

2015 AFFORDABLE HOUSING TRUST FUND PROGRAM

PUBLIC RELEASE DATE: June 03, 2015

PART 1: REQUEST FOR DEVELOPMENT PROPOSALS (RFP), PROGRAM POLICIES AND PROCEDURES

- I. **PROGRAM INTRODUCTION AND PURPOSE:** The Minneapolis Department of Community Planning and Economic Development (CPED) is soliciting development funding proposals for the Affordable Housing Trust Fund (AHTF) Program. The primary purpose of the AHTF Program is to assist in financing the production and preservation/stabilization of affordable and mixed-income rental housing projects in Minneapolis. Program funds are available on a competitive basis to projects that need gap financing to cover the difference between total development costs and the amount that can be secured from other sources. The funding sources for the AHTF Program are primarily federal Community Development Block Grant (CDBG) funds, federal HOME Investment Partnership funds, and local funds. The purpose of this document is to summarize the AHTF Program and request development funding proposals for qualified projects for the current funding round.
- II. **AHTF PROGRAM BASIS AND POLICY GUIDANCE:** The AHTF Program administration is guided primarily by the following adopted policy documents:
- A. Minneapolis Plan for Sustainable Growth available here:
http://www.ci.minneapolis.mn.us/cped/planning/cped_comp_plan_2030
 - B. The City's Consolidated Plan for Housing and Community Development available here:
http://www.minneapolismn.gov/grants/grants_consolidated-plan
 - C. The Unified City of Minneapolis Housing Policy updated on November 1, 2013 which includes the new Senior Housing Initiative, available here:
<http://www.minneapolismn.gov/www/groups/public/@clerk/documents/webcontent/wcms1p-115774.pdf> . More information is in Section VIII below.
 - D. The City's Healthy Housing Policy, adopted by the City Council on May 10, 2013, is available here:
<http://www.ci.minneapolis.mn.us/www/groups/public/@clerk/documents/webcontent/wcms1p-107114.pdf> . More information is in Section VIII below.
- III. **PROGRAM GOALS:** The AHTF Program is designed to support the implementation of various housing goals listed in the policy documents noted in Part 1, Section II above. Affordable housing emphasis in minority or poverty impacted areas will be preservation, rehabilitation, and stabilization. Affordable housing emphasis in minority or poverty non-impacted areas will be construction and positive conversion.

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- IV. SUMMARY OF PROGRAM AND RFP DOCUMENT CHANGES:** There are no substantive changes from the previous year. There have been some minor changes to the content of this Request for Proposals document, including but not limited to:
- A.** Contracting Requirements: Attachment 4 has been updated with changes to the Affirmative Action, Prevailing Wage Policy, and Affordable Housing Policy sections to properly reference Minneapolis Department of Civil Rights requirements that were current as of the publication date of this RFP.
 - B.** SUBP Goals Form: The request for SUBP Goals Form has been updated
 - C.** HOME Monitoring Fee: The City will once again charge a HOME monitoring fee as permitted by the 2013 changes to the HOME Final Rule.
 - D.** Underwriting Standards: The underwriting standards have been updated.
- V. AMOUNT OF AVAILABLE FUNDING:** The specific amount of 2015 AHTF monies available has not yet been determined due in part because the City's 2015 allocation of CDBG and HOME funding was not yet final at the time this RFP was released. CPED estimates that approximately \$10,000,000 will be available, subject to the availability of federal funds. The total available funding may include reallocated funds from prior projects that returned prior AHTF awards and estimates of projected future local funding that has not yet been budgeted or projected federal funding that has not yet been committed. CPED will allocate funding from the available sources to projects as guided by the City's annual budget and applicable policy. Not all of the available funds may be awarded during this funding round.
- VI. FEDERAL SOURCES OF FUNDS:** The federal HOME Investments Partnership program (HOME) and the federal Community Development Block Grant (CDBG) program are two funding sources of the AHTF Program. In addition, other affordable housing funding resources may be used based upon availability during any given year. Information about the HOME Program rules can be found in 24 CFR Part 92, which were substantively revised by a final rule issued on July 24, 2013. Among the most significant changes in the proposed HOME rules are the following:
- A.** Participating jurisdictions are required to assess a developer's capacity and financial condition, in addition to market need for the project and its long-term viability before committing HOME funds.
 - B.** Participating jurisdictions are required to examine annually the financial condition of rental projects with at least ten HOME-assisted units.
 - C.** New minimum property standard requirements and inspection requirements have been established as required. The City implements HUD's current property standards by utilizing State and local codes, ordinances, and related requirements. In addition, the AHTF Program uses the April 2014 version of Minnesota Housing's Rental Housing Design/Construction Standards (RHD/CS) further described in Section VIII below and available here:
<http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358905261142&pagename=External%2FPage%2FEXTStandardLayout>.
 - D.** Projects not completed within four years from the date of project commitment would be considered terminated and the participating jurisdiction must repay HOME funds invested in the project.
 - E.** Repayment of HOME funds would be required for any HOME unit that is not rented to eligible tenants within 18 months of project completion.
 - F.** AHTF funding agreements may not be executed and funding commitments may not be entered into HUD's financial management software, Integrated Disbursement and Information System (IDIS) until the project has secured all necessary financing and construction will begin within 12 months of agreement execution.

