



Department of Planning & Community & Economic Development

Community Development Division

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Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

May ____, 2017

Request for Proposals Developers Seeking 2018 WHEDA Tax-Credits

City of Madison, Wisconsin Community Development Division

Due: _____

Introduction

The City of Madison (City) Community Development Division (CDD) is seeking proposals from developers that would utilize the City's Affordable Housing Fund (AHF) to leverage 2018 WHEDA Low-Income Housing Tax Credits (LIHTC) for projects that will expand, improve or preserve the supply of affordable rental housing. The City's primary objective is to add to the supply of affordable units.

The City will accept proposals from both non-profit and for-profit developers, as well as those that reflect strategic partnerships between two or more entities. City staff will review and evaluate proposals and formulate recommendations for financial assistance to selected projects. Those recommendations will be reviewed by the City's Community Development Block Grant Committee. The City's Common Council has final authority over financial aid offers.

Goals and Objectives

The City's goal is to maximize the competitiveness of applications to WHEDA that would result in LIHTC awarded to proposals located in the City that will accomplish the following objectives:

1. Increase the supply of safe, quality, affordable rental housing.
2. Improve the rental housing stock in targeted neighborhoods.
3. Preserve existing income and rent restricted rental housing that, without assistance, would convert to market rate housing at the end of the period of affordability.

Eligibility and preference criteria outlined later in this document offers incentives to accomplish the following within the City's three primary objectives; expand, improve and preserve affordable housing:

- Produce more quality rental housing that is affordable to lower income households and located in areas of the city that are well connected to common amenities such as public transportation, parks, schools, health care, food venues, employment, etc.
- Leverage, to the greatest extent possible, the use of other available resources, particularly Federal Low-Income Housing Tax Credits, administered by the Wisconsin Housing and Economic Development Authority.
- Increase the number of affordable rental units with three or more bedrooms, especially for households with very low incomes.
- Prevent the loss, or conversion to market rate status, of quality, income and rent restricted rental units that are nearing the end of their period of affordability.
- Achieve a wider dispersion of affordable rental housing throughout the city.
- Provide more housing opportunities for persons or families who face common obstacles obtaining housing, e.g., poor credit or rental histories, arrest or conviction records, etc. by utilizing alternative tenant screening criteria, e.g., AASCW, for prospective tenants who are connected to supportive services.
- Create greater housing opportunities, with supportive services, for low income persons or families with barriers to sustaining stable housing, e.g. mental health issues, substance abuse issues, recent release from prison, etc.
- Improve the coordination between affordable housing developers/property managers and housing support agencies in order to achieve housing stability and prevent homelessness.
- Assist in the revitalization of target neighborhoods through improvement of the existing housing stock.

It is the City's goal through this process to support 2-4 proposals with a goal of adding 120-150 affordable units to the supply.

Funding Availability

CDD anticipates having approximately \$3 million in City Affordable Housing Funds to support this Request for Proposals. Additional funds may become available if pending AHF projects do not receive 2017 LIHTC. The City may also utilize funds from other sources deemed most appropriate to the projects. Projects proposed within active TIF districts may qualify for assistance from that resource, which is managed by the City's Economic Development Division.

Assistance offered from City Affordable Housing funds will be contingent upon their authorization during the 2018 Budget process, which concludes in November of 2017. All funding awards will be contingent upon the receipt of 2018 LIHTC, the applicant's ability to secure other financing necessary for the project, and land use approvals and permits.

Financing Amounts and Terms

- CDD anticipates offering between \$15,000 - \$40,000 per unit of affordable housing. The size of subsidy offered will reflect the extent to which proposals match the City's overall goals, objectives and preferences as described in this RFP.
- The City may alter the terms and conditions of its loans from those described above for any proposal if it deems that is necessary to maximize the expansion of affordable housing units or incentivize the responsiveness to the stated preferences.
- Park impact fees related to the development of low-cost rental housing units are anticipated to be waived. A low-cost unit is defined as having an income restriction of less than or equal to 60% AMI and rents no greater than 30% of a household at 60% AMI.
- CDD anticipates that at least 50% of the funds offered to any project will be provided in the form of a 0% interest, long-term deferred loan, payable upon the sale, transfer or change in use of the property. Repayment will be based on a percent of the appraised value after rehabilitation or construction, derived from the amount of CDD funds invested in the project or the amount of the loan, whichever is greater.
- CDD further anticipates that up to 50% of the funds offered will be provided in the form of a 16-year term loan, amortized over 30 years. The interest rate will be set at 2.75% or the variable Annual Federal Rate, whichever is lower. Annual payments will commence one year after project completion, contingent upon sufficient cash flow to support the project. In the event that cash flow is insufficient to pay all or a portion of the annual payment, the balance of the payment due will be repaid at the end of the 16 year period.

