NOTICE OF FUNDING AVAILABILITY

HOPE SF Predevelopment Financing for Replacement Public Housing Within Mixed Income Communities

April 2, 2008

Issued by the Mayor's Office of Housing of the City and County of San Francisco, in collaboration with the San Francisco Housing Authority

Available Funds: up to $3,500,000

A. Introduction

The goal of HOPE SF is to rebuild San Francisco's most distressed public housing sites; while increasing affordable housing and ownership opportunities, and improving the quality of life for existing residents and the surrounding communities. HOPE SF is a partnership between the City and County of San Francisco ("City") and the San Francisco Housing Authority (SFHA). In order to facilitate this work, the City has appropriated predevelopment funds exclusively for the selected HOPE SF developments.

B. Eligible Proposals

To be eligible for funding under this NOFA, the developer team must have been selected by the SFHA to enter into negotiations for an Exclusive Negotiating Rights Agreement (ENRA) as outlined in the advertised Solicitation No. 08-610-RFQ-001, Request For Qualifications (RFQ) To Redevelop Authority Property, on October 16, 2007.

This NOFA is intended to facilitate the development of proposals that achieve the HOPE SF principles which are explained in more detail throughout the NOFA:

1. Ensuring no loss of public housing while minimizing displacement of residents;
2. Creating an economically integrated community;
3. Maximizing the creation of new affordable housing;
4. Involving residents in the highest levels of participation in the project;
5. Providing economic opportunities through the rebuilding process;
6. Integrating the site into the surrounding neighborhood;

7. Creating environmentally sustainable and accessible communities; and

8. Building a strong sense of community

C. Eligible Uses

The funds available through this NOFA are intended to provide the applicant with capital needed to develop a Conceptual Site Development Plan, a Project Financing Plan, and a Resident Services Plan. It is the intent of the HOPE SF program that these plans be developed with extensive involvement from existing residents, members of the surrounding community, and appropriate public agencies. Funding that is awarded through this NOFA may be used to support a variety of pre- development activities for the production of new affordable rental and affordable homeownership housing, including but not limited to the following:

- Community outreach and engagement in the planning processes;
- Architectural and engineering expenses associated with the production of a Master Site Plan;
- Environmental and geotechnical assessments;
- Services planning;
- Marketing analysis for rental and for-sale market rate housing; and
- Project management

D. Submittal Requirements

1. Development Team Roster: please submit a list of development team members. In addition, please include a list of the types of additional consultants that will be needed to fulfill the work plan identified in this NOFA. Examples include Master Planning firms, Architect, Civil Engineer (if under separate contract), Environmental Consultants, and Financial Consultants. Please note that any contract amount in excess of $29,000 are subject to HRC regulations.

2. Community Involvement Plan: please submit a detailed narrative on your plan to involve the residents and surrounding community into the development process. Include specific information on the experience of key team members who will staff the community engagement process including any consultants or other partners. In addition, provide a description of anticipated outcomes from the community involvement process.

3. Proposed Predevelopment Budget: submit a predevelopment budget for the first 18 months of the project. Please include any proposed sources of funding beyond the predevelopment funds being requested from MOH. If the predevelopment period is anticipated to last longer than 18 months, please clarify the financial implications of taking the project to preconstruction.

4. Project Schedule: please submit a draft project schedule for the entire development period, with particular emphasis on the predevelopment benchmarks. Include detail for predevelopment activities listed above, funding applications, expected entitlements and environmental approvals, and key benchmarks for each development phase.

5. Resident Services planning and budgeting : describe the process your team intends to use to develop a services plan specific to the development and the residents. Please specifically identify any team members or consultants that you intend to manage the services planning process and any experience they have in coordinating or planning services for mixed-income developments.

E. Expected Predevelopment Products

In combination with other predevelopment sources, funds provided under this NOFA are expected to lead to the development of several products for review and approval by the necessary City Departments and Agencies. It is anticipated that each site will have a specific timeline for delivery of these products that may extend through subsequent NOFA rounds.

- Project Financial Plan and Proformas
- Project Schedule
- Resident Services Plan
- Conceptual Master Plan

F. Site Planning Guidelines and Requirements

1. **Ensure no loss of public housing while minimizing displacement of residents:** The HOPE SF principles envision site plans that replace the existing public housing on a one-for-one basis. This will most likely occur on the existing SFHA site, but teams may propose replacement housing on auxiliary sites. As much as possible, the Conceptual Master plans should aim to phase the demolition and construction process to enable on-site relocation of residents.

