

## **Division of Housing and Community Development**

### **REQUEST FOR PROPOSALS**

#### **Affordable Rental and Special Needs Housing Development 2017**

**April 2017**

The Division of Housing and Community Development (DHCD) is soliciting proposals to finance the development of rental and special needs units designed to serve low- and moderate-income households using funding from the Philadelphia Housing Trust Fund (HTF), federal HOME and Community Development Block Grant (CDBG) funds. This Request for Proposals (RFP) is designed to assist in providing gap financing for rental projects that will seek Low Income Housing Tax Credits (LIHTC), including Preservation Credits, from the Pennsylvania Housing Finance Agency (PHFA) in its year 2017 Cycle. PHFA's deadline to submit LIHTC applications is September 8, 2017. The City is also soliciting proposals for affordable rental projects seeking Four Percent Tax Credits from PHFA.

Please note that any proposal that received a commitment or conditional commitment of HTF, HOME or CDBG funds for LIHTC rental development from DHCD in the past and that has not been awarded LIHTC by PHFA **MUST** submit a new proposal in response to this RFP. Only proposals received in response to this RFP will be considered for City support for Four Percent Credits and for Nine Percent Credits in the 2017 PHFA tax credit round.

**Please note that any development with an existing commitment of a Four Percent or Nine Percent tax credit award from PHFA is NOT eligible for financing under this RFP.**

In an effort to maximize scarce affordable housing resources, the City will be coordinating this RFP with Philadelphia Housing Authority's RFP for public housing operating subsidy under its Annual Contributions Contract (ACC) for projects seeking Four Percent and Nine Percent Low Income Housing Tax Credits. Responses to this RFP may also be coordinated with the Philadelphia Continuum of Care Request For Proposals for New Projects for the 2017 Continuum of Care competition, which provides funding for acquisition, rehabilitation, new development, rental assistance, leasing, operating, supportive services, and/or administration funding for housing projects serving people experiencing homelessness.

Proposals received in response to this RFP will be reviewed by an interagency group comprised of representatives of the DHCD, the Commerce Department, the Philadelphia Redevelopment Authority (PRA), the Office of Homeless Services, the Department of Behavioral Health and Intellectual disAbility Services (DBHIDS), the Philadelphia City Planning Commission and the Philadelphia Housing Authority (PHA). Proposals submitted to the RFP should be generally consistent with Selection Criteria for Rental and Special-Needs Projects, Appendix pp. 13-18 in the *Year 43 Preliminary 2017-2018 Annual Action Plan*, which is available at [www.phila.gov/dhdc](http://www.phila.gov/dhdc). Please note that these criteria have been revised since the last RFP.

CDBG and HOME funds are available to for-profit developers and nonprofit developers. HTF earnings are available only to nonprofit developers. Since LIHTC developments are structured as for-profit entities, nonprofit entities seeking HTF earnings are eligible only if they meet the HTF partnership requirements and other HTF requirements detailed in Attachment A. The City reserves the right to award funding to developments using the mix of funding sources, including ACCs, it deems most appropriate for the development and to meet the overall goals of the City's affordable housing program.

## Development Preferences

The City and PHA recently completed an Assessment of Fair Housing (AFH) under Department of Housing & Urban Development's (HUD) new Affirmatively Furthering Fair Housing rule. This AFH includes the detailed data analysis and comprehensive citizen input used to identify a range of barriers to fair housing and access to opportunity. The City, PHA and a diverse set of stakeholders worked together to create goals and strategies to overcome these barriers (See Attachment D).

The City has established preferences for certain types of development projects to advance the AFH strategies and to align with PHFA development preferences. All of the development preferences detailed below were selected to improve housing options, increase access to opportunity and create strong neighborhoods. The preferences are consistent with the City's commitment to implement a balanced approach to invest in weak market neighborhoods to strengthen them, to create opportunities for low- and moderate-income households in high-opportunity communities and to preserve affordability in appreciating markets. The list below is not in priority order. Applicants can submit projects that fall into multiple preferences.

