

Memorandum

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Date: May 17, 2004

Subject: 2004 Affordable Housing Reserve Fund -- RFP

Attached please find a marked-up copy of the "Request for Proposals" (RFP) for the third and final round of NRP's Affordable Housing Reserve Fund (AHRF) program.

The significant changes include –

Program Features & Requirements:

3. The proposed language change clarifies that this requirement applies only to multi-neighborhood collaborations.
5. 2004 is the final round of the AHRF and a maximum award amount is no longer needed.
6. The cumulative total of AHRF dollars for any one neighborhood has been reduced from \$2.5 million to \$1.5 million to reflect the reduction in the AHRF set-aside approved by the Policy Board on December 15, 2003.
7. 2004 is the final round of the AHRF and a maximum award amount is no longer needed.

Selection Criteria:

During the review and approval of the 2003 AHRF funding awards Board members expressed a desire to help more homeownership projects. Staff suggests the following changes in the selection criteria to help position homeownership proposals for better access to AHRF resources while retaining an emphasis on projects that target households at or below 30% of the Metropolitan Medium Income (MMI).

20	All the AHRF-assisted units will house families and/or individuals with household incomes at 0-30% SMSA median income, or
10	More than half of the proposed AHRF-assisted units will house families and/or individuals with household incomes at 0-30% SMSA median income, or
5	Less than half of the proposed AHRF-assisted units will house families and/or individuals with household incomes at 0-30% SMSA median income.

The other two changes under Selection Criteria concern “length of affordability” and “project type” in Impacted and Non-Impacted Census Tracts.

The reduction in points for “length of affordability” is to de-emphasize this feature. NRP staff have found that the common practice is to commit to long-term affordability but produce cash flow projections that show negative positions well before the term of affordability has been reached.

Staff recommends that “construction project” be deleted as a point gainer within Impacted Census Tracts to better align with the City’s affordable housing policy.

Contract & Closing Requirements:

The new requirement in this section was discussed and approved at the April 19, 2004 Policy Board meeting.

Timeline:

The RFP schedule was developed with CPED staff to better coordinate the awarding of affordable housing resources and meets the commitment that NRP made last fall to initiating the final RFP round in May.

I recommend that the Policy Board approve the following resolution:

RESOLVED, That the Minneapolis Neighborhood Revitalization Policy Board (Board) approves the 2004 Affordable Housing Reserve Fund “Request for Proposals” as amended and attached.

Minneapolis Neighborhood Revitalization Program


Affordable Housing Reserve Fund 2004

REQUEST FOR PROPOSALS

PURPOSE: Improvement of the city's housing stock and providing housing that is affordable to any resident are Phase II priorities of the Minneapolis Neighborhood Revitalization Program (NRP). One approach to achieve these priorities is through the NRP Affordable Housing Reserve Fund (AHRF) program.

The goal of the AHRF is to assist with the development of long-term (at least 10 years) affordable housing units for low-income families and individuals, including the elderly and persons with special needs, at or below 50% of the Metropolitan Median Income (MMI) as adjusted for family size. Priority will be given to projects that target households at or below 30% of the median income.

PROGRAM FEATURES & REQUIREMENTS:

1. A proposal must score a minimum of **70 points overall** to be considered for funding.
2. All AHRF requests must be reviewed and sponsored by the recognized NRP neighborhood organization for the geographic area in which a project will occur.
3. Multi-neighborhood collaborations ~~Any NRP neighborhood organization~~ may sponsor an eligible AHRF project. The housing units to be occupied by low-income households do not need to be located within the geographic area of all the sponsoring neighborhoods. The AHRF award will, however, be counted toward all the sponsoring neighborhood's AHRF cap. 
4. The neighborhood organization review process must include at least one neighborhood-wide, general attendance meeting, preceded by a 30-day meeting notice. Meeting notification can be accomplished through flyers, newspaper ads/articles, and/or newsletter ad/articles.
5. ~~The maximum amount of AHRF 2003 dollars awarded for projects in any one neighborhood will not exceed \$1 million, regardless of how many neighborhoods are serving as sponsors.~~
6. ~~5.~~ The cumulative total of AHRF dollars awarded for projects in any one neighborhood will not exceed \$ 1.5 ~~2.5~~ million over the life of the AHRF program.
7. ~~The maximum amount of AHRF dollars awarded for a multi-neighborhood collaboration will not exceed \$2.5 million.~~