VII. ELIGIBLE USES OF FEDERAL FUNDS

A. HOME

1. Eligible activities include: acquisition of property, relocation, construction of new housing for permanent or transitional rental (in non-minority concentrated tracts only), moderate or substantial rehabilitation of units and other reasonable and necessary expenses related to the development of affordable, non-luxury rental housing. HOME funds may not be used for a new construction project in an area of minority concentration. Attachment 2 describes minority concentrated areas.
2. Projects financed with AHTF HOME funds must have a certain number of units designated as HOME-assisted units and these units must be affordable to and occupied by families whose incomes are at or below 60% of the AMI, as adjusted for family size. In addition, if the AHTF HOME-financed project has five (5) or more units, 20% of the HOME-assisted units must be occupied by families whose incomes are at or below 50% AMI, as adjusted for family size. These requirements are minimum requirements, but the City will require rental and income restrictions to reflect what is in the proposal. Refer to Attachment 1 for the AMI information which is subject to change.
3. The minimum HOME subsidy is \$1,000 per unit. The maximum amount of HOME funds that a participating jurisdiction may invest on a per-unit basis in affordable housing may not exceed the per-unit dollar limits established under section 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 17151(d)(3)(ii)) for elevator-type projects that apply to the area in which the housing is located. These limits are available from the Multifamily Division in the Minneapolis HUD Field Office.

- B. CDBG:** Eligible activities include: acquisition of property, relocation, moderate or substantial rehabilitation of units, and other reasonable and necessary expense related to the development of affordable, non-luxury rental housing. CDBG may not be used for new construction, unless the new construction activity is undertaken by a Community Based Development Organization (CBDO) as defined by HUD. CDBG may also be used for certain expenses in support of eligible new construction projects in limited circumstances.

VIII. PROGRAM POLICIES AND PROCEDURES

- A. ACCESSIBILITY REQUIREMENTS SECTION 504 (24 CFR PART 8):** New construction projects with five or more units or rehabilitation projects with 15 or more units and rehab costs of more than 75% of the replacement cost of the completed facility must have a minimum of 5% of the units (but at least one unit) be accessible to mobility-impaired and an additional 2% (but at least one unit) be accessible to sensory-impaired. Units in compliance with the Uniform Federal Accessibility Standards (UFAS) are deemed in compliance with Section 504. CPED encourages developers to use good faith efforts to follow Section 504 rules for those projects that are not required to comply with Section 504. Please see the Visibility section below for related information.

- B. ADMINISTRATION:** The administration of the AHTF Program is the responsibility of the CPED Housing Policy and Development Division. If there are questions about the AHTF Program, contact:

Mr. Jon Clevenger
City of Minneapolis
Department of Community Planning and Economic Development
Phone Number: 612-673-2495
E-mail address: jon.clevenger@minneapolismn.gov

- C. AHTF FUNDING IS A LOAN:** Funding awards will be made available in the form of a loan with the City with a term length that typically matches the first mortgage. Some terms and conditions of the loan may be negotiable; however, the City requires minimally a 20-year loan term with 1% simple interest and a deferred lump sum repayment of principal and interest. Additionally, the City will negotiate a percentage return against surplus cash flow on all rental housing projects that have units with unrestricted rents.
- D. APPRAISALS:** If the project is approved for funding, a complete appraisal will be required before closing. The appraisal must be performed by a licensed appraiser who is on CPED's approved appraiser list or completed by MHFA or MHFA's consulting appraiser. Proposals must include either a formal appraisal establishing the estimated "as is" market value of the property or an appraiser's preliminary opinion of value.
- E. COMPETITIVE BIDDING:** Projects must comply with the AHTF Bidding Procedures included as Attachment 5 for the selection of a general contractor and/or the selection of sub-contractors. Developers are encouraged but not required to use open and competitive processes for the selection of consultants such as architects and engineers.
- F. COMPLIANCE WITH CITY POLICY:** Projects must comply with adopted City policy including the documents listed in Part 1, Section II above, a city-adopted neighborhood plan (if applicable), zoning regulations, and building codes.
- G. CONTRACTING GENERAL REQUIREMENTS:** Attachment 4 contains the City's contracting requirements including affirmative marketing, apprenticeship, equal opportunity, prevailing wage, relocation, Section 3, Section 504, and SUBP.
- H. COOPERATIVE HOUSING TRAINING:** If a leasehold cooperative is formed, the developer will be required to provide cooperative training services for the residents of the project.
- I. CPED RIGHT TO REJECT AND MODIFY PROPOSALS:** CPED reserves the right to reject any or all proposals or parts of proposals and to negotiate modifications of proposals submitted.
- J. DEGREE OF NEED:** The Program will provide assistance only to the projects that require assistance to achieve the Program's goals and objectives. It must be demonstrated that other sources of funds are not available or adequate.
- K. DESIGN STANDARDS:** To comply with the 2013 changes to the HOME Final Rule, the AHTF Program uses the April, 2014 version of Minnesota Housing's Rental Housing Design/Construction Standards available here: <http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358905261142&pagename=External%2FPage%2FEXTStandardLayout>. CPED may consider administrative waivers to these standards based in part upon a demonstrable hardship or specific conflict with adopted City policy on a case by case basis.
- L. DEVELOPER CAPACITY:** Developers must submit financial statements and documentation of experience in housing development. To the extent that a developer cannot demonstrate the proper strength in a particular area, the developer will be required to hire or joint venture with an entity that has strength in that particular area. Developers must demonstrate the following:

1. Professional development experience, reasonable financial strength, and the ability to undertake the proposed project;
2. The ability to obtain sufficient financing; and
3. Sufficient capability to manage the project successfully after completion or hire a professional management company with experience in managing affordable housing in compliance with AHTF requirements.

M. DEVELOPER ELIGIBILITY: Developers may be non-profit or for-profit.

N. DEVELOPER FEE POLICY

1. For new rental production projects and for stabilization/preservation projects in which the ownership is changing (which typically includes low income housing tax credit projects), a maximum total fee is based on a percentage of total development cost minus total developer fee as follows: first 30 units – 15%; units 31 and over – 8%.
2. For stabilization/preservation projects in which the ownership is not changing, a maximum total fee is based on a percentage of total development cost minus total developer fee as follows: first 30 units – 10%; units 31 and over – 5%.
3. In all cases, architectural costs, legal fees, initial reserves and intermediary costs (SAC & WAC, fixtures & equipment, hazard & liability insurance, survey & soil borings) are deducted from the total development cost as the total developer fee to make the calculation. The total fee includes: Developer fee, development consultant fees, processing agent costs, profit, overhead, and all deferred fees.

