



## **Affordable Housing Project Request For Proposals (RFP)**

*City of Madison, Community Development Division*  
Proposals Due: Friday, August 10, 2012, 4:00 p.m. CST

### **I. Purpose**

The City of Madison (the “City”) Community Development Division (“CDD”) is seeking proposals from for-profit and non-profit developers for projects that create, repair or preserve affordable rental or owner-occupied housing for low income households in the City. Preference shall be given to those projects that ensure that the Assisted Units remain affordable for the longest period possible.

The City is utilizing funds from the Affordable Housing Trust Fund (AHTF) to provide developers increased financial capacity to meet necessary project development costs. The City’s financing is generally “gap” financing. To allow for future investment in affordable housing, the City seeks to achieve a reasonable return of capital. Funds will be targeted to specific units that meet the income and rent restrictions further described in this RFP. The City is particularly interested in projects that provide for the greatest level of affordability. Projects funded by the AHTF shall be disbursed throughout the City so no single neighborhood experiences a disproportionate concentration of housing units for low income households.

The purpose of the AHTF is to meet the housing needs of lower income households within the City by:

- Increasing homeownership opportunities for low income households (less than or equal to 80% of area median income (AMI));
- Expanding the number of affordable rental units and/or improving the quality and/or diversity of units available to lower income households (less than or equal to 60% of AMI) throughout the community.

The City is particularly interested in proposals that meet the following objectives:

1. Reduce the number of foreclosures or foreclosed properties that negatively impact neighborhoods, especially 2-8 unit multifamily properties;
2. Assist or create housing in areas of the City characterized by poor quality housing, high cost housing or negative neighborhood image;

3. Assist or create affordable workforce housing that is in reasonable proximity to employment centers;
4. Reduce the number of individuals who are homeless due to a lack of affordable permanent housing options, particularly single room occupancy (SRO) units for single individuals.

## **II. Funding**

The amount that will be made available is \$1,500,000. A minimum of 60% of the funds must be utilized for households with incomes less than or equal to 60% AMI. Funds will be targeted as follows:

- A minimum of \$750,000 will be reserved for non-profit developers until September 1, 2012;
- Up to \$750,000 will be available for for-profit developers;
- \$375,000 is the maximum amount that will be approved for any project;
- \$150,000 is the minimum amount that will be approved for any project.

On September 1, 2012, if funds reserved for non-profits are not committed, either non-profit or for-profit developers may apply for these funds through the CDD monthly funding application process.

The funds made available will be in the form of an installment loan. The terms of the loan will be amortized over 10 years with 2.75% simple interest. Payments including principal and interest will be due annually beginning one year after project completion. Projects that utilize funds for shorter periods of time will receive preference.

## **III. Requirements/Scope of Service**

City staff will expect the developer to have the capacity to exercise independent judgment and to perform those actions necessary to achieve the project objectives. While the developer will be working under the general direction of the CDD, it should be understood the City has limited professional staff capacity to support the project and will rely on the personnel, experience and expertise of the developer to ensure all necessary components of the housing project are completed in a timely manner.

Developers are asked to complete the Affordable Housing Trust Fund Application to describe the details of the proposed project. All projects should meet the requirements outlined in the Scope of Services outlined below. The City also requests that the developer provide information on whether proposer's organization meets the definition of small business, minority business enterprise, or women's business enterprise.

Scope of Service includes but is not limited to the following:

### **1. Owner-Occupied Housing**

- a. Proposal for owner occupied housing must meet at least one of the four objective listed on pages 1 and 2.
- b. Single family housing must be created, preserved or repaired for households with income at or below 80% AMI. Housing cooperatives must be created, preserved or repaired for households with income at or below 60% AMI.

- c. Funds may be used only for housing units that do not exceed the HOME purchase price or value limit designated by the Federal Department of Housing and Urban Development (HUD).
- d. Staff will evaluate all proposals based on the project's contribution to increase the affordable housing stock, upon project need, and availability of resources to determine the appropriate level of funding. The CCD will consider a maximum investment of \$60,000 per unit.
- e. Projects should incorporate energy efficient features into the design.
- f. A minimum of 85% of the AHTF funds received shall be applied to design, engineering, or capital costs including acquisition, rehabilitation or labor and materials. A maximum of 15% of the total AHTF funds received may be applied to staffing and other soft costs.
- g. Projects may not exceed total secured funds to value ratio greater than 115%. Housing sold to income eligible buyers may not exceed a loan to value ratio of 100%.
- h. Housing must be kept income restricted for a minimum of 30 years. The project will be deed restricted during the period of restriction.
- i. The CCD shall secure its funding for capital costs with a promissory note and a mortgage in the form of a non-recourse loan.
- j. Housing (after rehab) shall comply with all applicable City minimum housing and building codes.