- 8.6. AHRF dollars must be leveraged at least 1 to 1 with non-NRP dollars.
- 9.7. A least 20% of the units in projects of 10 units or more must be affordable at or below 50% of SMSA median income.
- 10.8. AHRF dollars will not be disbursed until total project financing is in place and available for closing on the project.
- 11.9. Projects must demonstrate evidence of site control [for an acceptable amount of time] with no conditions that would limit the use of the property.
- 12.10. Rehabilitation standards for each project must at least meet the Section 8 Existing Housing Quality Standards or the Federal Housing Administration (FHA) Minimum Property Standards. More substantial rehabilitation may be required at the discretion of the NRP Policy Board.
- 13.11. Per unit assistance will not exceed the following maximums established by the Federal HOME Investment Partnership Program:

Effective	0 BD	1 BD	2 BD	3 BD	4 BD
January 1, 2003	92,925	106,520	129,528	167,565	183,935

- 14.12. AHRF dollars cannot be used for up front costs associated with developing and submitting the proposal for funding. Typical predevelopment costs such as architect fees, engineering, environmental surveys, legal work, etc. incurred prior to closing are eligible for reimbursement as project costs.

SELECTION PROCESS:

A technical team will review the proposals and may conduct interviews with applicants. Additional information clarifying components of proposals may be requested from applicants. For rehab proposals, a physical inspection of the property may be necessary. Proposals will be evaluated in accordance with the program requirements and the selection criteria.

The technical team will forward recommendations to the NRP Management Review Team (MRT). The MRT will forward proposals, with comments, to the NRP Policy Board.

The NRP Policy Board will approve all funding awards. It is the prerogative of the Policy Board to determine the number and amount of awards. The Policy Board may award less than the total amount available.

Following Policy Board approval the Minneapolis Department of Community Planning and Economic Development (CPED) Agency (MGDA) will assign a contract administrator for each project. The CPED MGDA contract administrator will be responsible for facilitating the execution of loan agreements.

SELECTION CRITERIA:

Points	
10-0	The extent the development team's experience, and administrative and financial capacity are satisfactory to the scope to the proposal.
10-0	The extent to which all sources of funds are committed.
10-0	Extent to which the proposal includes market analysis and underwriting that demonstrates viability.
15	3 private dollars for every 1 AHRF dollar, or
10	3 private and other public dollars for every 1 AHRF dollar, or
8	2 private dollars for every 1 AHRF dollar, or
4	2 private and other public dollars for every 1 AHRF dollar, or
2	2 other public dollars for every 1 AHRF dollar
5-0	Extent to which the Development Team includes small, women-owned, and/or minority-owned businesses.
5	The proposal qualifies as a multi-neighborhood collaboration.
5	The project is located in a non-impacted census tract.
1020 540	Affordability will be over 25 years, or Affordability will be over 15 years.
20	All the AHRF-assisted units will house families and/or individuals with household incomes at 0-30% SMSA median income, or
10	More than half of the proposed AHRF-assisted units will house families and/or individuals with household incomes at 0-30% SMSA median income, or
5	Less than half of the proposed AHRF-assisted units will house families and/or individuals with household incomes at 0-30% SMSA median income.
5-0	Extent to which the project provides units with 3 or more bedrooms
10-0	Extent to which the project is consistent with the land-use, density and urban form elements of the Minneapolis Comprehensive Plan.
	The project is located in:
10	• An <u>Impacted Census Tract</u> and is defined as either a preservation project, or a stabilization project, or a construction project
10	• A <u>Non-Impacted Census Tract</u> and is defined as either a construction project or a positive conversion project.
5-0	Extent to which resident services are an integral provision of the housing.
5-0	Extent the project demonstrates access to public transit and proximity to jobs.

