing in a high opportunity neighborhood affects the arc of someone’s life and economic opportunities. The goal of the ARC is to use financial incentives to propel the creation of covenanted affordable rental units in existing multifamily housing accommodations with vacant units in the Rock Creek West, Capitol Hill, Near Northwest, and Central Washington planning areas, as Multifamily housing accommodations are any structure or building comprising five (5) or more rental units. The planning area boundaries can be found here: [DC Planning Areas Map](#).

Through this RFA, the District will award financial subsidies to housing providers (“Awardees”) in exchange for the Awardees placing affordability covenants on one or more vacant rental units for a period of not less than fifteen (15) years. The newly covenanted vacant units will be affordable to households with incomes at or below 60% MFI. Applicable rents and allowable income will be pursuant to Inclusionary Zoning (IZ) rules, regulations, and procedures.

Occupied units are not eligible for ARC. It is not the intention nor the goal of the program to displace existing residents. The program will only be available to units that have been vacant for at least 31 days.

If five (5) or more rental units within one multifamily housing accommodation receive subsidies under this program, then at least 20% of the units receiving subsidy under this program must be affordable to households with incomes at or below 50% MFI. In cases where 20% of the total units receiving subsidy under the program is not a whole number, the number of units required to be affordable to households at or below 50% MFI is rounded up to the next whole number. For example, if six (6) units receive subsidy under this program, 20% of 6 units is 1.2 units, rounded up to the next whole number is two (2) units that would be required to be affordable to households with incomes at or below 50% MFI.

A total of \$5 million in funding is available for the ARC Pilot Program and is limited to multifamily housing accommodations with vacant units in the Rock Creek West, Capitol Hill, Near Northwest, and Central Washington planning areas. Housing providers applying to this RFA are asked to submit the level of subsidy they are seeking for each vacant unit based on the proposed affordability level of the vacant unit, however DHCD, at its own discretion, will determine the level of financial incentive that the District will be able to offer an applicant for the vacant rental units and covenant terms.

An Affordable Housing Covenant template (based on the IZ covenant) will be provided to Awardees and will prescribe how the maximum allowable rent for each vacant rental unit is to be derived. DHCD will conduct a lottery from its list of IZ-registered households to select possible tenants. The selected households will have their qualifications certified by a community-based organization (CBO) and once approved, the selected household may then sign a lease with the housing provider. This process will be required for the entire affordability period, including tenants re-certifying annually to ensure they continue to meet the income and household size requirements.

In any instance, the lower of the IZ allowable rent price or the stabilized rent price will apply, if any housing accommodation is subject to rent stabilization.

Section 3: Funding Terms

Vacant rental units proposed to be converted to affordable units must be in substantial compliance with all housing regulations and any other statutes or regulations that govern the condition of residential premises. Affordable rental units that receive subsidies under this program must be of similar quality and use as market-rate units in the same multifamily housing accommodation. Certificates of Occupancy will be required for each unit for which subsidy is requested prior to any funding disbursement.

Funds will be distributed to Awardees in two tranches: 1.) 75% of the total subsidy will be disbursed at time of covenant recording and 2.) 25% of the total subsidy will be disbursed upon affordable units being leased to qualified tenants.

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

1. the “as-stabilized” value, assuming restricted rents
2. the “as-stabilized” value, assuming unrestricted, market-rate rents.

Appraisals (or the most recent update) must be no more than 120 days old at the time of application. Any updated reports or studies requested by DHCD post-selection must be procured and returned promptly, and applicants are advised to budget for these costs now.

If the first trust lender orders an appraisal, DHCD shall have the right to review and rely on the first trust lender’s appraisal.

DHCD reserves the right to request an appraisal at the project’s expense.

DHCD will record the affordability covenants. Funds from this RFA may not be utilized to assist Awardees with renovations to the proposed vacant rental units. The initial tranche of funds will not be disbursed to Awardees until certificates of occupancy are received and the affordability covenants are recorded with the DC Recorder of Deeds.

Coordination between Awardees and DHCD will be required to ensure a covenant is executed on the vacant rental units and that prospective tenants will be selected through the IZ program's lottery and income certification process. General information about the IZ program is available [here](#).

The Awardees will be required to provide annual reporting to DHCD with information including but not limited to the rent level charged in the affordable rental units and the income levels of tenants residing in the affordable rental units.

Rental units receiving federal Housing Choice vouchers, Local Rent Supplement Program subsidies, or similar subsidies are not eligible for funding under the ARC Pilot Program.

Section 4: Application

APPLICATIONS FOR ARC MUST INCLUDE THE FOLLOWING INFORMATION:

Housing Accommodation Information

1. A COVER LETTER GIVING AN OVERVIEW OF THE HOUSING ACCOMMODATION, PROPERTY OWNERSHIP, PROPERTY MANAGEMENT, AND THE REQUEST FOR AFFORDABLE RENTAL COVENANTS SUBSIDY;
2. THE NAME AND CONTACT INFORMATION OF THE PROPERTY OWNER AND PROPERTY MANAGER AND A SUMMARY OF THE PROPERTY OWNER'S AND PROPERTY MANAGER'S EXPERIENCE WITH MAINTAINING AFFORDABLE HOUSING DEVELOPMENTS;
3. THE ADDRESS(ES) OF THE HOUSING ACCOMMODATION;
4. THE SQUARE AND LOT NUMBER(S) OF THE HOUSING ACCOMMODATION;
5. A DESCRIPTION OF ELIGIBLE PLANNING AREA IN WHICH THE AFFORDABLE UNIT(S) IS/ARE LOCATED INCLUDING AN AREA MAP SHOWING THE BOUNDARIES OF THE ELIGIBLE AREA WITH THE HOUSING ACCOMMODATION IDENTIFIED BY A LOCATION ARROW;
6. FLOOR PLANS OR LAYOUTS SHOWING THE AFFORDABLE RESIDENTIAL UNITS;
7. A COPY OF THE DEED EVIDENCING FEE SIMPLE OWNERSHIP