   Applicants under this NOFA will be subject to the provisions of HUD HOPE VI relocation guidelines, as well as federal or state relocation law. Successful applicants will be required to work with the existing residents to create relocation guidelines and re-occupancy criteria to be approved by City Agencies.

2. **Create an economically integrated community:** Conceptual Master plans should aim to create a mix of housing types that are physically dispersed throughout the project sites. Public housing replacement units should be integrated into buildings with non-public housing units such as affordable rental housing or market-rate housing.

3. **Create Environmentally Sustainable Communities:** the HOPE SF projects should aim to incorporate green building principles, materials and technologies in both site design and building design. Particular emphasis should be placed on green building approaches that impact human health issues, such as indoor air quality.

   HOPE SF projects will be included in MOH's partnership with the Green Communities Initiative established by Enterprise and Natural Resources Defense Council (NRDC) (see

http://www.greencommunitiesonline.org). Projects selected for funding must comply with all of the mandatory provisions of the Green Communities Criteria. New construction must earn 25 points from the Optional Criteria. In addition, successful applicants under this NOFA will be asked to pursue Green Charette grants from Green Communities, as well as additional funding that may become available to help pay for the cost of planning and implementing green building components.

4. **Create Accessible Communities**: Conceptual Master plans should include design elements that meet long-term accessibility needs. Project sponsors will be responsible for meeting all applicable accessibility standards related to publicly-funded multifamily housing development under Section 504 of the Rehabilitation Act of 1973, the Architectural Barriers Act, the Americans with Disabilities Act, and certain statutes and regulations of the City and County of San Francisco.

5. **Integrate the site into the surrounding neighborhood**: Conceptual Master Plan should reconnect the development site with the surrounding neighborhood street grid and provide linkages to the surrounding neighborhoods. Architectural designs and massing should aim to blend the development into the surrounding neighborhood fabric. In addition, Conceptual Master plans should take into account community amenities or services that are either planned for the surrounding neighborhood or could be incorporated into the site layout. Examples include transportation improvements, parks and open space, and retail or services space.

6. **Engage residents and neighbors through the Conceptual Master planning process**: the planning process should be used to create a strong sense of community among public housing residents as well as residents and businesses in the surrounding neighborhood. As much as possible, planning and design meetings should be open to anyone interested from the development and the neighborhood alike. Special emphasis should be placed on ensuring the active involvement of residents in key issues such as relocation planning and occupancy criteria.

7. **Coordinate service planning and site design:** site design should consider which types of services are appropriate to be on-site and which service needs can be met in the surrounding community. Community facilities that encourage and facilitate resident interaction within a mixed-income, mixed-tenure neighborhood are especially encouraged such as youth-serving facilities, child care centers, and after-school programs. Site design should also consider any planned or desired improvements to neighborhood schools or community centers that could augment on-site services or amenities.

G. Resident Services Planning and Funding

The development team is responsible for the creation of a Resident Services Plan that will be created in consultation with the public agencies and residents. This NOFA is intended in part to stimulate thinking about the support services component of the development plan and the ongoing, post-construction role of the development team in meeting residents' service needs. Planning and funding for support services, as well as linkages to existing services will be

provided to families at HOPE SF sites through the City and County of San Francisco in conjunction with the San Francisco Housing Authority and the developer teams. The services strategy should explicitly consider the timing and scale of services needed at various stages in the development process (site planning, relocation, construction, re-occupancy, and post-stabilization). The intent of this process is to inform how the development team's own resident services support program will relate to City-funded service providers.

During the predevelopment planning process, the development team should be meeting with residents to assess their needs and solicit input to help inform the plan. The SFHA and City agencies will also provide the development team with demographic data and other important service needs information useful for developing a plan. In addition, the City service agencies will provide the development team with information about how to relate to City funded services.

To accomplish this coordination, the development team will meet periodically with representatives from the Human Services Agency, City Build, Communities of Opportunity, the Department of Children Youth and Families, the Department of Economic and Workforce Development, and the Department of Public Health. City representatives will provide assistance in coordinating this activity. The planning process should specifically involve public agency review of the following: 1) approach to determining resident needs; 2) a draft resident services plan and budget, and 3) approval of a final resident services plan and budget.

