

Notice of Funding Availability (NOFA) for Affordable Rental Housing Development Projects

(Issue Date: July 19th, 2021; Closing Date: Rolling until June 30, 2022 or until funds are awarded)

- 1) **Amount of Funding Available:** A total of \$18,745,220 is currently appropriated from the following sources and is now available for FY2022. An additional \$15 million in federal funding has been preliminarily identified for this purpose.

Funding Source	Available Funds	Description
Housing Blueprint	\$9,995,598	Fairfax County Affordable Housing Development and Investment Fund
Tysons Housing Trust Fund	\$8,749,622	Fairfax County funds for Affordable Housing in Tysons Urban Center
Federal American Rescue Plan Act (ARPA)	\$15,000,000	Federal funding preliminarily identified by the Board of Supervisors for this purpose
Virginia Housing (Formerly VHDA) Amazon Impact REACH Funds*	TBD	Amazon funds for Affordable Housing development in Northern Virginia
Total Anticipated Funding	\$33,745,220	

FCRHA reserves the right to allocate funds under this Notice of Funds Availability (NOFA) from whichever pool is most appropriate at its own discretion.

**Use subject to Virginia Housing approval on a project-by-project basis.*

- 2) **FCRHA Background:** The Fairfax County Redevelopment and Housing Authority (FCRHA) is a political subdivision of the Commonwealth of Virginia and possesses specific powers granted by state code, including the ability to issue bonds, purchase property and make loans. As such, the FCRHA acts as Fairfax County’s local housing finance agency. The FCRHA 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 low-cost mortgages to acquire, construct and rehabilitate multi-family developments.

3) **Funding Pools:**

- a) **Housing Blueprint Fund:** Fairfax County makes an annual contribution of its general revenue to the Fairfax County Affordable Housing Development and Investment Fund (known as the “Housing Blueprint Fund”). The FCRHA provides Housing Blueprint loans to developers seeking to develop or preserve affordable housing units throughout the Fairfax County.

The FCRHA is providing a minimum of \$9,995,598 in Housing Blueprint Funds for affordable housing projects through this NOFA.

- b) **Tysons Housing Trust Fund:** The Tysons Housing Trust Fund, was created to provide affordable and workforce housing opportunities in the Tysons Urban Center. Nonresidential developments throughout Tysons contribute funds to the Tysons Housing Trust Fund on a per-square foot basis.

The FCRHA is making \$8,749,622 available for affordable housing opportunities in the Tysons Urban Center through this notice.

- c) **Federal American Rescue Plan Act (ARPA) Funds:** The Board of Supervisors has preliminarily identified \$15 million in ARPA funds for this purpose. It should be noted that further guidance relative to the geographic areas where ARPA funds can be deployed is in development.
- d) **Virginia Housing Amazon Impact REACH Funds:** *Virginia Housing (formerly Virginia Housing Development Authority) is planning to release a new allocation of Amazon Impact REACH Funds in the near future, along with guidelines and other instructions. We will provide an update on the status of this program and related funds as soon as this information is available.*

4) **Application Process and Timeline**

- a) Submit signed, completed Application in accordance with the specified instructions. The Application can be found on the following website:
<https://www.fairfaxcounty.gov/housing/development/fundingavailability>
- b) Applications will be accepted on a rolling basis through June 30, 2022, or until all of the funding has been committed for the Fiscal Year 2022 funding. FCRHA staff will send an e-mail within 24 hours to the applicant to confirm application receipt. Important note: For projects applying for 9 percent Low Income Housing Tax Credits (LIHTC) in the March 2022 Virginia Housing competition, applications must be received by October 1, 2021 at 4:00 p.m. in order to ensure sufficient time for processing and approvals. Applications received after October 1, 2021 are not precluded from competing in the March 2022 competition, however sufficient County processing and approval time is not guaranteed.
- c) Electronic applications are to be uploaded through Fairfax County Sharefile Program. Access to the Sharefile program will be provided directly to each developer.
- d) Applications requesting funds will be reviewed by FCRHA staff and scored using the Minimum Threshold scoresheet. FCRHA staff will review the applications and make a recommendation to the FCRHA and Fairfax County Board of Supervisors as to which project(s), if any, to fund. Upon approval of Fairfax County funds, the funds will be committed to the approved projects, contingent on proceeding in accordance with the award parameters.
- e) It is anticipated that award recommendations will be made within 12 weeks of application submission date. A formal award letter will follow approximately 6-8 weeks after recommendations receive approval from the Board of Supervisors and FCRHA (a total of 18-20 weeks from submission). Developers will be notified if their project application is unsuccessful approximately within 12 weeks of submission.

The FCRHA reserves the right to cancel this NOFA or reject applications at any time prior to an award and is not required to furnish a statement of the reasons why a particular application was not deemed to be the most advantageous.

5) **Minimum Threshold Criteria:** Projects should meet the minimum threshold criteria noted below.

