

DR2 RFP WORKSHOP AND EMAIL QUESTIONS AND ANSWERS
As of December 4, 2012

1. Can the funds be utilized for ground up/new construction?

New construction While CDBG funds may generally not be used for new construction, under this DR2 program these funds may be used for new construction. **(Eligible Activities - page 8)**

2. Is there a funding allocation limit per project?

Loan Amounts Applicants should make a specific loan request to the City. The request should be the *difference between (a) the Applicant's equity plus commercially available debt or other capital contributions; and (b) the project costs*. As a policy, the City desires to provide adequate funding to each approved transaction to increase the availability of affordable units at approved standards without over-subsidizing the project or increasing the risk associated with too much leverage in a project. **(Financing Terms and Loan/Grant Limits - page 13)**

3. If we are acquiring property for a project, are there any federal regulations that apply or documentation we need to provide?

Yes, URA- Acquisition; Demolition-Conversion; and Temporary Relocation requirement are posted on our website at <http://www.houstontx.gov/housing/URA.html>.

4. Would sites in the Greater Third Ward be considered eligible?

Please refer to the map of Neighborhoods of Opportunity. First consideration will be given to sites/projects located within or immediately adjacent to those Neighborhoods. If we are unable to expend all of the available funds on sites/projects within, or adjacent to, the Neighborhoods, we will consider proposals for sites in other locations outside the Neighborhoods.

5. Does HCDD anticipate the funding being used to leverage 2013 9% Tax Credits?

HCDD will consider providing funding to leverage 9% Tax Credits, but the timing does not work as we will be making awards by February, well in advance of the TC award cycle. Developers that wish to participate with the City and TC's would have to provide evidence of other available funding in the event that the TC's do not materialize. HCDD anticipates that for some projects 4% Tax Credits which do not have such a strict timeline might be used to leverage funds.

6. Do you have to prove hurricane damage?

Yes, but this DRF is not necessarily for the repair of damage, but to provide housing for those that were most effected by Hurricane Ike. Insurance claims (received or denied), date stamped pictures of damage, invoices for repairs, or other documentation will be considered to prove damage. The sufficiency of the documentation to meet our needs will be determined at HCDD's sole discretion.

If a new site for new construction has been selected, then location within the defined areas is adequate proof of hurricane damage.

7. Can you further explain the rent to income ratio of 2:1 or lower further and provide an example of how that plays out for a real household with a monthly income of \$1,000 or \$2,000 per month?

We will post a sample Tenant Selection Plan soon, but you must structure your rent to income ratio requirements such that LMI residents are not denied residency solely on the basis of that ratio.

8. The RFP says deeper subsidy can be provided if we target more low-income units. Will you fund up to 70% of a project?

For the "right" unit mix for the "right" project, yes.

9. Is there a revitalization plan active in the East Downtown Area?

Not that is applicable for this RFP

10. TIRZ #15 – is there a chance this area will be revised/expanded in 2013?

Unsure. Contact TIRZ #15 administrators.

11. Does the percentage of "affordable" units apply only to the units receiving a subsidy, and not to other units in a larger project program, which includes privately financed units?

CDBG Regulations require that a minimum of 51% of the units produced with CDBG funds (which covers the DRF of this RFP) must be restricted for those who make no more than 80% of Area Median Income, and this applies on a project by project basis. So, no project will have fewer than 51% affordable units.

12. What is the relationship of rental rates to the size of the apartment units, other than HUD family-sized criteria?

The rental rates are set based upon the number of bedrooms per unit, not on square footage. These rates per bedroom are published by HUD and posted with the RFP.

13. Are single-family attached rentals encouraged?

Not necessarily.

14. Is the 60 units minimum flexible – not easy to find larger developable sites in these neighborhoods?

Only unless we cannot expend the funds on projects with greater than the 64 unit minimum, but that is not a guarantee that we will consider multifamily projects of less than 64 units at any point. HCDD has determined that 64 units is the minimum number of units that must be included in a project to justify the administrative and project delivery costs which will be incurred by HCDD managing the process to fund and see a project through to completion of the Affordability Period.

15. How long will you have to close after you get an award?

Closing will depend on the project, but will occur after a Loan Agreement has been approved by City Council. Anticipate 120 days from award for Council approval. An estimated Closing Date will be determined after a project has received an award.

16. Can you provide detail on acquisition and hard cost? Is that a loan limit?

Except in certain instances, yes, the sum of acquisition and hard cost would set a maximum loan amount that HCDD will consider.

17. What is the bigger time line for delivery of units?

HCDD will be bound by a Contract with the General Land Office and does not envision that any construction activities will be allowed after October 1, 2015. However, HCDD will endeavor to deliver units prior to that date.

18. Your calendar showed a proposal due tomorrow! What exactly are you looking for on 11/16/12? What level of detail?

HCDD began accepting Applications on November 16, but will continue to accept Applications until 5:00 p.m. on January 7, 2013.