The foregoing cap on Developer Fee is not intended to place any restriction on Developer's right to receive additional fees out of project cash flow under its partnership agreement.

O. ENERGY EFFICIENCY AND GREEN BUILDING RESOURCES: The City, HUD, and MHFA all emphasize energy efficiency. Xcel Energy and CenterPoint Energy offer a variety of programs, services, rebates and energy efficiency resources to assist developers, owners and builders with the construction of energy efficient commercial and residential developments, including the following:

1. Xcel: For commercial (multifamily apartment buildings and commercial buildings) contact the Business Solutions Center at 1-800-481-4700. Xcel currently offers three programs:
 - a. Energy Design Assistance for projects in the early stages of the design process.
 - b. Energy Efficient Buildings for prescriptive rebates for projects where design is nearly complete or for existing buildings.
 - c. Energy Analysis for existing buildings with an on-site energy assessment providing a detailed energy audit by an energy engineer, complete with cost and savings estimates, Xcel Energy rebates and paybacks.
2. Call the Xcel Energy Builders Call Line at 1-800-628-2121 for the following logistical services:
 - a. Design and permitting
 - b. Relocating existing gas or electric
 - c. Disconnecting gas and electric services
 - d. Providing temporary electric needs

3. CenterPoint Energy: For assistance with existing programs or a custom program that can address the building envelope, water heating, and heating systems, contact Tom Dolan, 612-321-4398.
4. The City has two product and service directories that may help the project be more energy efficient and comply with the Green Communities standards described below.
 - a. Green Services Directory (available here: <http://www.minneapolismn.gov/www/groups/public/@cped/documents/webcontent/wcms1p-092496.pdf>)
 - b. Green Homes North Product & Service Directory (available here: <http://www.minneapolismn.gov/www/groups/public/@cped/documents/webcontent/wcms1p-103610.pdf>)

P. FEES: PROPOSAL, ORIGATION AND HOME MONITORING:

1. Proposal Fee: A non-refundable \$1,000 proposal fee will be charged for each AHTF proposal.
2. Origination Fee: If a project is awarded funding, an origination fee of 1% the AHTF award will be collected at closing except for AHTF awards using federal HOME funds.
3. HOME Monitoring Fee: The HOME Final Rule published in the Federal Register on July 24, 2013 permits the City to charge a fee for HOME monitoring during the entire HOME Period of Affordability. The City's current annual HOME monitoring fee for projects that are completed in 2017 is \$1,688.26 per project plus \$66.55 for each HOME-assisted unit and is subject to change.

Q. FUNDING AWARDS MAY BE CONTINGENT UPON THE AVAILABILITY OF FUTURE FUNDING:

Due to the extended length of time that is typically required for projects to be fully funded and minimum funding commitment and expenditure timeframes imposed by HUD, the City Council at its sole discretion may make contingent AHTF awards to projects from projected future local funding that has not yet been budgeted or projected federal funding that has not yet been committed to the City. The City Council may elect to make AHTF funding awards contingent upon the future availability of funding.

R. FUNDING COMMITMENTS FROM OTHER FUNDERS: The proposal must include written documentation stating the amount, terms, and conditions of existing funding commitments to the project. Documentation containing words synonymous with "consider" or "may" (as in "may award") are not funding commitments.

S. GREEN COMMUNITIES: Developers are encouraged to incorporate green/sustainable elements consistent with the "Minnesota Overlay and Guide to the Green Communities Criteria" and the 2011 Enterprise Green Communities Criteria in rehabilitation projects. Enterprise has issued a report available here: <http://www.enterprisecommunity.com/servlet/servlet.FileDownload?file=00P3000000DTX16EAH> that describes the financial impact of green affordable housing after studying 52 affordable housing developments from across the United States that were built using either the 2005 or the 2008 versions of the Enterprise Green Communities Criteria. The report provides a detailed look at estimated versus actual use of water and energy, and relates that to utility cost impacts for both the developers and the residents of the affordable housing communities included in the study. Developers are advised to ensure that the development costs in the proposal adequately reflect compliance with Green Communities standards and to thoroughly review MHFA's Minnesota Overlay and Guide to the 2011 Enterprise Green Communities Criteria available here:

http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_012435.pdf.

Developers proposing new construction or substantial/gut rehab projects as defined by MHFA must comply with the "Minnesota Overlay and Guide to the Green Communities Criteria." All developers seeking AHTF funding must submit a completed Green Communities certification workbook available in the Application Materials section here:

<http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358905251684&pagename=External%2FPage%2FEXTStandardLayout>. There is some overlap between the Green Communities criteria and the Healthy Housing Policy discussed below.

