

## **Request for Proposals for Multifamily Affordable Housing Development Projects**

**(Issue Date: July 14<sup>th</sup>, 2017; Closing Date: September 15<sup>th</sup>, 2017)**

- 1) **Amount of Funding Available:** Up to **\$12.9 million\*** from the following sources will be available on July 14, 2017:

<b>Housing Blueprint</b>	<b>\$12,945,923</b> (includes \$6,862,525 from FY17 cycle and \$6,083,398 from FY18 cycle)	Local Funds
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- 2) **FCRHA Background:** The FCRHA is very experienced in the development, ownership and management of affordable multi-family housing. The FCRHA owns or administers housing developments in Fairfax County with staff and funding provided from County, Federal, State and private sources. As of March 2017, the FCRHA owned a total of 3,849 housing units/beds of affordable housing including Public Housing, the Fairfax County Rental Program, senior housing, and assisted living. In FY 2016, the FCRHA assisted 18,209 individuals in Fairfax County through Public Housing; Fairfax County Rental Program; and the Housing Choice Voucher Program.

The FCRHA under authority granted by state and federal law began a tax-exempt financing program in the late 1970s to facilitate the development and preservation of affordable housing. Through tax-exempt bond financing and as an FHA approved housing finance agency, the FCRHA is able to provide a vehicle for private developers to obtain below-market interest rate mortgages to acquire, construct and rehabilitate multi-family developments. The FCRHA has issued fixed rate bonds for 43 multifamily and public facility deals totaling approximately \$650 million.

The FCRHA also has considerable experience in the production and preservation of affordable housing under the Federal Low Income Housing Tax Credit program. Ten tax credit projects, totaling approximately 1,100 units, have been completed to date.

- 3) **Application Process**

- a) Multifamily projects (six or more units) will apply via the Fairfax County Affordable Housing Partnership Program (<http://www.fairfaxcounty.gov/rha/ahpp.htm>).
  - b) Applicants proposing to use Housing Blueprint funding must use the AHPP application.
  - c) Preference will be given to projects that create new committed affordable housing not already affordable under the LIHTC program or other affordability restrictions.
  - d) For all applications, the application due date is Friday, September 15, 2017 at 4:00 p.m.
  - e) When an application is received, HCD staff will send a receipt e-mail to the applicant. If an applicant misses the deadline for applications, the applicant will need to reapply during the next Notice of Funding Availability (NOFA) cycle.
  - f) Applications requesting Housing Blueprint Funds will be reviewed by the Selection Advisory Committee (SAC) and scored using the AHPP scoresheet. We will accept applications for Housing Blueprint Funds before September 15, 2017. However, no funding recommendations will be made prior to September 15, 2017. Early submissions will have the benefit of review with a chance for dialogue for any questions or issues if necessary.
  - g) After September 15, 2017, the SAC will review the applications and make a recommendation to the Fairfax County Redevelopment and Housing Authority (FCRHA) and Fairfax County Board of Supervisors as to which project(s), if any, to fund, and put in a notification when those funds are committed.
  - h) If a successful application included tax credits, but the tax credit request was declined by VHDA, then those Housing Blueprint Funds will be rolled over into the next fiscal year's NOFA.
- 4) **Minimum threshold criteria:** Projects should meet the minimum threshold criteria noted below and determined to be financially feasible in order to be considered for funding.
- a) Complete Application – Multifamily Projects