NOFA responses should include the following components:

- A proposed budget for resident service planning and a description of the experience of the personnel that will carry out the service planning.

- A description of how the developer team proposes to incorporate resident input into the service planning effort and proposed tools to communicate with residents about the availability of services.

- If applicable, respondents should describe any prior experience the team has developing or managing mixed-income housing with on- or off-site linkages to supportive services.

H. Financing Plan and Affordability Restrictions

The financing plan should aim to accomplish the HOPE SF principles listed below with the expectation that the specific funding sources for the plan will ultimately depend on the availability of local HOPE SF funds as well as federal HOPE VI funds. To that end, development teams should ensure that development projects preserve the ability to secure HOPE VI funds. Development proposals must meet the following federal regulations which may apply to the developments: Mixed Financed Development, 24 CFR Part 941, Subpart F and Demolition or Disposition of Public Housing Projects 24 CFR Part 970.

1. Key HOPE SF principles related to financing include:

- Replacement Public Housing units must be replaced on a 1 to 1 ratio. HOPE SF funds may be loaned and/or granted by the MOH to a development partner to build replacement public housing.

- Create a housing ladder among the public, affordable, and market-rate housing that would enable households to move within the development over time as their economic circumstances improve.

- Maximize the Creation of New Affordable Housing: In addition to one for one replacement of public housing, create as much affordable rental and ownership housing as possible on the sites given financial and physical constraints

- Cross-subsidize the rebuilding of the public housing with market-rate housing development: Although the City is not mandating a certain development program for this NOFA, financing plans should explicitly enable proceeds from the sale or lease of market-rate housing or land for market-rate housing development to subsidize the cost of replacing the public housing units.

2. Key underwriting and financing assumptions

Applicants should incorporate the following terms into their financing plans and submit a detailed Sources & Uses budget accordingly:

- Primary capital funding sources that include 9% low income housing tax credit equity or tax exempt bonds / 4% tax credit equity, affordable housing or infrastructure funds available through California HCD or California Housing Finance Agency, the Federal Home Loan Bank's Affordable Housing Program funds, and the HUD 202/811. **As noted above, developments will be expected to apply for HOPE VI funds at an appropriate time in the predevelopment process.**

- Projects must also show the inclusion of permanently affordable rental housing designed to serve the needs of very-low income families earning up to 60% of AMI for the HUD Metro Fair Market Rent Area (HMFA) that contains San Francisco (as established by the Mayor's Office of Housing and available on the MOH website. See http://www.sfgov.org/site/uploadedfiles/moh/Rent_Levels/MOH2007AMI_IncomeLimits-SanFranHMFA.pdf for Income Limits and http://www.sfgov.org/site/uploadedfiles/moh/Rent_Levels/MOH2007AMI_RentLimits-SanFranHMFA.pdf for Rent Limits).

- Affordable Homeownership Units with prices affordable for household earning from 80% to 100% of AMI for the HUD Metro Fair Market Rent Area (HMFA) that contains San Francisco (as established by the Mayor's Office of Housing and available on the MOH website. See http://www.sfgov.org/site/uploadedfiles/moh/Rent_Levels/MOH2007AMI_IncomeLimits-SanFranHMFA.pdf for Income Limits.

- All proposed financing will be subject to underwriting using the most current version of the Mayor's Office of Housing Underwriting guidelines, available on the MOH website (see www.sfgov.org/moh.

- Funding Terms: Funds will be provided as residual receipts loans or depending on the circumstances, may be in the form of grants or deferred loans. Loans will be interest bearing, or may be interest free if needed to ensure the financial feasibility of the project. For all loans and grants, however, in the event of uncorrected default under the loan or grant agreement, interest shall be charged at the minimum rate of 10% per year from the date of the loan or grant agreement and shall become immediately due and payable.

- Mixed Finance**:** HOPE SF funds in a mixed-finance project serve to leverage other public and private funds for the development of public housing, other affordable and/or market rate housing. The use of such funds is described in a Mixed-Finance Proposal, prepared in conformance with the requirements of 24 CFR part 94, subpart F. The project will also be subject to a Mixed-Finance Amendment to the Consolidated Annual Contributions Contract (ACC), signed by the SFHA and HUD. This document provides for the delivery of HUD capital dollars and ensures that public housing units in the project are operated pursuant to the public housing regulations.

