

NOTICE OF FUNDING AVAILABILITY

Acquisition and Predevelopment Financing for AFFORDABLE RENTAL HOUSING for FAMILIES

October 19, 2007

*Issued by the Mayor's Office of Housing of the City and County of San Francisco,
in collaboration with
the Human Services Agency and the Department of Public Health*

Available Funds: \$8,300,000

A. Introduction

In order to promote the development of permanent affordable housing for very-low income and homeless families in San Francisco that is consistent with the City's 2005 Consolidated Plan, the City's Master Plan Housing Element, and the San Francisco 10 Year Plan to Abolish Chronic Homelessness, the Mayor's Office of Housing (MOH) announces the availability of funding for acquisition and the first year's predevelopment expenses associated with the development of permanent affordable housing for very-low income families, including families and/or youth that are homeless.

B. Target Population: Very-Low Income Families, including Families and/or Youth that are Homeless

This NOFA is intended to solicit proposals for the development of permanent affordable rental housing designed to serve the needs of very-low income families earning up to 60% of the Area Median Income, with a portion of units for families and/or youth that are homeless.

To be eligible for funding under this NOFA, at least 20% and no more than 35% of the units in any proposed development should target families or youth who are homeless as defined below. Within this set-aside, MOH encourages applicants to consider including 10-15% of the total units for homeless or at-risk youth as defined below.

Definition of Homeless Families: Families who lack a fixed, regular, and adequate nighttime residence and who have a primary nighttime residence in one or more of the following

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categories: a shelter, the street, a vehicle, a makeshift structure, doubled up or transitional housing.¹

Definition of Homeless Youth:

- A person who is at least 18 years of age, but not older than 24 years of age, and meets one of the following conditions: i) is homeless or at risk of becoming homeless, ii) is no longer eligible for foster care on the basis of age, or iii) has run away from home, or
- A person who is less than 18 years of age who is emancipated pursuant to Part 6 (commencing with Section 7000) of Division 1 of the California Family Code and who is homeless or at risk of becoming homeless.²

Only proposals for permanent housing with a comprehensive service component appropriate for families, including homeless families and/or homeless youth, are eligible for funding under this NOFA.

Notwithstanding the foregoing paragraphs, the City may at some later date permit projects funded under this NOFA to be revised as necessary to serve a population other than homeless families and youth if after consultation with the applicant and other appropriate agencies, the Director of MOH determines that serving homeless families and youth is infeasible.

C. Financing Plan and Affordability Restrictions

Although the City is not mandating a certain development program for this NOFA, 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, City subsidy, Federal Home Loan Bank Affordable Housing Program funds, and any other funding developers deem applicable. Other sources may include the State Multifamily Housing Program Supportive Housing Component.
- Rents set at affordability for households 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).
- An operating budget that includes all expenses necessary to properly operate and maintain the building but that excludes support services.

¹ City and County of San Francisco Board of Supervisors Resolution 997-01 establishing an official citywide definition of homelessness adopted on December 17, 2001

² Defined in Government Code Section 11139.3(e)(2) as detailed in the California Department of Housing and Community Development Multifamily Housing Program Homeless Youth NOFA

- Construction cost estimate should reflect current construction costs and exclude escalation assumptions.

Since the portion of units targeted to families and/or youth that are homeless will not be able to pay enough in rent to offset operating costs and other project demands, developers should include a projected rent subsidy amount necessary to ensure affordability for this target population and to meet the building's operations and maintenance needs, including adequate reserve deposits, asset management and partnership management fees. For purposes of this projection, developers should assume that the actual tenant-paid portion of rental income is \$300 per unit per month. Developers should be specific about the income assumptions of their target population. Applicants should also submit an alternate financing plan that demonstrates project feasibility without operating subsidies and the targeting to homeless and at-risk families and/or youth.

While a commitment of capital funding does not guarantee an award of local operating subsidies, the City will work with the selected developer to leverage the most appropriate subsidies to serve the target population. An application submitted under this NOFA is also considered an application for local operating subsidies should those subsidies be made available and are necessary. For projects targeting youth that are homeless or at-risk of homelessness, sponsors should contact the Human Services Agency about the availability and applicability of Transitional Housing Program Plus (THP-Plus) rent subsidies.