- T. HEALTHY HOUSING POLICY:** On May 10, 2013, the City Council adopted the Healthy Housing Policy which is available here: <http://www.ci.minneapolis.mn.us/www/groups/public/@clerk/documents/webcontent/wcms1p-107114.pdf>. The Healthy Housing Policy has updated website links. The primary intent of the City of Minneapolis Healthy Housing Policy is to ensure that properties are sited, designed and built or rehabilitated to include amenities that support, protect and promote health. This policy applies to AHTF-funded projects. There is significant overlap between the Healthy Housing Policy and the Green Communities standards. To demonstrate compliance with the Healthy Housing Policy, all developers are required to submit a completed Green Communities certification workbook available in the Application Materials section here: <http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358905251684&pagename=External%2FPage%2FEXTStandardLayout>. Developers are encouraged to review the informational resources contained in the Healthy Housing Policy.
- U. HISTORIC RESOURCE REVIEW LETTER:** For projects with at least one existing building that is proposed to be moved or demolished, proposals must include a historic resource letter from CPED. The purpose of the letter is to demonstrate that CPED Development Services staff has preliminarily reviewed the existing site and building that is proposed to be removed or demolished for the potential existence of a historic resource that may require additional investigation. This might require submitting written permission to conduct the review from the existing property owner, photos of the building(s) and adjacent buildings, an application fee, and a site visit for projects proposing demolition. A separate application and fee may be required for each parcel that has a structure that is proposed to be moved or demolished. To request a historic resource review letter from Minneapolis Development Review, call Minneapolis 311 from within the City or (612) 673-3000. Additional information may be available from the CPED Sector Liaison listed here: http://www.minneapolismn.gov/www/groups/public/@cped/documents/webcontent/convert_257946.pdf
- V. IMPACTED AND NON-IMPACTED AREAS:** As noted in Part 1, Section III, affordable housing emphasis in minority or poverty impacted areas will be preservation, rehabilitation, and stabilization. Affordable housing emphasis in minority or poverty non-impacted areas will be new construction and positive conversion. A minority impacted area is an area with a minority population concentration of 50% or higher as described in the map in Attachment 2. A poverty impacted area is an area with a poverty concentration of 45.4% (double the City's poverty rate) or higher as further described in Attachment 3. The maps in Attachments 2 and 3 are from the Consolidated Plan. Areas with poverty or minority concentrations below those percentage levels are non-impacted areas. HOME funds may not be spent on new construction projects located within minority impacted areas.

- W. INTEREST RATE FOR PERMANENT FINANCING:** All projects will use a current market interest rate for purposes of estimating mortgage financing in their proposals.
- X. LEAD-BASED PAINT:** The requirements of HUD Lead Safe Housing Rule, 24 CFR 35, subparts B through R are promulgated to implement the Lead-Based Paint Poisoning Prevention Act, as amended, and the Residential Lead-Based Paint Hazard Reduction Act of 1992. Most HUD housing programs are covered by only one subpart of this part, but some programs can be used for more than one type of assistance and therefore are covered by more than one subpart of this part. All properties constructed prior to 1978 must be tested for lead-based paint to determine the presence or absence of lead-based paint on deteriorated painted surfaces or surfaces to be disturbed or replaced during construction and shall be performed by a certified lead-based paint inspector or risk assessor. In addition a risk assessment in the dwelling units receiving federal assistance, in common areas servicing those units, and exterior painted surfaces, shall be performed prior to the start of rehabilitation. The individual or firm conducting the risk assessment shall provide and explain the results of the investigation and options for reducing lead-based paint hazards. The scope of work and method for abatement shall be included in the per unit rehabilitation dollar amount. Any adhesion-cohesion testing must be conducted by an independent third party for encapsulated components. Adhesion-cohesion testing should have the American Society of Testing Materials (ASTM) documentation to show the coating applied meets the requirements of being a lead-based paint encapsulate. All property owners or developers receiving assistance shall incorporate ongoing lead-based paint maintenance activities in regular building operations, in accordance with Sec. 35.1355 (a), as applicable. Please see Attachment 6 for a summary of lead-based paint requirements by activity.
- Y. LEAD-BASED PAINT DESIGNER:** If lead is present at levels that need to be remediated, the City requires that a qualified lead-based paint designer participate in the project following Lead Poisoning Prevention Act and related Administrative Rules administered in part by the Minnesota Department of Health, including the following as excerpted from Minnesota Rules 4761.2320 Lead Project Designer:
1. "Lead project design" means site-specific written project specifications for a regulated lead work project. Lead project design includes written technical project specification incorporated into bidding documents.
 2. All specifications for the treatment of lead-based paint shall be prepared by a licensed lead-based paint designer. (An individual preparing a lead project design, as defined in MN Statutes 144.9501, subd. 19a, must be licensed by the commissioner as a lead project designer. A lead project designer license is not transferable.
- Z. LEVERAGE:** AHTF-funded projects must leverage additional resources. The leverage percentage is calculated by dividing the total AHTF amount previously awarded and requested by Total Development Cost. Please see the leverage scoring criteria in Part 2, Section III.O. below for more information.
- AA. MARKET STUDY:** Proposals must include a market study or comparably thorough market analysis which summarizes the following:
1. Defines the market area and the regional context for the subject property;
 2. Demographic characteristics of the area around the subject property to establish the market context;
 3. Estimates rental housing supply in the area around the subject property;

4. Estimates rental housing demand in the area around the subject property, especially the characteristics of the income-eligible households that may be attracted to the proposed project;
5. Estimates vacancy rates area around the subject property; and
6. Summarizes construction pricing and trends.

BB. PROPERTY MANAGEMENT PLAN: Proposals must include a property management plan which includes a description of the following at a minimum:

1. Affirmative marketing procedures;
2. Fair housing standards compliance methods;
3. Maintenance and repair;
4. Personnel policy and staffing arrangements (such as required staff and tenant handbooks, personnel policy for training and discipline);
5. Program for maintaining accounting records;
6. Rent collection policies and procedures;
7. Roles and responsibilities of managing agent; and
8. Security

CC. MAXIMUM AWARD: The maximum amount of AHTF award will be the lower of \$25,000 per affordable unit (at or below 50% AMI) or 15% of the Total Development Cost, not including capitalized reserves (operating, replacement, support services) or non-housing costs.

DD. MINIMUM AFFORDABILITY AND MINIMUM UNIT COUNT: All rental housing projects of 10 units or more funded by the AHTF Program shall have at least 20% of the units affordable to households at or below 50% of Metropolitan Area Median Income (AMI) for the term of the loan.

EE. MINIMUM CONSTRUCTION, REHABILITATION AND/OR PROPERTY STANDARDS:

Each project must meet at a minimum all applicable State and local codes, ordinances, and requirements, including FHA minimum property standards and applicable HUD property standards. Applicable HUD property standards may include the International Energy Conservation Code, Energy Star Qualified Homes, the Uniform Federal Accessibility Standards, site and neighborhood standards (24 CFR 983.57(b), or Housing Choice Voucher Program Housing Quality Standards (formerly Section 8 HQS). New minimum property standards are being proposed by HUD for HOME-assisted projects.