- i) [http://www.fairfaxcounty.gov/rha/ahpp/ahpp\\_app\\_2016-final.pdf](http://www.fairfaxcounty.gov/rha/ahpp/ahpp_app_2016-final.pdf)
  - ii) [http://www.fairfaxcounty.gov/rha/ahpp/ahpp\\_guidelinesfinal.pdf](http://www.fairfaxcounty.gov/rha/ahpp/ahpp_guidelinesfinal.pdf)
  - b) Acceptable Evidence of Site Control
    - i) Deed to property demonstrating fee simple ownership
    - ii) Ground lease with a term that is at least as long as the term of the Housing Blueprint/AHPP Loan
    - iii) Purchase Contract with a minimum 12-month term beyond the date of the AHPP application (multifamily projects)
    - iv) Site control should clearly identify all parcels in the development
  - c) Zoning Approval: Approval of proposed project as presented in the application, by the Department of Planning and Zoning (DPZ).
  - d) No debarment: Any person or firm suspended or debarred from participating in County, State, or Federal procurement is not eligible to receive funding.
  - e) Affordability/Income Targeting – Housing Blueprint Funding: Fairfax County encourages, but is not requiring, projects applying for the local Housing Blueprint Funds to meet following income targeting goals:
    - i) Projects should serve multiple Housing Blueprint goals as provided for in the FY 2018 Housing Blueprint, but the maximum affordability level of units receiving Blueprint subsidy will be 60 percent of the Area Median Income (AMI). The Housing Blueprint provides general guidance that 20 percent of units delivered serve homeless/special needs populations.
    - ii) The FCRHA encourages innovative approaches to meeting the established affordability targeting goals. We encourage all applicants to discuss their project proposals with HCD staff for eligibility and feasibility prior to submission of a request. Fairfax County reserves the right to award Housing Blueprint Funds in a manner that achieves the stated affordability goals, to include requests for adjustments to an applicant's income targeting.
    - iii) Notification of Proposed Project to the member of the Fairfax County Board of Supervisors in whose district the property is located.
  - f) Scope of Work: HCD staff, at its own discretion, may hire a third-party firm, at the expense of the borrower, to provide a Physical Needs Assessment to verify that the planned rehab scope of work is sufficient for the project.
- 5) **Per-unit subsidy guideline:** As a general guideline, local Housing Blueprint Funds requested for multifamily projects should not exceed \$50,000/unit, however higher per unit funding requests will be considered. Applicants are expected to leverage other resources to the greatest extent possible.
- 6) **General funding parameters:**
- a) Units financed with Blueprint funding must remain affordable for a minimum of 30 years at 60% AMI or below. In projects which don't include Low Income Housing Tax Credits (LIHTCs), or any other federal financing with affordability restrictions, the Fairfax County Redevelopment and Housing Authority (FCRHA), at its own discretion, may require the affordability requirements of the Housing Blueprint Funds to be recorded in covenants that are senior to all financing.
  - b) Housing Blueprint funds will be given in the form of a loan, and not a grant.
  - c) Projects proposing to use variable-rate financing, balloon payments, or cross-collateralization/cross-default will **not** be considered.
  - d) Applications should have a fixed-interest rate, fully-amortizing mortgage with a term that is the same as the maturity of the loan.
  - e) Projects to be proposed must use the Affordable Housing Partnership Program [application](#).
  - f) Applications should show percentage of Housing Blueprint Funds to Total Development Cost and follow VHDA Total Development Cost/Unit guidelines.
  - g) Applications must comply with the FCRHA's [Refinancing/Subordination Policy](#). For multifamily projects, an appraisal either ordered by the first mortgage lender or HCD will be reviewed by the County Department of Tax Administration (DTA) before seeking the FCRHA's and Board of Supervisors' approvals. The cost of the appraisal will be borne by the developer. The appraisal will need to be based on the property's projected value post-foreclosure, taking into account any applicable rent restrictions, including those as may be defined in VHDA's Extended Use Agreement.
  - h) The FCRHA, at its own discretion, may consider preservation or rehab projects where it is offered the option to purchase the land under an unsubordinated ground-lease scenario.
  - i) **Equity Contribution:** While not a requirement, our expectation is that cash equity will be included from the owner/sponsor/parent company (excluding deferred developer fee, grants flowing thru the owner/sponsor/parent company) as a source of funds.
  - j) Preference will be given to projects with at least 50% of the developer's fee as deferred and have it get paid from the project's cash flow.
  - k) FCRHA has the right of first refusal to the extent allowed by other lenders.

- 7) **Eligible applicants:** Organizations experienced in the development of affordable housing.
  - a) Developers should demonstrate experience and have clear capacity for the undertaking they are proposing; this experience includes the type of project proposed (including the number of units, the scale of construction/rehabilitation and the proposed financing structure of the project.
  - b) Partnerships or joint ventures among experienced developers and community-based organizations are acceptable as a way to demonstrate the required experience as discussed above.
  
- 8) **Eligible activities:** Funds are available for the purposes of development of affordable housing in Fairfax County.
  - a) Provided there is sufficient collateral, funds may only be used for capital purposes (no pre-development or operating funds) such as new construction, acquisition and acquisition/rehabilitation.
  - b) Projects must be located within Fairfax County, including the Towns of Herndon, Vienna, and Clifton. Projects located in the City of Fairfax are not eligible for any application also using Housing Blueprint funds.
  - c) Housing Blueprint/AHPP Funds may only be used for permanent financing unless the developer has a firm take out commitment from a lender for permanent financing that is accepted and approved by HCD.
  - d) For new construction projects, the FCRHA will not take a construction risk or lend during construction. The loan will be funded at construction completion.
  