1. **Large Families** – Developments providing units with three or more bedrooms for large families.
2. **Senior Occupancy 62+ with Services** – Developments must provide a range of services and access to amenities to promote independent living for seniors.
3. **Homeless and Special Needs Projects** – Developments that provide permanent supportive housing for those individuals and families that meet the HUD's definition of homeless (see Attachment C – Definitions). Depending on HUD funding constraints, preference may be given to those projects seeking to serve a specific subpopulation – generally this refers to households that meet the HUD definition of chronically homeless. Developers are encouraged to implement a Housing First approach (see Attachment C – Definitions) and provide or arrange for supportive services for all participants necessary to maintain their housing and live independently.
4. **Affordable Preservation** – Applications to extend the long-term affordability and habitability of a development and/or to prevent the likelihood of conversion to market-rate housing. These applications must be supported by a market study and capital needs assessment.
5. **Mixed-Use** – Developments designed to revitalize neighborhood commercial corridors, leverage other community-based development and/or private redevelopment projects, and expand the City's employment base. Projects must be located on or near commercial corridors. **Upon completion of the project, the vacancy rate on the block may not exceed 20 percent.** Eligible properties may have a vacant property on one side, but not both sides.
6. **High Opportunity and Transitioning Markets** - These areas include strong markets with access to a broad range of amenities but limited or no availability of affordable housing and appreciating markets where the availability of affordable housing is threatened. The Eligibility Map and Census Tracts can be found in Exhibit F.
7. **The City's Place-Based Neighborhoods** – These areas provide funding and leveraging opportunities and include the Sharswood Choice, Norris Choice, 22<sup>nd</sup> Police District, and the Promise Zone neighborhoods (See Place-Based map boundaries in Exhibit G)

## General Program Requirements

### Eligible Applicants

Applicants must be for-profit or nonprofit organizations or partnerships. While LIHTC projects are structured as for-profit partnerships in order to syndicate tax credit proceeds, the controlling entity of the partnership must be an eligible nonprofit entity in order to qualify for HTF earnings. Other types of entities are eligible for CDBG or HOME funds, as applicable. CDBG funds cannot be used for new construction developments by a for-profit developer.

### Eligible Activities

The goal of the RFP is to identify projects that will create a diverse range affordable rental and special needs housing opportunities for low- or moderate-income households. Household incomes must also be consistent with the requirements of the LIHTC program, and/or ACC's as applicable.

Under this RFP, gap financing will be provided for the development of eligible projects. Both rehabilitation and new construction housing developments are eligible under this RFP. HTF dollars (but not HOME or CDBG) may be used to support internal rent subsidies to ensure affordability at 30% of median income or below.

Only projects that expect to submit applications for Nine Percent Low Income Housing Tax Credits in the September 2017 round or projects seeking Four Percent Credits are eligible to apply to this RFP. Applicants should familiarize themselves with PHFA's requirements and submit applications to this RFP that are eligible for funding from PHFA. The proposal submitted to PHFA should be consistent with the proposal submitted to this RFP in location, number of units, development entity, income mix and financing. The City reserves the right to withdraw its commitment of financing to a project submitted to PHFA that is inconsistent with the proposal submitted in response to this RFP.

Please note that any development with an existing commitment of a Four Percent or Nine Percent tax credit award from PHFA is NOT eligible for financing under this RFP.

### Design Consideration

Developers are encouraged to incorporate sustainable design and construction techniques and maximize energy efficiency and indoor air quality in both new construction and renovation projects. Strategies may include:

- Energy audits and modeling (EnergyWorks)
- Construction & Demolition Waste Recycling (can be a cost saver)
- "Green Lease" language to overcome split incentive
- Certification or consistency under LEED, EnergyStar, Enterprise Green Communities or other third party rating system

### **Accessibility, Special Needs and Visitability**

All affordable rental housing projects must meet the following Set-Aside Requirements:

- Ten percent (10%) Physical disability
- Four percent (4%) Hearing and Vision Disability
- Ten percent (10%) Homeless and Special Needs.