I. Employment, Training and Contracting

A key HOPE SF principle is that the rebuilding of the development should provide economic opportunities throughout the entire process. Specifically, the development team should work with residents and appropriate partners to:

- Connect Appropriate Job Training and Employment Opportunities for existing residents through the Development Process: Projects selected for funding will be required to work with the CityBuild initiative of the Mayor's Office of Economic and Workforce Development to comply with local and federal requirements regarding the provision of employment opportunities for local and low-income residents and small businesses during both the development and operation of the project.

  Additionally, as outlined in the HOPE SF guidelines, Development Teams will be expected to meet or exceed the Authority's resident hiring requirement that Authority residents constitute a minimum of twenty-five percent (25%) of the total workforce hours on covered contracts. Refer to Attachment C, Summary of Affirmative Action Requirements, Section III. Commission Resolution No. 4967.

- Take Advantage of Contracting Opportunities to provide opportunities for existing residents, local businesses, and small and disadvantaged businesses: Project Sponsors selected under this NOFA will be required to comply with local and federal procurement requirements, including the provision of equal employment opportunities for disadvantaged business consultants, architects, contractors, and other potential development team members to participate in projects funded under this NOFA. To ensure that equal opportunity plans are consistent with City and Federal procurement requirements, sponsors should meet with MOH and San Francisco Human Rights

Commission staff prior to finalizing their development team to develop a plan for such compliance.

- Prevailing Wages: Projects selected for funding under this NOFA will be subject to applicable local, state or federal requirements with regard to labor standards. Developers should take prevailing wage requirements and labor standards into account when seeking estimates for contracted work, especially the cost of construction, and other work to which the requirements apply, and when preparing development budgets overall.

J. Application Process

Application Forms and Deadline
MOH requires that applications be submitted both by email and in hard-copy (signed by an authorized representative of the applicant). Applications will be accepted at any time following publication of this NOFA until **5:00 p.m., May 8, 2008.**

Please submit five (5) hard copies and an electronic copy on CD. NOFA responses should be submitted to Kaila Price, HOPE SF Project Manager, Kaila.Price@sfgov.org .

Application Review
Qualifying applications will reviewed for compliance with relevant City policies and current Underwriting Guidelines (available upon request or at www.sfgov.org/moh) and for overall feasibility.

Leveraging
Development Teams will be asked to aggressively pursue non-local sources of predevelopment funds to the fullest extent possible. The amount of City funds requested and the actual or proposed level of funds to be leveraged from other sources will be examined.

Final Review and Commitment of Funds
Feasible applications that comply with the City's underwriting guidelines and policies will be preliminarily scheduled for review by the Loan Committee. All commitments recommended by the Loan Committee are subject to final approval by the Board of Supervisors and the Mayor. Commitments may be conditional; actual closing and disbursement of funds may be contingent on applicant's achievement of certain development benchmarks or performance goals. The City reserves the right to commit funds to a successful applicant in an amount that differs from the originally requested amount.

K. OTHER REQUIREMENTS

Before executing an agreement and disbursing any funds to a successful applicant for funding under this NOFA, the City will require the following:

1. An opinion by the applicant's legal counsel, satisfactory to the City's legal counsel, that the developer is duly formed, validly existing, in good standing under the laws of the State of California, has the power and authority to enter into an Agreement with the City, and shall be bound by the terms of the Agreement when executed and delivered, and that addresses such other matters as the City may reasonably request.

2. A copy of appropriate insurance policies naming the City as co-insured.

3. Project sponsors will be required to comply with all requirements applicable to entities contracting with the City, including, but not limited to insurance coverage, business relationships, and domestic partners' benefits.

4. Executed Memorandum of Understanding with development partner(s) or development consultant, if applicable.

For questions concerning this NOFA, please call Joel Lipski, Housing Development Director (415-701-5510; joel.lipski@sfgov.org) or Kaila Price, HOPE SF Project Manager (415-701-5518; kaila.price@sfgov.org) at the Mayor's Office of Housing.