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). All applicants should use these guidelines in preparing their financing plans except for the following:

For purposes of comparing applications under this NOFA, applicants should not assume any capitalization or gradual build-up from cash flow of any "transition" or "rent subsidy" reserves.

D. Family Friendly Design

Drawing from architectural examples of high quality local family projects, as well as from other communities, the development should encompass features that strive to meet the unique needs of families in both the units and common areas. As recommended by the Policy Council on Children, Youth and Families, the following guidelines should be considered and followed to the extent possible:

Family Friendly Units generally include:

- 2, 3 and 4 bedroom units for larger families
- Ample closet space
- Full bathrooms with baths as well as showers. In the larger units, an additional half bathroom.
- Larger kitchens providing enough space to cook in
- Family room, large common area
- Space for families to eat together
- Access to the outside – either yard space or balconies. Balconies must be safe for children.

- Windows that open, with safety locks

Family Friendly Developments generally include:

- Adequate laundry facilities
- Outdoor play space for children from babies to teens
- Play rooms/community rooms/gathering space for children, youth, family and community functions
- Elevators
- Additional storage (bikes, etc.)
- Clean, well-maintained common areas
- Property management policies which allow pets

E. Support Services and Tenant Referrals

This NOFA is part of the City's effort to facilitate the development of affordable permanent housing for low income and homeless families by coordinating the review and approval of applications for capital resources from MOH with the review of funding requests for supportive services and operating subsidies from the Human Services Agency (HSA) and Department Public Health (DPH). HSA will make direct referrals for the units targeting families that are homeless. Sponsors should contact HSA about referrals for units targeting homeless youth.

Funding for services must be applied for by separate application at the appropriate time. However, HSA, DPH, MOH and SFRA collaborate closely on funding decisions in order to maximize the use of City resources. Capital funding decisions under this NOFA will include review and approval by representatives of all of these agencies; and successful applicants under this particular NOFA will receive priority for funding from the appropriate City Department for services and operating subsidies (if needed) at the appropriate time.

F. Eligible Uses of Funds

Funding that is awarded through this NOFA may be used to support a variety of pre-construction housing development activities for the production of new affordable rental housing under non-profit ownership, including but not limited to the following:

- property acquisition and holding costs
- architectural and engineering expenses
- environmental assessments
- appraisals
- legal costs
- project management

Costs associated with the acquisition or design of commercial, office or community spaces may be eligible for subsidy with these funds, depending on how the use of these spaces relates to the proposed housing and the extent to which other potential resources for developing these spaces are utilized. Hard and soft costs associated with tenant improvement of such spaces are not eligible for support with these funds. Projects currently under development that have existing funding commitments from MOH and/or SFRA are not eligible for funding under this NOFA.

G. Threshold Eligibility Criteria

Eligible Applicants

Only applicants who meet all of the following criteria will be considered eligible for funding under this NOFA.

- May be any individual, public agency or private entity capable of entering into a contract;
- Must demonstrate the technical capacity and experience to successfully develop, own and manage housing linked with supportive services either through staff, contracted services, or collaboration with other organizations, including:
 - *Development Experience*: the applicant must have developed at least one “Qualifying Project” in the past 5 years (subject to satisfactory performance review by MOH or SFRA). A Qualifying Project is defined as an affordable rental housing development that includes at least 20 units of predominantly multiple bedroom unit sizes or 35 units of predominantly single bedroom or smaller unit sizes;
 - *Services Experience*: the applicant or the applicant’s service provider must have experience providing supportive services at a minimum of one Qualifying Project that has a comprehensive service component designed for very low or extremely low-income families that need services linked to their housing in order to remain stable in that housing (subject to satisfactory performance review by any City agency from which the Project received funding).
 - *Management Experience*: the applicant or the applicant’s management agent must have managed at least one Qualifying Project for at least 24 months (subject to satisfactory performance review by any City agency from which the Project received funding).
- Must have site control as evidenced by appropriate documentation. The proposed purchase price must be reasonable in comparison to other sites in the neighborhood and in comparison to other affordable housing sites in the City. Prior to any disbursement of funds for acquisition, an appraisal supporting the acquisition cost will be required.