Rental Projects exceeding the 10 percent Special Needs and/or Accessibility requirements will be given priority consideration.

All Homeless and Special Needs units are required to be filled via referrals from the Supportive Housing Clearinghouse. In many cases, individuals referred from the Supportive Housing Clearinghouse will come with a behavioral health service package. See Attachments A and B for specific HTF visitability requirements.

Applicants that are eligible and willing to participate in the **HUD Section 811 Demonstration Program** by providing units designated for persons with disabilities ages 18-61 will be given priority consideration.

### **Readiness to Proceed**

Priority will be given to projects that are ready to go and can spend funding upon approval of LIHTC from PHFA. Projects that will not have site control as required by PHFA for its LIHTC RFP will not be funded. The purpose of this RFP is not to develop a pipeline of projects that will need gap financing in the future.

### **Maximum Funding Request**

No project may apply for more than \$2 million in total subsidies administered by DHCD (CDBG, federal HOME and HTF). Proposals with requests greater than \$2 million from DHCD will not be considered.

The Commerce Department has set aside up to \$500,000 to fund the commercial/retail portion of Mixed-Use projects. To be eligible for this financing, the project must be located on or near commercial corridors.

### **Financial Feasibility/Leveraging**

Priority will be given to projects that highly leverage the City's gap financing. Projects that leverage higher amounts will be ranked higher. Projects with substantial financing gaps with unrealistic plans to receive commitments by PHFA approval will be ranked significantly lower.

## Proposal Format

Applicants must submit an unbound original and six (6) copies of the proposal. Proposals should be limited to twenty (20) pages of double-spaced text, excluding the required forms and exhibits. Qualified applications must include the following sections, which should be clearly identified and submitted in the following order:

### 1) Project Summary

Provide a short summary of the project on the Project Summary form (Exhibit A). Include the project name, developer, project location, number of units, number of accessible, special needs and visitable units, total project costs, and amount of CDBG, HOME and/or HTF subsidy requested.

### 2) Project Description

Describe the type of project and scope of activity being proposed, indicating:

- Type of housing being developed (new construction, rehabilitation, preservation)
- Population to be served by this development, including an estimate of the number of housing units to be rented to each of the following income groups:
  - Household income <20% of area median.
  - Household income >20% and <30% of area median.
  - Household income >30% and <60% of area median.
  - Household income >60% and <115% of area median.

Applicants **MUST** provide estimates based on these income categories. If the project proposes to serve households with incomes less than 30% of area median, the applicant must explain how these households will afford tax credit rents and describe any rental reserves, rental assistance, etc., to be provided.

- Describe the services to be offered to the residents and the funding sources for these services.
- Street address, zip code and police district of each property in the project.
- Current ownership of each property.
- Current zoning, use and occupancy status of each property.
- Site control, including documentation of options to lease or buy.
- Description of completed properties (building type, square footage, number units by bedroom size, parking, lot size, etc.) Please provide renderings, site plans and floor plans if available.
- Green and/or sustainable elements.
- For Mixed-Use projects, describe plans for the commercial portion of the project and the market analysis undertaken to inform the commercial use.

### 3) Neighborhood Context and Location

Is the project consistent with any existing neighborhood plan? Is the project located in one of the City's neighborhood priorities (see Exhibit F)? Does the project support past private or public investment in the community? Is the project part of a phased approach to housing and community development? Is the project a suitable strategic reuse of the site within the neighborhood? How is the

project expected to affect neighborhood property values? What are the prospects for stimulating private reinvestment in the area? Please describe.

#### 4) Community Engagement

Project sponsors must seek local community input for their plans and share their proposals with community-based organizations before responding to this RFP. Project sponsors must have conducted one community meeting with the community group(s) that represent the neighborhood where the project will be located. Please provide date and sign in sheet from the meeting and summarize any comments received from the community.