FF. NEIGHBORHOOD GROUP REVIEW: Developers are required to submit their development projects to the official neighborhood group for review prior to City Council approving an AHTF award. Include the neighborhood review letter in funding proposal.

GG. POSITIVE CONVERSION: Positive conversion means conversion in any manner of buildings or units that do not currently have affordable rents to units with affordable rents or conversion of non-residential property to affordable rental housing.

HH. PRE-APPLICATION TECHNICAL ASSISTANCE: Free, limited, preliminary and non-binding pre-application technical assistance is available upon request to CPED staff through June 26, 2015. Developers with no or limited previous experience with the AHTF Program are strongly encouraged utilize this resource. Prior to requesting a meeting with CPED staff, submit a cover letter, the Multifamily Workbook, a completed AHTF self-scoring worksheet

(Attachment 8), and any of the application items that are further described in Section X that may be helpful to have a substantive discussion about your project.

II. PROJECT-BASED SECTION 8 VOUCHERS: The AHTF Program awards points for project-based assistance such as HUD's Supportive Housing Program and Section 8 vouchers that are administered by the Minneapolis Public Housing Authority (MPHA). MPHA goes through a public RFP process when vouchers are available. MPHA's last RFP was in 2011. As of the release date of this document, MPHA did not have any project-based vouchers available, and the timing of any future RFP for vouchers is unknown. More information may be found at <http://www.mphaonline.org/>.

JJ. PROJECT FINANCING AND TIMELY COMPLETION CONDITIONS: AHTF Program money must be used in a timely manner. Developers are required to submit a project schedule that outlines the milestone stages of the project, including the acquisition of site, securing the other project funding, closing date, relocation, demolition, construction start date, and construction completion date. Developers of projects with AHTF funding awards must submit monthly progress reports as described in Attachment 7 summarizing various project-related accomplishments. Projects unable to meet the timelines may lose their funding allocation. However, developers may reapply during the annual RFP cycle. The following project performance timeframes apply:

1. Commencing on the date the full City Council approves the AHTF money for a project, the funding is allocated for fifteen (15) months.
2. At the end of fifteen (15) months, the funding allocation will be extended administratively for an additional twelve (12) month period if the developer can provide evidence that:
 - a. At least one-third of the total development funds have been raised; and
 - b. The balance of the development money is likely to be raised; and
 - c. That a closing will occur within the next twelve months.

KK. PROJECT SCOPE OF WORK: Developers are required to submit a preliminary scope of work which outlines cost estimates and preliminary rehab specifications, drawings, and site plans for the project. CPED may require, however, more substantial rehabilitation than initially proposed to ensure compliance with applicable policy.

LL. PROPOSAL EVALUATION AND SELECTION PROCESS: Developers are strongly encouraged to apply only once to the AHTF either at the start, the middle or the end of the project financing process. CPED staff will evaluate and underwrite the AHTF proposals according to the selection criteria contained in this document. For rehabilitation projects, a physical inspection of the property by CPED will be necessary. Following this review and the scoring and ranking of the proposals, staff recommendations for project funding to the City Council will be made. CPED staff will determine the appropriate funding source for all projects.

MM. RELOCATION POLICY: Displacement is discouraged. However, if it is necessary and unavoidable, the developer must submit a relocation plan that complies with the applicable federal or City policy for temporary or permanent displacement. Federal relocation regulations or local relocation rules apply to all projects funded through the AHTF. The required Tenant Relocation Plan must include all of the following relocation materials:

1. Occupancy information/rent rolls of all persons occupying the real property on the date of the initial submission of the proposal for assistance by the developer to the grantee or HUD, if the developer has site control; or
2. Occupancy information/rental rolls of all persons occupying the real property as of the date that the developer obtains site control (e.g. purchase option) if site control is not obtained until after submission of the proposal.
3. Occupancy information/rent rolls of all persons moving into the property on or after the dates described above.
4. Occupancy data/rent rolls of all persons occupying the property upon completion of the project.
5. Draft relocation plan for temporary relocation (on site and off site), permanent relocation, and a combination of temporary and permanent relocation.
6. General Information Notice (GIN) must be sent to all persons occupying the real property on the date of the initial submission of the proposal, date that the developer obtains site control, and all persons moving into the property on or after the dates described. The GIN informs affected persons of the project and that they may be displaced by the tenant.
7. Include a relocation budget estimate in the development pro forma and information detailing the calculation of the relocation budget estimate.

During CPED's proposal review period, staff may request additional information to ensure compliance with the federal relocation regulations and the local relocation rules.

NN. RENT: Attachment 1 provides utility allowance, income and rent information. While the information in Attachment 1 was current as of the public release of this RFP, the data is expected to change over time. The rent and income limits for each unit must match. For example, a unit that is intended for a 50% AMI household must have a 50% AMI rent limit and a 50% AMI income limit unless there is project based rental subsidy or GRH funding in the project.

OO. SCATTERED SITE PROJECTS: Proposals that contain a combination of at least ten single family, duplex, triplex and fourplex housing units are typically eligible for AHTF funding and considered to be a single project by the AHTF Program for underwriting purposes.

PP. SECURITY COSTS: Developers are required to implement measures necessary and appropriate to maintain a safe and crime-free living environment for the property residents. These measures must be described in the required Property Management Plan. At a minimum, this plan should include involvement in neighborhood crime prevention strategies, resident awareness and training. Capital items contained in the plan should be included in the deferred maintenance and replacement reserve analyses as appropriate.

