2014 Initiative to End Chronic Homelessness

Affordable Rental Housing Request for Proposals

City of Houston
Harris County
Houston Housing Authority
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Part I. Overview: Initiative to End Chronic Homelessness

The Need for Permanent Supportive Housing
The greater Houston community has developed an initiative to end chronic homelessness in Houston by 2016. A community plan, in conjunction with Harris County and the Houston Housing Authority, has been generated to include the creation of 2,500 new Permanent Supportive Housing (PSH) units. The City has made significant progress towards this goal, but much remains to be accomplished. This RFP is soliciting applications to build or renovate properties which will contain some PSH units.

A PSH unit is defined as an affordable rental housing unit that is linked to a range of support services that enables tenants, especially the chronically homeless, to live independently and participate in community life. In 2013, through point-in-time counts of our homeless population, it was estimated that on any given night in Houston 6,400 individuals were homeless. Of these, approximately 2,500 were considered chronically homeless. HUD’s definition of a chronically homeless person is: “a homeless individual or head of household with a disabling condition who has either been continuously homeless for a year or more OR has had at least four (4) episodes of homelessness in the past three (3) years.” A disabling condition is defined as “a diagnosable substance use disorder, serious mental illness, developmental disability, or chronic physical illness or disability, including the co-occurrence of two or more of these conditions.”

These citizens frequently confront serious, persistent issues such as addiction or alcoholism, mental illness, HIV/AIDS, and other serious challenges to a successful life, and thus require a more substantial level of care in a supportive housing environment to return to housing stabilization. Permanent Supportive Housing is an evidence-based practice that has been proven to be the most successful intervention for chronically homeless persons. HUD has independently verified that more than 80% of tenants in Permanent Supportive Housing remain stably housed for more than one year.

The Housing and Community Development Department (HCDD) of the City of Houston will provide funds for gap financing that are not otherwise available from other sources. Leveraging of HCDD funds is pivotal to the ultimate success of these projects. HCDD has developed a close working relationship with the Low Income Housing Tax Credits (LIHTC) program administered by the Texas Department of Housing and Community Affairs (TDHCA) as a frequent source of leverage. Additionally, utilization of conventional debt and equity financing, foundation grants and other non-City funds may be a source of leverage.

Furthermore, to enhance the efficacy of the housing product, alliances with agencies which provide supportive services for the target population are strongly encouraged, and comprehensive services will be required for the PSH units. (A discussion of funding sources for these services is included below.)

Part II. Developing Permanent Supportive Housing
Permanent Supportive Housing units are:

Targeted: PSH units are available to households earning below 30% of Area Median Income with multiple barriers to housing stability.

Deeply affordable: Rents are subsidized so that the tenant pays no more than 30% of household income towards rent, even when tenants have extremely limited or no income.
Lease-based: Tenancy is based on a legally-enforceable lease or similar form of occupancy agreement, and there are no limits to a person’s length of tenancy as long as they abide by the conditions of the lease or agreement. Leases do not include additional requirements for tenancy beyond the market standards (i.e. drug testing, unannounced access to unit, service participation requirements, curfews, unreasonable restrictions on visitors, and excessive inspections are all excluded).

Supported: A flexible array of comprehensive services will be available, with tenant participation being voluntary. The tenant has access to this array of services including, but not limited to, case management, medical services, mental health services, substance use treatment, employment and life skills counseling, eviction prevention programs, social and recreational events, and tenant advocacy; however, a lease may not be terminated solely because a tenant chooses not to participate.

Managed: A working partnership includes ongoing communication between service providers, property owners/managers, and subsidy programs. The ultimate goal of Permanent Supportive Housing is to help vulnerable tenants maintain long-term housing stability, be good neighbors, and improve the quality of their lives. The development of Permanent Supportive Housing includes an early examination of three budgets: capital, operating, and services.

Capital Resources
HCDD and Harris County Community Services Department (HCCSD) will provide funding support for capital investments in Permanent Supportive Housing. As a rule of thumb, HCDD expects to fund approximately $60,000 per PSH unit. Generally a minimum of 25 PSH units is needed in a development to support the expense of a full time case manager. Only one application is required per project; HCDD and HCCSD will jointly review all applications.

Operating Resources
Houston Housing Authority has made operating subsidies available for PSH units in the form of Section 8 (project-based) vouchers, Veterans Administration Subsidized Housing (VASH) vouchers and other forms of support, provided that the proposal(s) submitted to HHA demonstrate that the PSH project conforms to all applicable federal regulatory requirements.

Please see the Application Process Section below for further details. Note that a project will not be awarded capital resources if an application for vouchers or another operating subsidy has not been submitted for the project. Applications under this RFP and under the HHA RFP should be submitted concurrently. Funding under HCDD’s RFP does not guarantee funding by HHA for vouchers, and approval of vouchers by HHA does not guarantee funding by HCDD or the County.

Supportive Services
Supportive services are the most critical part of Permanent Supportive Housing. Applicants must be willing to develop a resident services plan in partnership with either a homeless service provider that is under contract with the City’s Health and Human Services Department, or with another source of similar services. The Applicant is expected to provide office space free of charge to the on-site provider of supportive services.

City Health and Human Services Department has contracted with several providers of integrated clinical and case management services. One of these providers will be assigned to each successful project to
provide the services specific to PSH, unless the Developer provides these services through another source. Funding for these services can be provided by an 1115 Medicaid waiver. Developers will still need to supply additional residential services via a third party contractor or non-profit agency, property management, or in-house resident services program, and must demonstrate a commitment to accommodating a broader array of services either on-site or easily accessible.