Unit Information

1. THE FOLLOWING INFORMATION MUST BE PROVIDED ABOUT THE PROPOSED VACANT UNITS:
 - A. NUMBER OF BEDROOMS IN EACH PROPOSED VACANT UNIT;
 - B. APPROXIMATE SQUARE FOOTAGE OF EACH PROPOSED VACANT UNIT;
 - C. DESCRIPTION OF ALL UNITS IN THE BUILDING, TO INCLUDE AT LEAST THE INFORMATION REQUIRED IN A. AND B. ABOVE;
 - D. AFFORDABILITY PERIOD OF COVENANT REQUESTED;
 - E. MAXIMUM LEVEL OF MFI TO WHICH UNITS WILL BE AFFORDABLE;
 - F. APPLICABILITY OF THE DISTRICT'S RENT STABILIZATION LAW TO THE UNIT(S);
 - G. PREVIOUS FIVE (5) YEARS OF RENTAL RATES CHARGED AT EACH PROPOSED VACANT UNIT;
 - H. PREVAILING RENTS IN THE MULTIFAMILY HOUSING ACCOMMODATION;
 - I. AMOUNT OF SUBSIDY REQUESTED PER VACANT UNIT; AND
 - J. SIGNED AFFIDAVIT EVIDENCING UNIT VACANCY FOR MORE THAN 31 DAYS.
2. CALCULATIONS AND JUSTIFICATIONS DEMONSTRATING HOW APPLICANT DERIVED THE REQUESTED AMOUNT OF SUBSIDY PER PROPOSED AFFORDABLE RENTAL UNIT.
3. CONFIRMATION THAT PROPERTY WILL COMPLY WITH EXISTING IZ RULES, REGULATIONS, AND PROCEDURES.

4. CONFIRMATION THAT ANY REQUIRED CONSTRUCTION TO ADDRESS VIOLATIONS OF ANY STATUTE OR REGULATION GOVERNING UNIT CONDITION WILL BE COMPLETED PRIOR TO COVENANT RECORDATION.

Required Attachments

The following documentation is required to be included with the narrative above:

Attachment A: If housing accommodation is owned by an entity, organizational chart and Resumes of owners/members/managers (if applicable) and Key Staff

Attachment B: [Basic Business License and Rental Accommodation Registration](#)

Attachment C: Certificate of Clean Hands from OTR (current within 90 days)

Attachment D: Certificate of Good Standing from DCRA (current within 90 days)

Attachment E: Two years of Audited Financial Statements and Tax Returns

Attachment F: DHCD Affordable Rental Covenants Form 202

Attachment G: Debarment Affidavit

Attachment I: Photographs of the interior and exterior of the property and proposed affordable units and, if applicable, remaining market rate units to demonstrate similar quality of condition.

Attachment K: Certificate of Occupancy for each proposed unit (if unit is under construction/renovation, Certificate of Occupancy must be presented at or prior to covenant recordation)

Attachment L: Appraisals demonstrating two valuations, the “as-stabilized” value, assuming restricted rents, and the “as-stabilized” value, assuming unrestricted, market-rate rents.

Section 5: Application Review and Selection Process

Applications are pre-screened for completeness and compliance. A multi-agency selection recommendation panel may be established to review and evaluate applications. Upon review of applications, DHCD may, in its sole and absolute discretion, conduct discussions with applicants and/or may request Best and Final Offers (“BAFO”).

The review panel will submit recommendations to the DHCD Interim Director who will make final selections in his/her sole discretion. The DHCD Interim Director may consider additional factors including the review panel recommendations, the goals of the program, the Mayor's budget priorities, resource availability, and the communities served in making the final grant award.

Preference may be given to applications that provide the most benefit to the District, including, but not limited to (in no particular order):

- Buildings built between 1975 and 2007;
- Number of vacant rental units that will be converted to affordable;
- Length of proposed affordability covenants;
- Applications that propose an average household MFI across the converted vacant rental units that is below 50% MFI;
- Proximity to [transit and neighborhood amenities](#);

- Number of proposed vacant units that are family-oriented units (meaning 3 or more bedrooms);
- Participation* in the District Sustainable Energy Utility’s Affordable Housing Retrofit Accelerator./
 - *if eligible

Post-Selection

The selected applicants will enter into a grant agreement with DHCD for implementation of the Program. The selected applicants will also be required to provide compliance documentation before grant execution. Awardees must be prepared to convert their units to affordable within four months after selection.

In accordance with District requirements, DHCD will conduct periodic evaluations of the use of the funds. The areas of review will include financial management, regulatory compliance, and program performance. Accordingly, the Awardees will be required to make available to DHCD all information and records necessary for the completion of its evaluation.

Section 6: Instructions to Submit Application

Application Submission Deadline

February 1, 2023 by 5pm EST and by the 1st of each month thereafter at the same time.

How To Submit the Application

Applications should be submitted via email to RFPQuestions@dc.gov, with “ARC” in the subject line. Applications can be submitted as a zipped .pdf attachment or a link can be provided for DHCD to download the application. Due to possible mailbox size constraints, after submission, applicants should send a second email without any attachments to the same email address to confirm DHCD’s receipt of its application.

Application Questions

Please email questions to RFPQuestions@dc.gov, with “ARC” in the subject line. Questions and Answers will be posted on the DHCD website.