#### 5) Budgets

Complete the budget forms listed below, which identify anticipated development and other costs for the project.

- The Development Pro Forma (Exhibit B), which identifies the total development cost and the sources and uses of funds.
- The Operating Budget (part of Exhibit B), to provide operating costs and cash flow over a 15 year period.
- Tax Credit Summary (Exhibit B), to provide details on the amount of tax credits being requested from PHFA, the equity raise (as cents on the dollar), and the amount of funds being requested (if any) from PHFA.

Provide supporting evidence of all funding commitments received, and a list of pending applications with dates of submission and expected awards. Applicants must submit a Letter of Intent (LOI) from an equity investor committing LIHTC syndication proceeds and the amount of equity expected to be raised.

Housing developments where the replacement costs exceed the Cost Containment Policy, the developer must utilize a competitive bidding process to procure and select a general contractor. For purposes of calculating project costs the cost of environmental remediation, remediation of subsurface conditions, demolition of structures, and meeting requirements of the Philadelphia Historical Commission may be excluded from the total calculation. The developer must provide documentation to the PRA for associated costs for review and approval by PRA staff.

Note: developments meeting the Passive House Requirements for energy efficiency can exceed the Cost Containment Policy by 10 percent. Please be advised, the PRA does not grant waivers for this requirement.

#### 6) Site Control and Timetable

Provide a detailed description of the project's site control, both at the time of application and anticipated at the time of PHFA LIHTC application deadline. Identify key benchmarks for project development, including financing, pre-development activities, construction start, construction end and leasing.

### 7) Development Team

Provide a description of each member of the development team, such as developer, attorney, contractor, architect, consultant, management agent, etc. Describe the legal entity (owner) that will be formed to develop the project. For HTF funded-developments, indicate how a qualified nonprofit entity will be the controlling interest in the project. How does this venture further the developer's long-term mission or business plan? Provide a list of recent development/management projects and status of each activity.

### 8) Office of Economic Opportunity

The attached "Economic Opportunity Plan" (Exhibit C) details the procedures that must be followed regarding participation ranges. Complete the required forms (OEO Forms, Exhibit D), and submit them in the RFP response. If Exhibit D cannot be completed because contractors, subcontractors, suppliers or vendors have not been solicited, complete the Contractors Certificate of Compliance (Exhibit E). Please provide a narrative about the proposed plan and process to solicit MBE/WBE contractors. Include in narrative of past experience in meeting MBE/WBE participation goals.

### **Threshold Criteria**

The City has identified minimum Threshold Criteria required for this RFP. Proposals that do **NOT** meet the required Threshold Criteria below will be deemed ineligible and will **NOT** be reviewed. The Threshold Criteria is as follows:

- Incomplete or omission of the required forms:
  - Project Summary Sheet
  - Development and Operating Budgets
  - OEO Forms
- No Tax Investor LOI
- For preservation projects, no third party construction cost estimate
- Timeline not included
- No evidence of site control
- Request exceeds subsidy limits

## **Proposal Evaluation**

Proposals meeting Threshold will be evaluated on the following criteria:

### 1) Neighborhood Context, Design and Location

Appropriateness of the proposed development for the neighborhood. Discussion of housing market and location to amenities/opportunities. Location in one of the City's Preferences (High Opportunity/Transitioning Markets, Place-Based Priority, Mixed-Use). Evidence of conducting at least one community meeting. Consistency with existing neighborhood and/or Planning Commission District plans, if any. Site plan, building design and amenities. Impact on other public or private investment. Green or sustainable design elements such as LEED for Neighborhood Development.

### 2) Developer Capacity and Track Record

Strength and track record of the development and management team. Identify non-compliance issues. Capacity to undertake new or additional projects. Ability to secure construction financing and equity financing.