Eligible Projects

- May involve new construction or acquisition and rehabilitation of existing housing or the conversion of non-housing structures to create housing;
- Must involve the development of new or expansion of existing permanent affordable housing for families;
- Must include 20% to 35% of units targeted toward families that are homeless as defined above and linked with on- or off-site supportive services designed to assist residents to

retain their housing. Successful applicants will be required to work with the City to identify operating or rental subsidies necessary to serve this population.

- Must include appropriate space for the provision of supportive services for families either on-site or immediately proximate to the project.

Ineligible Projects

- Projects that have existing acquisition, pre-construction or construction financing commitments from MOH and/or SFRA.

H. Evaluation Criteria and Scoring Summary

All applications that meet the Threshold Eligibility Criteria above will be rated and ranked according to the following scoring criteria (see “Detailed Scoring Criteria” Attachment for details). Applicants must score a minimum of 65 points, of which 10 points must be from the Leveraging category, to be considered for funding.

Category	Potential Points
Development Experience exceeding threshold requirement	20
Service Provider Experience exceeding threshold requirement	15
Management Agent Experience exceeding threshold requirement	15
Site Amenities	20
Leveraging Acquisition Financing	20
Leveraging Predevelopment Financing	10
Tie Breaker: Cost of Land Acquisition per Bedroom - Ties between applicants with identical scores will be broken by giving preference to the applicant with the lowest cost of land acquisition per bedroom.	
TOTAL POSSIBLE POINTS	100

I. Funding Requirements And Guidelines

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.

Equal Employment Opportunities

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 hiring their development team to develop a plan for such compliance.

Environmental Review

Depending on conditions at the project site and on project plans, proposed developments may be subject to review under the California Environmental Quality Act (CEQA), the National Environmental Policy Act (NEPA), the National Historic Preservation Act (NHPA) and specifically the Section 106 historical resources preservation review. Depending on the location of the proposed project, review by the Department of City Planning or Redevelopment Agency Planning Division may also be required.

Accessibility Requirements

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. New construction projects will be required to have at least 50% of all units adaptable and 10% of all rehabilitated units assisted with funds from this NOFAs shall be adaptable.

Relocation Requirements

Applicants under this NOFA may be subject to the provisions of federal or state relocation law. Upon submission of an application for funding under this NOFA, applicants should be prepared to notify any existing residential or commercial tenants of the plans to redevelop the site and that public funds are being sought for this purpose. The notice should also inform tenants whether or not they will be temporarily relocated or displaced as a result of the redevelopment and should inform them of their rights to relocation assistance.

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.

Employment and Training

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.

Sustainable Design

The Mayor's Office of Housing seeks to maximize the overall sustainability of financed projects through the integrated use of "green" building elements in 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. In addition, new construction must earn 25 points from the Optional Criteria, while rehab projects must earn 20 points from the Optional Criteria.

Successful applicants under this NOFA will be required 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.³

Architect Procurement for Feasibility Study

In order to maintain fair and open competition for architectural services contracts, and to avoid creating an unfair advantage for any firm that may have participated directly or indirectly in formulating an RFP for such services, an architect who has performed a feasibility study (or its equivalent) for a housing development project financed or expected to be financed with federal funds granted to the project by MOH may not be selected for the full services contract to design that project. Nevertheless, if the Sponsor has received no responsive, qualified proposal(s) at a reasonable price after a minimum of two weeks of advertising for the feasibility work in a manner that clearly describes this prohibition, the Sponsor may request that MOH waive this restriction to allow procurement of feasibility services.

Note that it is also possible for the sponsor to procure an architect for the full project through an open and free procurement process approved by MOH prior to submittal of an application under this NOFA. If the application is not successful, any fee payment is the responsibility of the developer. For more information on architect procurement, please see the MOH Contracting Manual, which can be found at <http://www.sfgov.org/site/uploadedfiles/moh/Reports/CONTMANL.PDF>

J. Application Process

Application Forms and Deadline

Application forms will be provided by email upon request to lynn.hua@sfgov.org (or 415-701-5538) or by visiting the City's website at www.sfgov.org/moh.