QQ. SELF-SCORING WORKSHEET: Attachment 8 is a self-scoring worksheet that is required to be submitted to further describe the points that the developer believes may be earned based upon the documentation included throughout the funding proposal.

RR. SENIOR HOUSING INITIATIVE: On November 1, 2013, the City Council adopted the Senior Housing Initiative that is available here (<http://www.minneapolismn.gov/www/groups/public/@clerk/documents/webcontent/wcms1p-115774.pdf>).

SS. SITE CONTROL: The AHTF Program requires evidence of site control as a condition of submitting a proposal. Evidence of site control must be shown by one of the following means:

1. Fee Title
2. Contract-For-Deed
3. Signed Purchase Agreement
4. Signed Purchase Option
5. Signed Redevelopment Contract
6. A proposal with CPED for a Parcel of Land or a building which CPED owns.

In the cases 2-6 above the developer must also show that the site is controlled for an acceptable amount of time and also has no conditions that would limit the use of the property. Proposals without evidence of site control may be rejected without receiving an underwriting review. Exceptions may be allowed, however, for those projects which have been awarded NSP funds but don't have site control for all of the properties which are to be part of the NSP project. Properties comprising the NSP project must be identified when the AHTF proposal is submitted. CPED management will determine whether an exception to the site control requirement may be extended to NSP-funded projects on a case-by-case basis based upon demonstrable progress meeting NSP Program Requirements.

TT. SIZE OF PROJECT: The project must be located within the City of Minneapolis, contain not less than ten units, and be owned and managed as either a rental property or a leasehold cooperative.

UU. SUBP AND THE MINNEAPOLIS DEPARTMENT OF CIVIL RIGHTS: Attachment 9 contains the Small and Underutilized Business Enterprise Program (SUBP) form that will be used by the Minneapolis Department of Civil Rights to establish contracting goals for the project if funded. More information on SUBP is included in the contracting standards in Attachment 4.

VV. TAX INCREMENT FINANCING: Tax increment financing will not be considered for projects unless there are extraordinary development costs such as historic preservation, relocation, excessive demolition and clean-up costs. More information on the Tax Increment Financing Policy may be found here:
http://www.minneapolismn.gov/cped/resources/reports/cped_tax_increment_policy.

WW. UNDERWRITING PERIOD (20 YEAR CASH FLOW): The AHTF underwriting period is 20 years. Therefore, the required cash flow projection or pro forma period is 20 years from stabilized occupancy.

XX. UNDERWRITING STANDARDS: The AHTF CPED Underwriting Standards are included as Attachment 10.

YY. VISITABILITY: Wherever practical, HUD recommends addressing the concept of visitability in addition to the above requirements. Housing that is "visitability" has a very basic level of accessibility that enables persons with disabilities to visit friends, relatives, and neighbors in their homes within a community. HUD recommends (1) providing a 32-inch clear opening in all interior and bathroom doorways; and (2) providing at least one accessible means of egress/ingress for each unit.

- IX. FUNDING PROPOSAL PREPARATION:** Developers are advised to consider the following while assembling the funding proposal:
- A. City Policy Consistency:** Consider how the proposed housing is consistent with adopted City policies, especially those noted in Section II.
 - B. Capital Funding Gap:** Determine the amount needed for gap assistance in compliance with the maximum award description in the above Part 1, Section VIII.
 - C. Historic Resource Letter:** Promptly request a historic resource review letter from CPED for projects that included demolition or building relocation.
 - D. Neighborhood Review:** Submit the development proposal to the recognized neighborhood group for review of the proposal based on design and land use issues prior to the proposal submittal. Provide a letter from the neighborhood organization evidencing their review.
 - E. Permanent Mortgage:** Determine if the project can support a permanent mortgage and, if it can, include an estimated amount, terms, and identity of a probable lender. If a written funding commitment is not available at the time of application, including a letter of interest or a letter of support from the lender is recommended.
 - F. Rebates and Tax Exemptions:** For non-profit developers, include anticipated utility rebates or sales tax exemptions as a funding source.
- X. REQUIRED FUNDING PROPOSAL CONTENT:** Include the following documents in the order in which they are listed in the format described in Section XI below:
- A. Cover letter with the following:**
 - 1. AHTF amount requested
 - 2. Summary of the overall project financing structure, such as a “4% LIHTC with a HUD loan guarantee and public gap funding”
 - 3. List other City funding sources that are being sought in the current funding round.
 - 4. A brief summary of the project’s public benefits and the project’s strategic importance to the City (such as foreclosure mitigation, tornado recovery, blight removal, etc.)
 - B. Funding proposal table of contents with tab headings**
 - C. All of the applicable forms, narratives, spreadsheets, checklists and related attachments in the Minnesota Housing Minnesota Multifamily Rental Housing Common Application Form available here:**
<http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358905251684&pagename=External%2FPage%2FEXTStandardLayout>. The document titles below are from the Common Application Checklist:
 - 1. Section 1
 - a. C-1 Multifamily Workbook
 - b. C-3 Multifamily Rental Housing Narrative Questions (including Supportive Housing Narrative)
 - c. C-4 Applicant Certification of Environmental Issues
 - d. C-5 Comparable Properties (n/a if a Market Study is provided)
 - e. C-6 Evidence of Site Control
 - f. C-7 Site Location Map
 - g. C-8 Photographs
 - h. C-9 Green Communities Criteria (EGCG) Certification Workbook
 - i. C-10 Notification of Local Official
 - j. C-14 Management and Operating Expenses (data from comparable new construction projects or audited financial operating expense statements for at least 3 stabilized years)