Requirements and Preferences

Requirements

The CDD has identified the following conditions of eligibility:

- Applicant must seek 2018 LIHTC's. All awards will be contingent upon receipt of the credits.
- Applicant must demonstrate site control, unless the site is already owned by the City or the Community Development Authority.
- The organization applying for City funds must have an ownership interest in the development.
- The proposed development must meet the income, occupancy and rent restrictions of LIHTC.
- The proposed site for new construction must be located in an Eligible or Preferred Area as identified on the attached map. The site for an acquisition/rehab proposed development may be located anywhere within the City of Madison.
- Any proposal serving households with incomes at or below 30% AMI must have supportive services available for those households. It is anticipated that the developer, with assistance from the City as necessary, will forge a partnership for supportive

service provision with existing agencies that are currently working intensely with the population designated in the proposal

- A minimum of 15% of the proposed units must be available for households with income at or below 30% AMI.
- A minimum of 15% of the proposed units must include three or more bedrooms, at least half of which must be for families with incomes at or below 30% AMI (i.e. 60 total affordable units. 9 with three or more bedrooms and at least 5 for families at/below 30% AMI).
- A minimum of 20% of the proposed total units must include supportive services.
- Selected proposals will be required to apply for the Federal Home Loan Bank's Affordable Housing Program, if not already completed.
- Proposals will be required to have Plan Commission approval prior to January 31, 2018.
- Proposals must demonstrate strong connections with or proximity to key amenities such as employment opportunities, public transit, full service grocery store, health facilities, schools, etc.
- Projects will have a 30-year period of affordability (POA) requirement.
- Proposals seeking tax-credits through the WHEDA Supportive Housing set-aside will not be considered.

Preferences

In addition to the conditions of eligibility listed above, preference will be given to:

- Proposals from a non-profit who acts as Developer and Owner or a partnership between a non-profit and for-profit developer.
- Proposals in which more than 20% of the proposed units are available for households with income at or below 30% AMI.
- Proposals in which more than 20% of the proposed units include three or more bedrooms, with more than half for families with incomes at or below 30% AMI.
- Supportive housing that includes intensive on-site case management services with a minimum staff to supported household ratio of 1:10.
- Proposals that target units with supportive services for households experiencing or at risk of homelessness.
- Proposals that provide a non-smoking environment throughout the property.
- Proposals that include internet service that is low or no cost to the residents.
- New construction proposals with a site located in a Preferred Area as identified on the attached map.

Application Deadline

Applications are due no later than _____. Late proposals will not be considered. Proposals must use the Affordable Housing Application attached as Exhibit ____ and submit any additional documentation as outlined either in the application form or this RFP. The application form is also available on the City CDD website at the following link: <http://www.cityofmadison.com/dpced/communitydevelopment/funding>.

Developers are required to contact CDD staff at least two weeks prior to submitting your application to discuss how the City might best support a Tax Credit application.

In addition, all applicants are required to contact and meet with Planning Division staff at least three weeks prior to submitting an application to discuss land use approvals and permits. To schedule a meeting with Planning Division staff, contact Kevin Firchow at kfirchow@cityofmadison.com or 608-267-1150.

A site visit may be required.

Application Requirements

Proposals and all required additional documentation must be submitted electronically to the City CDD Office at CDDapplications@cityofmadison.com. Applicants must also submit 10 paper copies of their proposals by the deadline listed above. These must be individually and securely bound.

