

Division of Housing and Community Development

REQUEST FOR PROPOSALS Affordable Rental Housing Production Projects

May 2018

The Division of Housing and Community Development (DHCD) is soliciting proposals to finance the development of rental 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 funds. This Request for Proposals (RFP) is designed to assist in providing gap financing for rental projects that will seek Four Percent Low Income Housing Tax Credits (LIHTC) from the Pennsylvania Housing Finance Agency (PHFA).

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.

Also note that the development of affordable units for which a developer is receiving a density bonus under the Mixed-Income portion of the Zoning Code is NOT eligible for financing under this RFP.

In addition, the City has set aside CDBG resources to fund the development of the commercial/retail portion of Mixed-Use projects seeking Four Percent Low Income Housing Tax Credits. To be eligible for this financing, the project must be located on or near a commercial corridor. 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.

In an effort to maximize scarce affordable housing resources, the Philadelphia Housing Authority may make available public housing operating subsidy under its Annual Contributions Contract (ACC).

Proposals received in response to this RFP will be reviewed by an interagency group comprised of representatives of DHCD, PHA, the Commerce Department, the Philadelphia Redevelopment Authority (PRA), the Office of Homeless Services, and the Philadelphia City Planning Commission. Proposals submitted to the RFP should be generally consistent with the Rental Selection Criteria, Appendix pp. 13-21 in the *City's Annual Action Plan Federal Fiscal Year 2018 (City Fiscal Year 2019)*, which is available at www.phila.gov/dhcd.

CDBG and HOME funds are available to for-profit developers and nonprofit developers. Housing Trust Fund earnings are available only to nonprofit developers. Since Low Income Housing Tax Credit 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.

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.

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.

Readiness to Proceed

Priority will be given to projects that have site control, zoning approval, and all funding commitments in place, and those which can commence upon funding approval of LIHTC from PHFA.

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.

Leveraging

Priority will be given to projects that highly leverage the City's gap financing. Projects that leverage higher amounts will be ranked higher.

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 Sustainability

Is the project consistent with the City Planning Commission's Plan and/or other existing neighborhood plans? 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 promoting sustainability through green and stormwater infrastructure elements? How is the project expected to affect neighborhood property values?

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) Timetable

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, etc. Describe the legal entity (partnership) that will be the developer. 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 summary of other related housing development activity that each team member is undertaking or has undertaken.

8) Office of Economic Opportunity (OEO)

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 include 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 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
- Timeline not included
- No evidence of site control
- Request exceeds subsidy limits

Proposal Evaluation

Proposals will be evaluated on the following criteria:

Neighborhood Context and Design

Appropriateness of the proposed development for the neighborhood and consistency with plans and strategies. Site plan, building design and amenities. Impact on other public or private investment. Green or sustainable design elements. Consider including LEED for Neighborhood Development.

Developer Capacity and Track Record

Strength and track record of the development team. Capacity to undertake new or additional projects. Ability to secure construction financing and equity financing.

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

Status of site control and zoning. Please be advised that projects that 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.

Population Served

Affordability. For HTF funding, priority will be given to proposals serving households at or below 30 percent of AMI. Supportive services to be provided (if for a specialized population). Marketability.

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.

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:

Thursday, May 24, 2018 at 12 p.m.

DHCD Board Room
1234 Market St., 17th Floor
Philadelphia, PA 19107

This room is accessible to persons with disabilities. If accommodations in order to participate are required, please contact Antoinette Garcia at 215-686-9723 (TDD 215-686-9803) or email her at antoinette.garcia@phila.gov. Advance notice of 72 hours is required for sign-language interpreter 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 Thursday, June 28, 2018 to:

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

Attention: Melissa Long, Deputy Director

Questions related to the RFP may be directed to Melissa Long, Director, at melissa.long@phila.gov. Questions must be submitted in writing by June 13, 2018. Answers to all questions received will be posted on the DHCD website by June 15, 2018.

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 a public entity.
- Adherence to the “Equal Opportunity/Affirmative Action Requirements and OHCD Policies” set forth in the *City’s Annual Action Plan Federal Fiscal Year 2018 (City Fiscal Year 2019)*. 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.
- Serving households with a maximum income of 115% of area median income.

The HTF requires that 50 percent of all program funds, including housing production, home repair and homeless 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.