

Housing Forward: Rental Housing Request for Proposals 2022-2023

CDBG Committee
January 6, 2022

Housing Forward: Rental Housing RFP Goal

Increase the **quantity** of safe, quality,
affordable rental housing

throughout the City

particularly in locations that are well
served by **transit** and are proximate to
places of **employment, schools, parks,**
health care & other basic amenities

Housing Forward: Rental Housing RFP Goals

1. Increase the supply of safe, quality, affordable rental housing that ensures long-term affordability and sustainability. *NEW CONSTRUCTION*
2. Preserve existing income- and rent-restricted rental housing to ensure long-term affordability and sustainability. *PRESERVATION*
3. Improve the existing rental housing stock in targeted neighborhoods through acquisition/rehab to ensure long-term affordability and sustainability. *REHAB*

Highlights of Changes Since 2020 RFP

- ▶ Updates:
 - ▶ “License to hunt” allowed in specific areas of interest to the City
 - ▶ For-profit developer consideration
 - ▶ Maintaining Non-profit preference
 - ▶ Potential longer term affordability for wavier of shared appreciation

Evaluating Requirements & Preferences

▶ Requirements:

- ▶ Applications must meet all eligibility criteria outlined in the RFP
- ▶ Applicants that are willing to accept federal funds must also meet all federal requirements either at time of application or prior to a commitment of funds
- ▶ Proposals that do not meet these threshold criteria will be disqualified and deemed ineligible for funding

▶ Preferences:

- ▶ Applicants may desire to meet one or more of the RFP's preferences in order to make application more competitive
- ▶ Staff has designed these preferences so they align with Citywide priorities
 - ▶ Sustainability, access to frequent transit, marketing to vulnerable populations, etc.
- ▶ Proposals that commit to more preferences typically score better, but staff analyzes application to ensure applicant is not just “checking the box”

Evaluating “Capacity”

- ▶ CDD staff must evaluate agency capacity for organizations seeking federal funds
- ▶ Financial capacity refers to the ability of an agency to undertake a project as proposed and/or having sufficient funds to operate a program as presented to CDD
 - ▶ Is the organization financially stable and healthy?
 - ▶ How likely is the organization to default on its debts/financial obligations?
- ▶ Staff capacity refers to evaluating whether the agency has sufficient personnel with knowledge and experience with implementing a proposed development or program
 - ▶ Are there staff employed by the agency that have carried out similar programs in the past?
 - ▶ Are there enough staff employed or retained by the agency to operate this program without disruption to its other operations?

Underwriting Applications

- ▶ CDD staff have a fiscal responsibility and a federal requirement to underwrite applications for funding
- ▶ Underwriting is the process of staff comparing the financial assumptions and funding requests submitted by applicants against industry standards and federal guidelines for reasonable costs
- ▶ The City underwrites applications to ensure that responsive proposals are not over-subsidized (i.e. receive more funds than is necessary)
 - ▶ Sources & Uses: Staff evaluate expenses (uses) of the project to see how the project budget will be spent. We also make sure that the applicant is maximizing all available financing to ensure City subsidy is truly used to fill a “gap”
 - ▶ Leveraging: City funds are intended to be used as gap financing, so staff makes sure that the applicant is providing some of their own equity to fund the project and is maximizing the debt for which the project is eligible
 - ▶ Risk: No project is ever risk-free. Underwriting helps City mitigate the risks of investing funds in projects that are not feasible or may be likely to default

Evaluating Risks

- ▶ In addition to financial risks, there are several other sources of risk staff must consider when reviewing applications
 - ▶ Compliance: If a project that receives federal funding is out of compliance, the City faces numerous risks. Federal government may require repayment of all funds invested (and repaid funds must be from non-federal sources).
 - ▶ Relocation: Projects that will displace existing residents for rehab/construction must strictly adhere to URA, extending predevelopment timeline and increasing project costs. Awarded applicants that do not correctly document the process, sign statements in offers to purchase, or provide necessary payments to residents could be subject to lawsuits.
 - ▶ General real estate risk: Real estate development/investment is risky and subject to the economic/market cycles. City mortgage typically takes a junior position and may not be repaid in the event of foreclosure. If property is foreclosed on by senior lender, property may lose affordability (temporarily or permanently).

RFP Scoring Criteria

- Scoring criteria are developed for housing development, housing services, and homebuyer education proposals
- These criteria are meant to guide internal staff discussion
 - Award recommendations are not based on the score an application receives, in whole or in part
 - Scoring criteria do provide a foundation to discuss the merits of certain proposals over others based on location, financial feasibility, and the degree to which the application is responsive to preferences outlined in the RFP
- Criteria are weighed differently based on the importance of those preferences to the RFP and the community
- Not strictly relying on scoring to make decisions allows for more creative proposals and keeps the door open to agencies new to the City's process

General RFP Process & Timeline

Applications Due March 2nd

Staff Team Reviews Proposals and Develops Supplemental Questions

Applicants Present to CDBG Committee May 5th

Staff Analyzes Financials and Makes Staff Recommendations for Funding

Funding Recommendation Resolution Approval at CDBG Committee June 2nd