## 2. Rental Housing

- a. Housing must be created, repaired or preserved for households with income at or below 60% AMI whose rent is no more than 30% of gross income of a household at 60% AMI including utilities.
- b. Housing must be kept affordable and be income restricted for at least 30 years.
- c. Housing (after rehab) shall comply will all applicable City minimum housing and building codes.
- d. Staff will evaluate all proposals based on the project's contribution to increase the affordable housing stock, upon project need, and availability of resources to determine the appropriate level of funding. The CDD will consider a maximum investment of \$60,000 per unit.
- e. Projects should incorporate energy efficient features into the design.
- f. Newly constructed housing will be:
  - i. Located in areas of the city which do not have a high concentration of lower income housing, or
  - ii. Part of a larger neighborhood revitalization effort.
- g. Projects may not exceed total secured funds to value ratio greater than 115% from all sources.
- h. A minimum of 85% of all AHTF funds received shall be applied to design, engineering, or capital costs including acquisition, rehabilitation or labor and materials. A maximum of 15% of the total AHTF funds received may be applied to staffing and other soft costs.
- i. The CCD shall secure its funding for capital costs with a promissory note and a mortgage in the form of a non-recourse loan.

#### IV. Submission of Proposals

An electronic application on the prescribed form must be submitted by the deadline of 4:00 pm, CST on Friday, August 10, 2012 to the CDBG Office at [cdbg@cityofmadison.com](mailto:cdbg@cityofmadison.com). All late or incomplete submittals will be rejected. No verbal or faxed submittals will be accepted. Submittals should have a subject line of Affordable Housing Trust Fund Proposal.

#### V. Review Process and Criteria for Selection:

Proposals will be reviewed by CDD staff and referred to the CDBG Committee for funding recommendations. The City will consider the needs of the project, the experience of the borrower and any associated risk in the project. CDD staff and/or the CDBG Committee may request an interview with representatives of some or all proposals. Recommendations will be submitted to the Common Council for final approval.

#### Evaluation of Proposals

Applications will be evaluated and the developers selected based on the following criteria:

1. **Applicant/Developer Capability and Track Record.** The applicant's track record, including whether the applicant and/or development team has successfully completed and/or operated a similar type project or a project of similar scope and size. Capacity to undertake new or additional projects; ability to secure construction financing; the developer's approach, plan of work, recommended schedules, and suggested responsibility assignments. (25 points)
2. **Quality of References.** Qualification and experience in providing the requested development as exemplified by past projects and client contracts. (15 points)
3. **Neighborhood Contrast and Project Design.** Knowledge of and experience in identifying the affordable housing needs for the City., number of affordable housing units' and community impact. Energy efficient features and accessibility features. Compliance with all requirements outlined in this RFP's Scope of Services. Project consistency with the City's priorities and objectives outlined in this RFP. (40 points)
4. **Feasibility.** Individual component costs and revenue sources. Total project cost and value to be attained. Public purpose (but for the City investment, the project would not be feasible for the targeted income group), readiness of project to proceed and anticipated time frame to complete the project. Risk of the project. (25 points)
5. **SBE Responsiveness.** Projects that involve small business enterprises including small businesses, women owned businesses or minority owned businesses. (10 points)

Additional criteria for rental proposal:

1. **Property management experience** – number of units managed; years of experience; the number of affordable units managed and the performance record. Familiarity of the various funding sources for housing development and rental subsidies. (20 points)

Applications will be evaluated and bonus points shall be given to the following preferences:

1. Leveraging other public and private sources of funds (5 points);
2. Loan terms less than 10 years/2.75% interest and/or less than \$60,000 per unit (5 points);

3. Assisted units are part of a mixed income project, where income restricted units are distributed throughout the building or development so as to avoid a disproportionate concentration in any one area (2 points);
4. Assisted Units remain income restricted and/or affordable for longer than 30 years (5 points);
5. Energy improvements that lead to lower, long-term utility costs for occupants of Assisted Units (2 points);
6. Features that meet the highest accessibility standards as defined by federal, state and local requirements (3 points);
7. Consistency with the AHTF ordinance and any other similar policy statements adopted by the Committee from time to time (3 points).

The CDBG Committee will consider staff evaluations and may use other additional criteria to come to a full complement of recommendations.

#### **VI. Contract Negotiations:**

The City reserves the right to reject any and all proposals and to negotiate the terms of the contract, including the award amount, with the selected developer(s) prior to entering into a written agreement.

#### **VII. Questions/Contact Person:**

Questions concerning this proposal, the application, or the review process may be directed to Mary Charnitz, Grants Administrator by mail at Community Development Division, PO Box 2627, Madison, WI 53701; by email at [mcharnitz@cityofmadison.com](mailto:mcharnitz@cityofmadison.com); or by phone at 608/267-0742.