Proposals must include the following in order to be considered complete and thus eligible for consideration:

- Completed Application and Application Budget Workbook, showing the City's proposed financial contribution and all other proposed financing.
- Project Ownership Structure detailing the flow of funds.
- Detailed site map and a second map showing the site in the context of the City.
- Description of the development team's experience in the following areas:
 - a) Obtaining and utilizing federal, state, city and other financing resources
 - b) Participating in public/private joint ventures
 - c) Developing housing for low- and moderate-income households
 - d) Property management
- Experience in providing or partnering with agencies who provide supportive services, if the proposal includes such services, previous relationships with supportive housing service providers or experience in owning/operating other supportive service housing units.
- Three references for the development team based on similar projects as that being proposed.
- Current appraisal of the subject property.
- After-rehab/construction appraisal of the proposed project, if available at the time of application.
- Recent market study, prepared by a third-party market analyst, if available at the time of application.
- Capital needs assessment report of the subject property, if the proposal is for a rehabilitation project and if the report is available at the time of application.
- Phase 1 Environmental Report, if available at the time of application.
- Detailed WHEDA self-score based on WHEDA's scoring criteria.

If the appraisal, market study, needs assessment or Phase I Environmental Report are not available at the time of application, submittal of these items will be required as they are available and no later than one month prior to the start of contract negotiations.

Application Review and Scoring

Review

Proposals will be reviewed based on the following criteria:

- Application is complete, including all additional requested documentation.
- There are no known environmental issues that might significantly delay the project.
- Proposal includes documentation of site control and readiness to proceed.
- Proposal addresses the objectives, preferences and conditions of eligibility as described in the RFP.

Developers may be required to submit additional information upon request.

Scoring

Applications will be evaluated based on the following criteria:

- *Overall Quality (30 points)*

Development concept and plan, number of units and types of units, unit amenities, proximity to transportation and services, sensitivity to neighborhood needs, proposal vision and goals, anticipated market demand, readiness to proceed, compliance with eligibility requirements.

- *Responsiveness (20 points)*

Level of responsiveness to overall City goals, objectives and preferences as described in this RFP.

- *Feasibility (20 points)*

Development proforma details reasonable sources and uses of funds and includes all project costs. Operating budget details reasonable costs and cash flow over the period of affordability. Financial structure details other resources, financial strength of proposal, financial strength of applicant, and includes reasonable assumptions and projections. WHEDA self-score is accurate and reasonable and also includes project income mix and income targeting information

- *Proposed Site (20 points)*

Access to schools, transportation, groceries and other key amenities and/or benefit to surrounding neighborhood; impact on schools; suitability for new construction or major rehabilitation; conformance with adopted plans; ability to achieve zoning requirements and secure permits and/or approvals; level of Alder support; and level of neighborhood support.

- *Capacity Experience and Qualifications (10 points)*

Demonstrated capacity to produce a high-quality product – based on successful history of developing affordable housing.

Each proposal will be evaluated according to the criteria listed in this section. The top scoring proposals will be recommended for further consideration. Development teams that remain under consideration will be expected to present to the review team the week of _____. Those proposals recommended to receive financial support, in an amount and under terms the City deems necessary for the financial feasibility of the project, will be submitted to the CDBG Committee. Developers will be expected to make a project presentation to this Committee on _____. CDBG Committee recommendations will be forwarded to the Common Council for final approval.

Initial and Ongoing Project Requirements

The City will secure its funding with a promissory note and a mortgage in the form of a non-recourse loan.

Applicants offered financial support will be required to enter into a Land Use Restriction Agreement, recorded in first position, for the period of affordability.

During the period of affordability, the City will require the recipient of its funds to provide detailed compliance reports. The City will require the recipient of its funds to submit periodic reports on the project for the term of the loan. Due dates and specific requirements will be established within the Loan Agreement. The City reserves the right to schedule site visits to verify compliance with the terms of the City agreement.

Contract Negotiation and Administration

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 prior to entering into a written agreement.

Funding awards resulting from this RFP will be administered by the City of Madison Community Development Division.

Questions and Contact Persons

Questions concerning this RFP, the application, the review process or to schedule a meeting prior to the application deadline may be directed to Community Development Division staff as follows:

- Mary Charnitz, Grants Administrator
mcharnitz@cityofmadison.com
608-261-9661
- Susan Morrison, Community Development Supervisor
smorrison@cityofmadison.com
608-266-1053