### 3) Population Served

Preference populations served (Senior, Large Families, Homeless/Special Needs). Affordability. For HTF funding, priority will be given to proposals serving households at or below 30 percent of AMI. Supportive services to be provided. Marketability.

### 4) Site Control and Readiness to Proceed presented in a detailed development timeline.

Status of site control and zoning. Please be advised that projects who have zoning in place will be considered more favorably. Status of other funding commitments. Other funding commitments should include documentation from funding sources. Evidence of operating subsidy commitments.

### 5) Development Budget

Should include all sources of financing and amounts. For example, total City Subsidy, Federal Home Loan Bank Funds, Limited Partner Equity, General Partner Equity, Reinvested Developer Fee. Development Costs should include detailed construction cost, soft costs, financing fees, reserves, developer fee which is limited to 10% of replacement cost, syndication fees etc. Per unit and per square foot development and subsidy costs.. LOI from an Equity Investor.

### 6) OEO Responsiveness

Detailed plan to meet goals. Past performance listing projects developed and goals achieved.



## Briefing Session

Interested parties are strongly encouraged to attend a briefing session:

Tuesday, May 16, 2017 at 3pm  
DHCD Board Room  
1234 Market St., 17<sup>th</sup> Floor  
Philadelphia, PA 19107.

This room is accessible to persons with disabilities. If accommodations in order to participate are required, please contact James O'Toole at 215-686-9760 (TDD 215-686-9803) or email him at [james.o'toole@phila.gov](mailto:james.o'toole@phila.gov). Advance notice of 72 hours is required for sign-language or non-English interpretation services.

## Proposal Submission

Proposals must be in the format described above. An unbound original and six (6) copies of the proposal must be delivered no later than 4 p.m. on Friday, June 16, 2017 to:

Division of Housing and Community Development  
1234 Market St., 17<sup>th</sup> Floor  
Philadelphia, PA 19107

Attention: Melissa Long, Deputy Director

Questions related to the RFP may be directed to Melissa Long, Deputy Director, at 215-686-9789, or to [melissa.long@phila.gov](mailto:melissa.long@phila.gov). The deadline for submitting questions is May 31, 2017.

Proposals received after the deadline will not be accepted and will not be reviewed. The City assumes no liability for costs incurred in proposal preparation. The City reserves the right to accept or reject proposals or to seek additional information from any applicant. The City is under no obligation to award all available funds through this RFP, and reserves the right to reallocate funds between funding categories.

## **Attachment A -- Housing Trust Fund Requirements**

Projects seeking HTF assistance from this RFP must meet the legal requirements of the HTF, including:

- Development by a nonprofit organization, or a joint venture in which a nonprofit organization is the controlling partner with demonstrated capacity. No funding will be provided for a project sponsored by a nonprofit entity that is controlled by either a for-profit or by a public entity.
- Adherence to the “Equal Opportunity/Affirmative Action Requirements and OHCD Policies” set forth in the *Year 43 Preliminary 2017-18 Annual Action Plan*. Selected developers must comply with other requirements, such as the Equal Opportunity Plan required by ordinance 060226-AA, as applicable.
- Meeting the accessibility and visitability requirements of the HTF as defined in local ordinance and the Mayor’s Executive Order. All new construction units must be made visitable or, alternatively, an amount equal to \$3,000 multiplied by the total number of new construction units built in the project is required to be spent to make as many of the units as possible visitable. Visitability and/or accessibility requirements may be waived or reduced for a project if such requirement(s) renders the project financially infeasible, or if site conditions are unsuitable, but any such waiver does not exempt the project from any other applicable requirements regarding visitability and/or accessibility. See Attachment B for a definition of “visitable.”
- Meeting the requirement that households benefiting from the housing development pay no more than 30 percent of their income for housing, unless allowed by another federal or state funding source.