- a) Demonstrate evidence of notification to Fairfax County Magisterial District Supervisor via e-mail or letter. Confirmation receipt by Supervisor's office is preferred.
- b) Zoning Approval: Demonstration that the proposed project is consistent with the zoning on the site via a letter from the Department of Planning and Development (DPD). This is mandatory; however, flexibility for projects using public land or the Tysons Housing Trust Fund may be considered on a case-by-case basis.
- c) No debarment: Any person or firm suspended or debarred from participating in County, State, or Federal procurement is ineligible to receive funding.

- d) Provide acceptable evidence of site control that clearly identifies all parcels in the development. Site control options include any of the following:
 - i) Deed to property demonstrating fee simple ownership; or
 - ii) Ground lease with a term that is no less than 75 years; or
 - iii) Purchase Contract with a minimum 12-month term beyond the date of the application.
- 6) **Per-unit Funding Guideline:** The FCRHA staff will ultimately evaluate the relative funding per unit based on population served and reasonableness of projections in an attempt to maximize efficiency of local funds awarded through this NOFA. The funds awarded through the NOFA should leverage other sources of funding.
- 7) **Affordability/Income Targeting:** The FCRHA encourages projects applying for through this NOFA to meet the following income targeting goals:

	Blueprint	Tysons HTF	ARPA	Virginia Housing
Income Targeting	60% AMI or below with LIHTC income averaging considered	60% AMI or below with LIHTC income averaging considered	60% AMI or below with LIHTC income averaging considered	TBD

- a) Projects should serve multiple FCRHA goals including:
 - a. New production of rental homes for individuals and families earning 60% of AMI and below;
 - b. The preservation of “market affordable” rental properties, committed affordable properties with expiring subsidies or major capital needs, and the affordable housing opportunities that exist in mobile home parks; and/or
 - c. Reduction of homelessness through the development of new permanent supportive housing options for persons coming out of chronic homelessness.
- b) The FCRHA will consider projects proposing to use Low Income Housing Tax Credits to employ the "Income Averaging" set-aside, as well as the traditional "20% at 50%" and "40% at 60%" set-asides under IRS Code Section 42. Projects proposing to use Income Averaging may include units with rent and income limits as high as 80% AMI, so long as the average of the income limitations does not exceed 60% AMI. For all other projects, all units proposed to be supported by the Local Funds must be income- and rent-restricted to be affordable at 60% AMI or below.
- c) The FCRHA encourages innovative approaches to meet the established affordability targeting goals and reserves the right to award funds in a manner that achieves the stated affordability goals, which includes the right to request adjustments to an applicant's proposed income targeting.
- d) Any other innovative approaches that meet the Housing Blueprint goals.
- 8) **General Funding Parameters:**
 - a) The funds provided through this notice are primarily intended for affordable rental projects of five or more units.
 - b) Projects must demonstrate financial feasibility to be considered for funding.
 - c) Applicants are advised that, in the event FCRHA staff does not require additional 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.

- d) For applications assuming 9% LIHTCs, if an application is underwritten and awarded funds during this NOFA round, it is expected that the developer apply in the 2022 LIHTC application round. If the developer misses the LIHTC application deadline, the applicant may be required to forfeit the funds awarded through this NOFA and may need to reapply during the next NOFA cycle. If the tax credit request by Virginia Housing is not awarded, then the award funds may be rolled over into the next fiscal year's NOFA and the applicant may need to reapply in the next NOFA cycle.
- e) Units must remain affordable for the greater of 30 years or a fixed rate amortizing first mortgage. In projects which may or may not include Low Income Housing Tax Credits, or any other financing with affordability restrictions, the FCRHA, at its own discretion, may require the affordability to be recorded in covenants that are senior to all financing.
- f) Countywide Blueprint, Tysons Housing Trust Fund and ARPA funds will be awarded in the form of a loan (NOFA loan). Funds may be structured as cash flow deferred loans from the FCRHA at an interest rate of 2%.
- g) Applications should have a fixed-interest rate, fully-amortizing mortgage with a term that is the same as the maturity of the loan. Preference will be given to projects using fixed-rate financing where the term is the same as the amortization. Proposed projects must comply with the FCRHA Funding Guidelines <https://www.fairfaxcounty.gov/housing/development/fundingavailability>

Exceptions to this may be considered on a case-by-case basis at the sole discretion of the FCRHA, provided that financing that includes cross-collateralization and cross-default provisions **will not be considered**.

- h) Applications should show percentage of funds to Total Development Cost and follow Virginia Housing Total Development Cost/Unit guidelines.
- i) An application must include an Appraisal Report as defined in the Uniform Standards of Professional Appraisal Practice and in accordance with the terms of this NOFA. A Restricted Appraisal Report format is not acceptable. If an appraisal is not included with the application, one will be ordered by the Fairfax County Department of Housing and Community Development (HCD), and the cost will be borne by the developer. The Appraisal Report will be reviewed by the County Department of Tax Administration (DTA) before seeking the FCRHA's and Board of Supervisors' approvals.