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., December 21, 2007.**

Application Review

Applications will first be reviewed in the order in which they are received for completeness and eligibility, and then ranked for the Citywide Affordable Housing Loan Committee ("Loan Committee") review preliminarily scheduled for February 15, 2008.

Qualifying applications will be ranked and reviewed for compliance with relevant City policies and current Underwriting Guidelines (available upon request or at www.sfgov.org/moh), and for

³ Programmatic goals for projects should focus on durability, energy efficiency, indoor air quality and recycling. MOH has outlined local sustainable building strategies in the *Materials Handbook* available at <http://www.andnet.org/materials>. Respondents may obtain more information about "green" building strategies and resources from Leadership in Energy and Environmental Design (LEED) program, described at <http://www.usgbc.org>. Additional information on "green" affordable housing initiatives can be found from Build It Green at <http://www.builditgreen.org>, in Alameda County's *Multifamily Green Building Guidelines* at <http://www.stopwaste.org/home/index.asp?page=291>, and at <http://www.greenaffordablehousing.org>.

overall feasibility, including but not limited to the following issues:

Financial Feasibility: The project must be financially feasible, including realistic development and operating budget projections that conform to industry standards. Each proposed financing source must be realistic, compatible with MOH and all other committed or proposed funding sources and appropriate for the proposed housing. Applicant must demonstrate that there is a reasonable likelihood that all identified development sources will be secured in a timely manner.

Cost: The project's total development budget, as well as its specific line items, will be evaluated to determine their comparability to recent and similar projects, to industry standards and their compliance with funding source regulations, MOH policy and underwriting guidelines. Cost per unit, per square foot (land area and building space), per bed or bedroom will be examined relative to total development cost, City subsidy and construction cost.

Supportive Services: The plan for the provision of services must be submitted at time of application, including identification of service provider. It must include a preliminary staffing pattern and budget and be appropriate to the proposed target population. In the absence of currently identifiable sources of funding for services, applicants may assume that appropriate sources will be found by the time a project is ready to begin operations and must agree to work with the City as needed to access those sources.

Leveraging: All projects must propose the maximum use of available, non-local funds to achieve the highest reasonable financial leveraging of capital resources for the construction and permanent phase. The amount of City funds requested per unit and the actual or proposed level of funds to be leveraged from other sources will be examined.

Location of Project: Consideration will be given to the proximity or accessibility of the site to shopping, childcare and after-school programs, parks and recreation, transportation, and other amenities.

Displacement and Relocation: The level and estimated costs of any permanent and/or temporary displacement and its cost that will occur as a result of a proposed project will be examined. Projects must involve minimal or no displacement of residential or commercial tenants. If temporary or permanent displacement of residents is anticipated, the sponsor must provide a preliminary Relocation Plan and Budget with the application.

Other Issues to be Considered

Prior performance by the project developer, service provider and property management entity will be taken into consideration during the proposal review. It may be a factor during the review by the Loan Committee and approval by the Board of Supervisors and the Mayor. Performance measures will include timely performance by the developer to deliver previous projects supported by City funds within the agreed upon project schedule; maximum leveraging of City funding, and comparability of project costs to other similar developments in San Francisco.

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 on February 1, 2008 in the order in

which they are scored. 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. The City also reserves the right to award an aggregate amount that exceeds the amount identified as available under this NOFA if necessary to fully fund the last approved project.

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. For Site Acquisition financing, an appraisal of the property to be acquired.
4. A Phase I (and II, if appropriate) Environmental Assessment.
5. 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.
6. Audited or financially reviewed financial statements for the entity's last three fiscal years.
7. Executed development services contract with development partner or development consultant, if applicable.
8. Executed Memorandum of Understanding with service provider.
9. Proof of financing commitments for all non-City funding identified in the application.

For questions concerning this NOFA, please call Joel Lipski, Housing Development Director (415-701-5510; joel.lipski@sfgov.org) or Anne Romero, Project Manager (415-701-5525; anne.romero@sfgov.org) at the Mayor's Office of Housing.