DEFINITIONS:

Construction project	Construction of new affordable housing units.
Impacted census tracts	Census tracts with percent of minority population greater than or equal to 20% above MSA average (15.2%) or with percent of population at greater than or equal to 15% above City's poverty concentration (16.9%) -- (see attached map).
Multi-neighborhood collaboration	A project sponsored by 2 or more adjoining neighborhoods. Sponsorship requires each neighborhood to conduct a review process. The project location need only be in one of the neighborhoods.
NRP dollars	Funds allocated through Neighborhood Action Plans
Positive conversion project	Conversion, in any manner, of an existing unit to an affordable housing cost or the conversion of non-residential property to affordable housing.
Preservation project	Preventing the loss of viable federally subsidized units through acquisition and/or rehabilitation.
Rehabilitation project	Rehabilitation of vacant rental or ownership housing
Site control	Fee title; Contract-for-deed; Signed purchase agreement; Signed purchase option; Signed redevelopment contract; An application with the MCDA for a parcel of land or a building owned by the MCDA.
Stabilization project	Preventing the loss of viable non-federally subsidized affordable units through acquisition and/or rehabilitation.
Underwriting criteria	<ul style="list-style-type: none"> ▪ Current market interest rates in estimating mortgage financing. ▪ 5 percent vacancy rate ▪ 1.0 to 1.25 debt service coverage ratio ▪ 4 percent annual operating increase ▪ 2 percent annual income increase ▪ Operating reserve fund ▪ Replacement reserve fund

CONTRACT & CLOSING REQUIREMENTS:

1. The time between the date of the NRP Policy Board's award and the date of project closing should not exceed eighteen (18) months. The Board may approve extensions. If a commitment expires before a closing has occurred the funds will be considered to be available for other projects. Developers would be allowed to resubmit the proposal for future consideration.
2. If a developer cannot demonstrate the proper strength in a particular area but the project rates high on other selection criteria, the developer may be required to hire or joint venture with an entity that is strong in that particular area before closing as a condition of approval.
3. Repayment provisions will be included in all funding agreements. At a minimum, repayment of funds will be required in the event the NRP-assisted units fail to retain their affordability for the required time period. Repayment provisions will be structured on a project-by-project basis. Repayment provisions may take the form of an amortized loan, a shared loan, distribution from annual project cash flows, repayment at time of sale, refinancing or conversion, or other acceptable forms.
4. When an ownership project receiving AHRF funding assistance has an established model for long-term or perpetual affordability of ownership housing (for example the Habitat for Humanity or Minneapolis Public Housing Authority models) the repayment of AHRF funds will not be required.
- 4.5. Changes to the development team must be reviewed and approved by the NRP and CPED MCDA project staff.
- 5.6. Recipients may be required to comply with the current Department of Housing and Urban Development (HUD) Lead Safe Housing Regulation and asbestos mitigation rules.
6. Projects will adhere to certain requirements, when applicable, which include but are not limited to the following: equal employment opportunity, prevailing wage requirements, affirmative action, affirmative marketing, emerging small businesses, apprentice certification, public bidding, performance and payment bonds, insurance coverage, conformance with the Americans with Disabilities Act, zoning regulations and plan review, and relocation.

TIMELINE:

Issue Request for Proposals (RFP)	June 7, 2004
Due Date for submission of proposals	September 8, 2004
Applicant interviews	September 27 – October 15, 2004
Completion of the technical review and scoring	October 30, 2003
Review and comment by the Management Review Team	November 4, 2004
Policy Board awards	November 22, 2004