The HTF requires that 50 percent of all program funds, including housing production, home repair and homelessness prevention, on a yearly basis be used for programs and projects that benefit households with incomes, adjusted for size, equal to or less than 30 percent of the Philadelphia area median income, and 50 percent be used to benefit households with incomes between 30 percent and 115 percent of area median income. Serving households at or below 30 percent of the Area Median Income is not only a requirement of the HTF, but a goal of this RFP. Proposals serving that population will be given priority in funding awards. In making HTF awards, the City reserves the right to adjust funding among affordable housing development categories, based on responses received through Requests for Proposals.

## **Attachment B – Visitability**

“Visitable” shall mean the following amenities in a dwelling unit:

- One zero-step entrance to the dwelling that will permit a visitor using a wheelchair to enter the main level floor of the dwelling through a doorway entrance that has a minimum 32” opening.
- A usable path of travel throughout the interior main level floor that is no narrower than 36” at any point except for interior doorway openings with a minimum 32” opening.
- A powder room on the main level floor that has a doorway entrance with a minimum 32” doorway opening, sufficient space to close the door while inside the powder room, a minimum 30” x 48” floor space clearance, and reinforced walls for future installation of grab bars to provide access to the toilet if necessary.

## **Attachment C – Definitions**

### **Homeless person**

Persons assisted with permanent supportive housing must be homeless and come from:

1. places not meant for human habitation, such as cars, parks, sidewalks, and abandoned buildings;
2. an emergency shelter and/or Safe Haven;
3. transitional housing for homeless persons and who originally came from the streets or emergency shelter.

If a person is in one of the three categories above, but most recently spent 90 days or less in a jail or institution, he/she qualifies as coming from one of these three categories.

### **Disabled Persons**

Either the head of household or a person (could be a child) in the household must be disabled based on the following definition:

1. A disability as defined in Section 223 of the Social Security Act;
2. Having a physical, mental, or emotional impairment that (a) is expected to be of long- continuing and indefinite duration, (b) substantially impedes an individual's ability to live independently, and (c) is of such a nature that such ability could be improved by more suitable housing conditions;
3. A developmental disability as defined in Section 102 of the Developmental Disabilities Assistance and Bill of Rights Act; or,
4. The disease of acquired immunodeficiency syndrome (AIDS) or any condition arising from the etiological agent for AIDS or
5. A diagnosable substance abuse disorder.

A disability may be physical or mental, including developmental, or an emotional impairment, including impairment solely due to alcohol or drug abuse. Persons living with HIV/AIDS are considered disabled for the purposes of this program.

### **Chronically Homeless Individuals/Families – HUD Definition**

Chronically homeless means:

1. A “homeless individual with a disability,” as defined in the Act\*, who:
  - Lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; and
  - Has been homeless (as described above) continuously for at least 12 months or on at least four separate occasions in the last three years where the combined occasions must total at least 12 months. (Occasions separated by a break of at least seven nights and stays in institution of fewer than 90 days do not constitute a break.)
2. An individual who has been residing in an institutional care facility for fewer than 90 days and met all of the criteria in paragraph (1) of this definition, before entering that facility; or
3. 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 in paragraphs (1) or (2) of this definition, including a family whose composition has fluctuated while the head of household has been homeless.

**Housing First**

Housing First is a model of housing assistance that is offered without preconditions (such as sobriety or a minimum income threshold) or service participation requirements, and rapid placement and stabilization in permanent housing are primary goals.

**Permanent Supportive Housing**

Permanent Supportive Housing for Persons with Disabilities is long-term, community-based housing and has supportive services for homeless persons with disabilities. This type of supportive housing enables special needs populations to live as independently as possible in a permanent setting. The supportive services may be provided by the organization managing the housing or coordinated by the applicant and provided by other public or private service agencies. Permanent housing can be provided in one structure or several structures at one site or in multiple structures at scattered sites. In this type of housing, no more than 16 persons may be housed in one structure – or an explanation is required as to how local market conditions necessitate a program of the proposed size, and how “neighborhood integration” can be achieved for the program participants.

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\* Homeless Emergency Assistance and Rapid Transition to Housing Act (HEARTH)