- k. D-1 Preliminary Architectural/Construction Requirements for New Construction (preliminary sketch plans are permitted, 11" by 17" format or half-size are permitted)
 - l. E-1 Rent Roll for existing developments- most recent available
 - m. E-2 Tenant Relocation Plan
 - n. E-3 Preliminary Architectural Requirements for Rehabilitation
 - o. E-4 Physical Needs Assessment with a 20 year capital expenditure template OR Capital Needs Assessment.
 - p. Commitment to Provide Project Based Rental Assistance
 - q. Financial Statements:
 - 1. Current audited and/or unaudited organizational financial statements
 - 2. Current financial statements for each partner of partnership or corporation
 - r. Market Study (if available)
 - s. H-9 Nonprofit Proof of Status, Non-Profit Intended Participation: Articles of Incorporation, IRS Election Status (Internal Revenue Service (IRS) documentation of status
 - t. C-13 Written Policy for Smoke-Free Buildings if proposed
 - u. J-2 Letter of Confirmation from Hennepin County Human Services and Public Health (documentation for preliminary discussions on supportive housing funding)
 - v. E-2 Certification of Consistency with Continuum of Care of Heading Home Plan
 - w. F-1 Documentation Relevant to Preservation of Federally Assisted Housing
 - x. F-2 Recent Site Inspection Report
 - y. F-3 Preservation tab of the Multifamily Workbook
 - z. 20 Year Pro forma (cash flow projection)
2. AHTF RFP Attachments
- a. Attachment 8: Self-Scoring Worksheet:
 - b. Attachment 9: Signed SUBP Goals Form
 - c. Attachment 11: Signed Recitals, Acknowledgement, and Consent Form
 - d. Funding Commitment Letters for any committed capital and operating funding
 - e. City Historic Resource Review Letter from CPED (if proposal includes demolition or renovation)
 - f. Neighborhood Support Letter(s)
 - g. Property Management Plan which includes a description of the following at a minimum:
 - 1. Affirmative marketing procedures (such as those described in A-8 Affirmative Fair Housing Marketing Plan)
 - 2. Fair housing standards compliance methods
 - 3. Maintenance and repair
 - 4. Personnel policy and staffing arrangements (such as required staff and tenant handbooks, personnel policy for training and discipline)
 - 5. Program for maintaining accounting records
 - 6. Rent collection policies and procedures
 - 7. Roles and responsibilities of managing agent:
 - 8. Security
 - h. Proposal Fee: A \$1,000 non-refundable funding proposal fee payable to Minneapolis Finance Department.

XI. FUNDING PROPOSAL SUBMITTAL LOCATION AND DEADLINE

- A.** Funding proposals are being accepted between the public release date of the front page of this document and 4:00 p.m., CDT, on **July 9, 2015**. The order in which the proposals are received will be noted. Developers are encouraged to submit funding proposals before the deadline. Proposals delivered after the deadline will be returned without being reviewed. The City has the right to reject any and all proposals at its sole discretion.
- B.** Submit two (2) paper-based copies of the materials described in Section X above. The hard copies should be unbound, double sided if possible and three-hole punched with sections separated by tabs with section labels. The paper-based copies may exclude lengthy third party reports such as the appraisal and market study if the reports are included in the electronic submittal. CPED may request full hard copies of any required application item that is only submitted electronically.
- C.** Provide one (1) full electronic version of the entire funding proposal using one of the following methods:
1. Submit one (1) separate USB flash drive (which may be returned upon request), CD, or DVD
 2. Upload the documents to a file-sharing website such as box.com with access granted initially to jon.clevenger@minneapolismn.gov.
- D.** Deliver the proposals to:
- Minneapolis CPED
Attn: Jon Clevenger
RE: AHTF Funding Proposal
Crown Roller Mill Building
105 – 5th Avenue South, Suite 200
Minneapolis, MN 55401

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PART 2: AFFORDABLE HOUSING TRUST FUND

SELECTION CRITERIA

- I. INTRODUCTION:** Projects are evaluated against a total of 18 selection or scoring criteria, which is divided into three parts. The first part is comprised of 17 selection criteria that apply to all proposed projects. The remaining two parts are comprised of one selection criteria that is specific to projects located within poverty impacted areas or poverty non-impacted areas. Depending upon whether a project is located in an impacted area or a non-impacted area, proposals will be evaluated according to one of the two selection criteria point structures listed below.
- II. MINIMUM POINT THRESHOLD:** A funding proposal needs at least 20 points in two selection criteria (“Financial Soundness and Management” and “Economic Integration”) to meet the initial minimum point threshold and 86 points in all categories to meet the total minimum point threshold. A proposed project must meet both the minimum 20 point threshold and the minimum 86 total point thresholds to be underwritten and considered for funding.

III. SELECTION CRITERIA FOR ALL PROJECTS:

A. Financial Soundness and Management: Up to 25 Points Total

Underwriting Criteria: Up to 10 points for being underwritten according to the CPED's underwriting standards with approximately one point for each of the standards listed in Attachment 10;

Secured Funding: Up to 5 points for the percentage amount of other funding sources which have been secured as follows:

<u>Percentage of Project Financing Secured</u>	<u>Points</u>
0% to 20%	0
20.1% to 40%	2
40.1% to 60%	3
60.1% to 80%	4
80.1% or more	5

Property Management Plan: Up to 5 points for the quality of the management plan.

Developer’s Comparable Project Experience: Up to 5 points for the developer's experience in developing and operating projects of this type.

B. Economic Integration: Up to 20 Points

Project meets the mixed-income goals on basis of percentage of low-income units (affordable to 50% of AMI) to the total number of units.