The Appraisal Report must provide four values for the project: (i) market value of the land alone, unencumbered by affordability restrictions; (ii) market value of the completed building and land, unencumbered by affordability restrictions; (iii) rent-restricted value of the completed building and land (i.e., subject to the affordability restrictions proposed by the applicant indefinitely); and (iv) decontrol value of the completed building and land (i.e., subject to the affordability restrictions proposed by the applicant, but with such restrictions ending 3 years after a foreclosure sale). Intangible assets or investment value should not be included in the valuations.

The FCRHA will require an update letter to the Appraisal Report if the proposed transaction does not close within 6 months of the date of the Appraisal Report, or a new Appraisal Report if the proposed transaction does not close within 12 months of the date of the original Appraisal Report.

The value for the project, as shown in section 8i)(iv) above, must exceed the sum of the requested Blueprint loan together with the amount of all superior debt secured by the property.

- j) 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.

- k) Equity Contribution: While not a requirement, it is strongly preferred that cash equity be included from the owner/sponsor/parent company as a funding source. This would exclude the deferred developer fee and grants flowing thru the owner/sponsor/parent company as a source of funds.
 - l) Preference will be given to projects with at least 50% of the developer's fee deferred and paid from the project's cash flow.
 - m) FCRHA must have both an option and right of first refusal.
 - n) Preference for all funding sources, will be given to those projects that use bonds issued by the FCRHA.
 - o) The project needs to conform to HUD regulations interpreting the accessibility requirements of Section 504 of the Rehabilitation Act, per Virginia Housing's guidelines released annually for the LIHTC program.
 - p) Special note for rehabilitation projects: At its own discretion the FCRHA 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. This may include an architect or consultant with expertise in the field. If other reports are available for other financing agencies, those may be accepted.
 - q) Ensure lenders' construction and disbursement requirements are not contradictory.
 - r) Applicant shall provide Excel spreadsheets showing formulas.
 - s) Other factors, as deemed necessary, may be required to protect the interest of the FCRHA and Fairfax County.
- 9) **Eligible applicants:** Organizations experienced in the development of affordable housing.
- a) Developers should demonstrate experience and have clear capacity for the undertaking they propose; 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.
- 10) **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 or acquisition/rehabilitation.
 - b) Projects must be located within Fairfax County, including the Towns of Herndon, Vienna, and Clifton.
 - c) For new construction projects, on a case by case basis, the FCRHA may consider disbursing up to 50% of local funds after the achievement of 50% construction completion and upon satisfaction of the following:
 - i) A letter from the architect certifying at least 50% construction contract price expended;
 - ii) Payment and Performance Bond provided that specifies "with FCRHA as named insured";
 - iii) No outstanding or pending defaults under any loan, construction, or other project-related agreement; and
 - iv) Mutually acceptable intercreditor agreement (ICA) with construction lender.

- d) For acquisition/rehab projects, depending upon underwriting risk and sufficiency of collateral, NOFA funds may be disbursed during rehabilitation on a case-by-case basis.
- 11) **Financial Feasibility:** Projects will be underwritten to determine financial feasibility of the project and financial strength of the sponsor, as evidenced by the last three (3) years of independently audited financial statements. Factors will include, but are not limited to:
- a) A pro-forma analysis of the property's projected financial performance over the first fifteen (15) years of the proposed loan, including rental income (within affordability guidelines), expenses, and deposits to reserves;
 - b) The Project's ability to support any must-pay debt;
 - c) The appraised value of the project under the guidelines mentioned in Section 8J. The condition of the property and proposed renovations;
 - d) 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 Funding Guidelines (Loan Adjustment and Financing Policy) and loan to value ratio not to exceed 100%, including all debt;
 - e) The terms and conditions of any senior debt (if applicable);
 - f) Leveraging of other resources to the funds, targeting a 4:1 leverage ratio.
 - g) The repayment of the loan from cash flow;
 - h) Fixed interest rate, fully amortizing mortgage with term same as maturity; and
 - i) Last three (3) years of independently audited financials for the applicant/sponsor.
- 12) **FCRHA Loan Structure*:** Generally, FCRHA Funds will be structured as cash flow deferred loans from the 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 term that is co-terminous with the term of the first mortgage.
- a) Local Funds are, subject to typical limited carveouts, 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) Local Funds must be approved by HCD's Loan Underwriting Committee (LUC), the FCRHA Commission, and the Fairfax County Board of Supervisors (BOS).
 - d) Loans are subject to annual monitoring fees of \$5,000, escalating at 3% annually.
 - e) More detailed terms can be found on form term sheet this link
<https://www.fairfaxcounty.gov/housing/development/fundingavailability>
- 13) **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 and should be able to demonstrate closing within 12-18 months of receiving approval for funding or (if applicable) LIHTC award.

14) **PRE-APPLICATION CONFERENCE**

A pre-application conference regarding the application process will be held electronically via the MS Teams platform on August 12, 2021. Please send an email to rha@fairfaxcounty.gov to register for the conference by August 6, 2021. You must register to attend.

FCRHA staff reserves the right to rescind the recommendation for funding if it determines, at its sole discretion, that the proposal presented by the developer is not viable for the FCRHA and BOS to commit the funds.