19. Are the RFPs submitted in March 2012 automatically put in this round?

No. You must complete this RFP Application and submit with the Application Fee to be considered. You do not have to duplicate information provided in your March 2012 Application, but you must update information where necessary and note where previously submitted information meets the request for information under this RFP.

20. Can a developer fee be included in a deal if it is funded through another source like Bonds, etc?

Yes, as long as HCDD is not funding the Developer Fee.

21. Submission for the multifamily is November 16. What is the submission date for single-family?

There is no such date. Single family construction/development will be administered in-house.

22. COH, Overhead and Builders Profit really not paid for out of contributed funds if contractor related to the Applicant?

HCDD will not fund general conditions, profit, nor construction overhead for a contractor which is a related entity to the Applicant. Similar to the Developer Fee, those costs may be funded with funds from other sources.

23. What do you require to create a new Node?

Please refer to the RFP and the description of a Node. Creation of a Node should include the aspects necessary to create a vibrant community.

24. What criteria will be used to evaluate developer-created Nodes?

Evaluation of a Node is more subjective. We need to be convinced that the services and other aspects necessary to serve the community and initiate or contribute to revitalization of the area are present.

25. Are you providing subsidies to encourage mixed use multifamily developments – multi-story with retail on the ground floor?

Please refer to the RFP. Mixed-use is acceptable.

26. Are you requiring a certain percent of revitalization efforts and use of the funds in the target areas or nodes of opportunity areas?

At the present time, our goal is to expend all of the funds in the Target Areas. Not all Nodes identified on the map produced by LISC will receive funding.

27. What is the funding? I thought the 1st speaker said \$60 million for single-family and \$40 million for multifamily, but the slides said \$50 million multifamily and \$6.3 million single-family.

This RFP is for approximately \$50 million available for construction hard costs for multifamily development, and \$6.3 million for single-family **rental** hard costs.

Single-family owner occupied housing is a separate part of the Hurricane Ike Disaster Recovery program.

28. Is the registration fee for a nonprofit?

Yes.

29. Does a nonprofit need a personal guarantee?

It is preferred.

30. In light of the stated desire for a comprehensive revitalization approach, how will the department ensure that the single-family activity and the multifamily activity fit together?

Once the multi-family sites have been identified, the single-family team will begin mobilizing to produce single-family housing in the vicinity. So, multi-family Applicants should consider identifying viable single-family sites within the same vicinity as the proposed multi-family site.

31. What will be the single-family approach?

The single-family rental approach is somewhat new to HCDD, and there is not a pre-conceived concept for this portion of the DRF.

32. What is the effect on the point score if the site is outside the Node, but inside the opportunity neighborhood?

The Nodes identified from the LISC report are not mandatory locations, so locating a site within one of those Nodes does not result in an increased point award for Threshold.

33. There is an attached detailed checklist broken down into 7 sections – at the top it says an application will be considered ineligible if all items listed are not provided. Then on page 3, another checklist is provided. Which is actually required for the RFP (I am assuming the one on page 3 but just want to make sure)

An Applicant must respond in some manner, even if the answer is N/A or TBD, to all items requested in the Application to be eligible for scoring. An Applicant's responses to the items that make up Threshold will be used to decide if an Application is worthy of moving on to underwriting as the next step in the process towards receiving an award. It is these Threshold items that are listed on page 3 of the RFP.

34. Can you please explain what the check boxes are and what we do with them at the top of Tab 2? They say Priority 1, Priority 2, Priority 3, etc.

The check boxes are there if you submit more than one application, i.e. XYZ Proposal X Priority 1... ABC Proposal X Priority 2

35. On Tab 2, Board Member's Box, if we do not have any Board members do we still need to fill out this box?

No, but explain why you are not providing the information. This applies to any such information requested in the Application which does not apply to your particular situation or circumstance.

36. Tab 4, Part 1 – Populations served. Can more than one group be served and are there any minimums/maximums for that group? Can you please define family, larger family and single/non elderly?

Yes, more than one LMI economic group may be served, and is preferred. Please refer to the RFP.

Please refer to the HUD definitions for family, larger family, and single/non-elderly.

37. My question is will a soft commitment related to a HUD loan in the capital stack be sufficient for you to be comfortable that those funds will be available for the refinance of an existing property located within a "designated priority area" that is part of our portfolio ?

If a restructuring of the debt is required in the near future, yes. Be mindful that the term(s) of other funding(s) in the capital stack must equal or exceed those of the Affordability Period.

38. What's the required closing date once an award is made? (The HUD loan probably couldn't close until March/April.)

There is no specific closing timeframe, but funding will be limited by a "back end" funding deadline in our Contract with the GLO, which we anticipate to occur sometime in 3Q 2015. So the loan with HCDD must close in time for the construction to be complete by that deadline, and must be closed concurrently with or subsequent to a closing(s) for any other funding(s) in the capital stack.

39. Does our existing affordability structure comply with the requirements? (30% of units at 50% AMI; 70% of units at 60% AMI)

HCDD is looking for a mixed-income tenant base, so projects which are 100% restricted are not preferred.