<u>Percentage of Low-Income Units</u>	<u>Points</u>
20% of total units	15
20.1% to 40%	20
40.1% to 60%	10
60.1% to 80%	5
80.1% to 100%	0

C. Ratio of Soft Costs to Total Project Costs: Up to 15 Points

Points given on the % of total project costs that are considered soft costs or costs of intermediaries. For the purposes of this provision, "Costs of Intermediaries" shall be consistent with Minnesota Housing Finance Agency and shall exclude the following intermediary costs to be consistent with the low income housing tax credit calculation: Sewer/water access charge, furnishing and equipment, hazard and liability insurance, survey and soil borings

<u>% of Total Project Cost</u>	<u>Points</u>
>24%	0
15.1% - 24%	5
0% - 15%	15

D. Family Housing: Up to 15 Points

The project provides family housing whereby 25% or more of the rental units in the project have three or more bedrooms. Points are awarded as follows:

<u>Percentage of Units 3+ BR</u>	<u>Points</u>
25% or less	0
25.1% to 50%	5
50.1% to 75%	10
75.1% or more	15

E. Design Quality and Compatibility: Up to 5 Points

Projects are evaluated to insure compliance with the Green Communities standards and the Healthy Housing Policy (see Part 1, Section VI for more information), quality construction and aesthetically pleasing design which is compatible with the neighborhood will be awarded up to 5 points. The City Planning Department will be part of this review.

F. Provision of Resident Support Services: Up to 10 Points

Preference given to projects that provide resident support services or establish a strong, integrated referral system. Examples of support services include information and referral, advocacy, case management, self-reliance training, formation/existence of a resident association, and community building activities.

<u>System in place to provide support services:</u>	<u>Points</u>
Provide to >50% of households	10 points
Provide to >25% of households	8 points
Provide to >10% of households	6 points

<u>Strong, integrated support referral system:</u>	<u>Points</u>
Provide to >50% of households	5 points
Provide to >25% of households	3 points
Provide to >10% of households	1 point

G. Plan Conformance: Up to 10 Points

Preference to projects that conform to the City of Minneapolis Consolidated Plan, Comprehensive Plan, and/or to any city-adopted neighborhood plan document.

H. Proximity to Transit and Jobs; Density: Up to 20 Points

A. Transit-Oriented Development - The project is located within .50 miles of high service local fixed route transit or within .50 miles of a transit stop served by an express route or a limited stop route (10 points).

The project is located within .25 miles of any other transit stop (5 points)

B. Proximity to Jobs – Maximum number of points is 5.

C. Density: Higher Density Development – Maximum number of points is 5.

I. Project-Based Section 8 Program Assistance: Up to 10 Points

The developer has applied for 1) Project-based Section 8 units and has obtained a letter of support from Minneapolis Public Housing Authority, or 2) For other ongoing project assistance such as the HUD Supportive Housing Program.

J. Housing for Long Term Homeless (at 30% or less of AMI): Up to 10 Points

Project provides housing units for long term homeless households as defined by MHFA for HUD; household income must be 30% or less of AMI.

<u>% of LTH Units</u>	<u>Points</u>
40% of total units at or below 30% AMI	10 points
20% of total units at or below 30% AMI	5 points

K. Long-Term Affordability Period: Up to 10 Points

Preference is given to those projects that demonstrate the ability to serve tenants for the longest period of time. The project must either cash flow for the period of proposed affordability or an operating deficit fund must be established at the beginning of the project.

<u>Affordability Period</u>	<u>Points</u>
30 years or more	10 points
25 years or more	8 points
20 years or more	5 points

L. Senior Housing: Up to 15 Points

Senior independent rental congregate and/or assisted living meeting development goals and objectives of the Minneapolis Senior Housing Policy and which is 100% senior (55 years and older).

<u>Age Restriction</u>	<u>Points</u>
Age-restricted to seniors only	15 points
Senior oriented without age restriction	5 points
No specific senior orientation	0 points

M. Neighborhood Support: Up to 5 Points

Proposed project is supported by the recognized neighborhood organization based on review of design and land use issues.

N. Expiring Tax Credits: Up to 5 Points

Proposed project results in preserving long-term affordability of expiring tax credit units.

O. Leverage: Up to 10 Points

Total AHTF amount awarded and current AHTF request divided by Total Development Cost equals leverage ratio percentage.

<u>Leverage Ratio</u>	<u>Points</u>
0 – 5%	10
5.1% - 10%	5

P. Community Housing Development Organization: Up to 5 Points

Project is owned, developed or sponsored by a Community Housing Development Corporation (CHDO) as defined by HUD.

Q. Commercial or Community Corridor: Up to 15 Points

Preference to projects located on a Commercial Corridor or Community Corridor. The list of Commercial Corridors and the list of Community Corridors are found on Pages 1-27 AND 1-28 (Table 1a and Table 1b) of the Land Use Chapter of the Minneapolis Plan http://www.minneapolismn.gov/cped/planning/plans/cped_comp_plan_2030.

<u>Distance to Corridor</u>	<u>Points</u>
Contiguous with or within one parcel of a listed corridor right of way	15 points
Not contiguous but within ¼ mile (495 feet) of a listed corridor	10 points
Further than ¼ mile (495 feet) from a listed corridor	0 points

R. SELECTION CRITERIA SPECIFIC TO PROJECTS IN A POVERTY IMPACTED AREA: Preservation, Rehabilitation, Stabilization: Up to 10 Points

Project provides preservation, rehabilitation, and stabilization in impacted areas.

S. SELECTION CRITERIA SPECIFIC TO PROJECTS IN A POVERTY NON-IMPACTED AREA: New Construction or Positive Conversion: Up to 10 Points

Project provides new construction and positive conversion in non-impacted areas.

PART 3: AFFORDABLE HOUSING TRUST FUND RFP ATTACHMENTS

- Attachment 1: Utility Allowances, Income and Rents
- Attachment 2: Map of Minority Impacted and Non-Impacted Areas
- Attachment 3: Map of Poverty Impacted and Non-Impacted Areas
- Attachment 4: Contracting Requirements
- Attachment 5: Bidding Requirements
- Attachment 6: Summary of Lead-Based Paint Mitigation Requirements
- Attachment 7: Progress Report Form
- Attachment 8: Self-Scoring Worksheet
- Attachment 9: SUBP Form
- Attachment 10: Underwriting Standards
- Attachment 11: Recitals, Acknowledgement and Consent Form