- 9) **Financial Feasibility:** Projects will be underwritten to determine financial feasibility. Factors will include, but are not limited to:
  - i) Review income and expense assumptions.
    - (1) Includes an assessment of whether rents are reasonably targeted to the market, within affordability guidelines.
    - (2) The proposed utilities and operating expenses for the project.
  - ii) The Project's ability to support any must-pay debt, reviewing a 15-year proforma.
  - iii) Among other things, a pro-forma analysis of the property's projected financial performance over the first fifteen (15) years of the proposed loan, including rental income, expenses, and deposits to reserves.
  - iv) The appraised and assessed values of the property; the project must appraise under the scope of the proposed financing structure.
  - v) The condition of the property and proposed renovations;
  - vi) Debt coverage with a minimum Debt Service Coverage (DSC) of 1.15 (The FCRHA, at its own discretion, may accept a lower DSC provided the lower DSC is accepted by the first mortgage lender and/or equity provider and is in conformance with the FCRHA's refinancing/subordination policy), and loan to value ratio not to exceed 100%, including all debt; and
  - vii) The terms and conditions of any senior debt (if applicable).
  - viii) Leveraging of other resources to the County funds, targeting a 3:1 leverage ratio.
  - ix) Expectation will be to have the County funds repaid from cash flow.
  - x) Fixed interest rate, fully amortizing mortgage with term same as maturity.
  - xi) Last three (3) years of independently audited financials for the applicant/sponsor.
  
- 10) **Loan Structure:** Generally, Housing Blueprint Funds will be structured as cash flow deferred loans from the Fairfax County Redevelopment and Housing Authority (FCRHA) at an interest rate of 2%, or other such interest rate that is acceptable to the FCRHA and/or the equity provider with a maximum term that is co-terminus with the maturity of the first mortgage.
  - a) Housing Blueprint Funds are non-recourse secured loans.
  - b) Repayment of principal and interest from surplus cash flow shall be determined on a case-by-case basis depending upon the outcome of the underwriting process.
  - c) Housing Blueprint Funds must be approved by HCD's Loan Underwriting Committee (LUC), FCRHA Board, and the Fairfax County Board of Supervisors (BOS).
  - d) It is anticipated that the funds are part of a broader financing plan that may include additional public or private debt or tax credits; ideally, the funds are being used to leverage additional sources of financing. In situations where the financing plan includes competitive 9% LIHTC and the credits are not received, Housing Blueprint funding may be subject to recapture. Loans are subject to annual monitoring fees.

- 11) **Readiness to Proceed:** The project's readiness to proceed will also be a key determinant in awarding funding.
  - a) The project should be in the process of securing other financing or have a clear timeline for acquiring additional sources of funding necessary to complete the project.
  - b) Preference will be given to projects that can demonstrate closing within 12 months of receiving approval for funding, or in the case of applicants applying for tax credits, 12 months from the award of tax credits.
  
- 12) **Processing, Timelines:** Applications for Housing Blueprint funding will be accepted until the deadline of September 15, 2017.
  - a) Applicants proposing multifamily development (6 or more units) must complete the Affordable Housing Partnership Program (AHPP) application and submit with all necessary documents.
    - i) The AHPP application and Guidelines for completion can be downloaded at:  
<http://www.fairfaxcounty.gov/rha/ahpp.htm>
  - b) 3 copies of the application, including 1 original, will need to be submitted.
  - c) Applicants must submit their application by 4 p.m. on September 15, 2017.
  - d) Projects shall be evaluated by a Selection Advisory Committee (SAC).
  - e) If recommended for funding, FCRHA staff shall take the project to the LUC, FCRHA Board, and County Board of Supervisors for approval.
  - f) Please refer to the AHPP Guidelines and Application for more details.
  
  - g) Applicants are advised that, in the event the FCRHA Purchasing Agent requires no clarifications and/or supplementary information, such applications may be evaluated without further discussion. Consequently, applicants should provide complete, thorough applications with the offerors' most favorable terms. Should applications require additional clarification and/or supplementary information, offerors should submit such additional material in a timely manner.
  
  - h) The County may cancel this Request for Proposal or reject proposals at any time prior to an award, and is not required to furnish a statement of the reasons why a particular proposal was not deemed to be the most advantageous.
  
- 13) **PRE-PROPOSAL CONFERENCE**

A pre-proposal conference on the application process will be held at 2:30 p.m. on Monday, July 31, 2017 in the HCD Center Conference Room, in the Offices of the Fairfax County Department of Housing and Community Development (HCD), 3700 Pender Drive, Fairfax.