40. We are inquiring as to how much is needed to be allocated for additional funding from another source and what other sources other than owner funds would be acceptable?

HCDD has not placed requirements nor restrictions on the amounts and/or sources of financial leverage for a project. HCDD is seeking to finance as much quality, affordable housing, in line with the goals identified in the RFP, as is possible with the funds available. All else being equal, Applications that request less DRF contribution while delivering more affordable units will be given greater consideration.

41. Please provide clarification on the prohibition on expenditure of funds during the environmental review process. The language in the RFP appears to be more restrictive than the Federal regulations require. It appears that Federal regulations allow funds to be expended on option agreements, as well as on plans and designs and other work necessary to support an application for Federal State or local assistance. By providing this clarification, HCD will enable applicants to obtain site control on land and potentially pursue other sources of funding for projects during the time that an application is under review by HCD.

On page 9 on the RFP states, "Once an Application has been received by HCDD, internal staff must review for compliance with all federal environmental regulations as explained in 24 CFR Part 58, and approval from HUD must be granted to receive funding. During this review period, neither an Applicant nor any participant in the development process, including public or private nonprofit or for-profit entities or any of their contractors, may commit or expend any funds, including non-HUD funds, or commence substantial construction activities on the site.

However, 24 CFR 58.22 - Limitations on activities pending clearance, states, "(a) Neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in § 58.1(b) on an activity or project until HUD or the state has approved the recipient's RROF and the related certification from the responsible entity. In addition, until the RROF and the related certification have been approved, neither a recipient nor any participant in the development process may commit non-HUD funds on or undertake an activity or project under a program listed in § 58.1(b) if the activity or

project would have an adverse environmental impact or limit the choice of reasonable alternatives (emphasis added). Later it states, “(d) An option agreement on a proposed site or property is allowable prior to the completion of the environmental review if the option agreement is subject to a determination by the recipient on the desirability of the property for the project as a result of the completion of the environmental review in accordance with this part and the cost of the option is a nominal portion of the purchase price (emphasis added).

Further, In Section 1506.1.d, the CEQ Regulations for Implementing NEPA states that the Limitations on Actions during NEPA Process: “does not preclude development by applicants of plans or designs or performance of other work necessary to support an application for Federal, State or local permits or assistance.”

http://ceq.hss.doe.gov/ceq_regulations/regulations.html

How long is the environmental review anticipated to take?

60-120 days depending on site conditions.

Given the regulations cited above, would the following activities be allowed, using non-HUD funds, during the review: environmental studies, i.e. Phase I/II, option payments, market studies, preliminary architectural design, etc. if such work did not have any adverse environmental impact or limit the choice of reasonable alternatives?

At HCDD's discretion, requirements may be more restrictive than federal regulations. However, that is not HCDD's intention here. Pre-development activities are acceptable, but Applicants should not close purchase contracts nor commence with site work or any construction activity, even if that work will be funded by sources other than federal funds.

42. Regarding Nodes of Opportunity: In a previous Q&A, it was stated that, “The Nodes identified from the LISC report are not mandatory locations, so locating a site within one of those Nodes does not result in an increased point award for Threshold” (emphasis added). However, on page 6 of the RFP it states, “Through various sources and community contacts, HCDD has received valuable input which has identified potential Nodes (Exhibit B). While a Project is not required to be located in one of these Nodes, they are being provided here to assist Applicants in locating sites for development and favorable consideration will be given to Projects proposed in such areas” (emphasis added).

Should this be interpreted as meaning that while a location inside a previously identified Node will not count towards the initial scoring to determine if the 60 point threshold is met, it will result in such an application being awarded funding prior to another 60 + point application proposing a site outside of a previously identified Node? If yes, will projects sited in Tier 1 Nodes be given the more favorable consideration over projects sited in Tier 2 and Tier 3 Nodes?

The projects that propose the best vision for revitalization with the greatest chance of long-term viability will prevail. While, location of a project in a Node will not be given any points toward meeting Threshold, locating within a previously identified Node would be looked upon favorably, but will not necessarily "trump" other projects.

43. Does the City consider there to be an optimum number of units for MF projects, or is there only a threshold of 64 units?

No. The 64 unit minimum for typical affordable multi-family housing represents the point where HCDD sees diminishing marginal returns in regards to the internal resources that must be expended to deliver a project and the amount of housing that is provided by that project.

44. Will answers to all questions submitted be published on the Housing Department's website?

Yes.

45. What is the rule regarding purchasing property with CDGB funds? Particularly, does appraised value have relevance to sale price? One of the property owners DOES NOT want his sales price to be subject to appraised value.

The inclusion of federal funds in any aspect of a project attaches federal requirements to the purchase, even if federal funds are not being used for the acquisition. So, yes, the appraised value sets the maximum sales price for the site/property.

Details related to requirements of the appraisal and associated link are in the Q&A information posted on the web site at <http://www.houstontx.gov/housing/multisingle.html>.