**Part III. General Eligibility Criteria**

In addition to meeting the specific requirements detailed in the City/County and Housing Authority applications, applicants must meet the minimum general eligibility criteria described below before submitting an application for consideration:

**Location**
The project site must have a City of Houston address to qualify for City of Houston and Houston Housing Authority subsidies. The project site may be located in either the City of Houston and/or within Harris County to qualify for Harris County funding. Projects that qualify for both City and County funding and are located in the City of Houston may be jointly funded by the City and County for capital resources.

**Development Capacity**
The development team must have a proven track record of successful construction and/or rehabilitation of multifamily housing, and to assess and execute the required rehabilitation/reconstruction of the property. Applicants are expected to have sufficient liquidity to cover any funding shortfalls or delays that may occur during construction, lease-up and operation of the property.

**Tenant Referrals**
Applicants must agree to use the Coordinated Access System developed by Houston’s Continuum of Care as the referral source for the PSH units. The Coordinated Access System is the central access and referral point for all homeless individuals seeking housing in Houston. This system will prioritize the most vulnerable, chronically homeless individuals for placement into Permanent Supportive Housing, and will identify the most appropriate housing options for each individual. The system will then maintain a steady flow of referrals to all available housing options, provided the housing will accommodate the most vulnerable, chronically homeless. To ensure these individuals have appropriate access to the housing being developed specifically to meet their unique needs, a project may need to modify its entrance criteria or use reasonable accommodation to admit tenants who would otherwise not qualify. By agreeing to use the Coordinated Access System as the referral source, Applicants agree to make reasonable accommodation to accept the referrals.

**Discrimination**
Organizations must not discriminate on the basis of ethnicity, race, color, creed, religion, gender, national origin, age, disability, marital status, sexual orientation, gender identity, or Veteran’s discharge status. Single sex housing is not eligible to receive funding under this RFP.

**Housing First**
Applicants must agree to operate projects under the “Housing First” model, meaning prospective tenants are not required to agree to participate in services prior to entering the housing nor can service participation be a requirement of tenancy. Tenants can be required to adhere to a standard market lease, and their tenancy should be supported by eviction prevention strategies, including the engagement of services as appropriate.
Part IV. Program Funds

The sources of funds available for these projects are described below. The amounts shown are estimates inasmuch as the internal departmental allocations of HOME, CDBG, Bond and TIRZ funds remains fluid. The Department reserves the right to increase or decrease the funding amounts described herein. Assistance may be provided in the form of fully repayable interest bearing loans, grants, or performance based (0% interest) loans repayable only upon sale of the asset or other capital event. Depending on the investment, affordability requirements will extend for 10 years or more. The department will determine the best source and mix of available funds.

HOME Investment Partnership: $5 Million

This Federal program was established to expand the supply of safe, decent, affordable housing for low and very low-income households through public–private partnerships. HOME funds can be used for new construction or rehab, including the addition of new units to an existing property. The number of units restricted to low income tenants is based on the proportion of HOME funds to the total project cost. In addition, the applicant must show “Match” funds—contributions in the form of equity, donated money, time, goods, or services. HCDD requires that all applications show a minimum of 12.5% of Match funds; HCCSD requires evidence of the full 25% Match. Documentation of the Applicant’s ability to meet this requirement shall be presented in the Application in the form of a commitment from the organization providing the Match.

Community Housing Development Organizations (CHDO): 15 % Set Aside

Fifteen percent (15%) of the HOME allocation must be set aside for organizations that have been certified as a Community Housing Development Organization (CHDO). A CHDO is a community based not-for-profit entity. CHDO applicants must submit a CHDO application concurrent with their response to this RFP. The CHDO application for HCDD can be found at: http://www.houstontx.gov/housing/ rfps-applications-and-downloads.

Harris County HOME Funds: $1.3 Million

These funds carry with them the same HOME requirements described above. Harris County will conduct their own underwriting review to determine the recipient of their HOME funds. Approximately $400,000 of the County’s HOME funds will be restricted to use by a CHDO, as defined above and at the HCCSD website at http://www.csd.hctx.net/ps_chdos.aspx. Harris County’s guide book can be found in the RFP section of the HCDD website as well as the County’s website.

Community Development Block Grant (CDBG) Funds: $3.5 Million

Use of CDBG funds must satisfy at least one of the following national objectives: 1) benefit to LMI individuals, or 2) removal or prevention of slum and blight. CDBG funds are available for acquisition, renovation and/or reconstruction, but are not available for new construction. Fifty-one percent of all units must be restricted to low income tenants under CDBG rules.

The CDBG program was established to help Cities in their efforts to revitalize communities. Because it is the only source of funds available for general neighborhood activities, HCDD also uses these funds for Public Facilities, Public Services and Economic Development. Therefore, an allocation of these funds for multifamily rehabilitation will be made only for the developments with the highest probability of successful and timely execution.
Homeless and Housing Bonds: $6 Million
These bond funds have been approved in past municipal bond elections. Their use is specifically for affordable housing (including SRO, family homeless housing, housing for the disabled, and low-moderate income, as well as multifamily rehabilitation and construction). These funds may be used alone or in conjunction with HUD funds and/or conventional financing. Although they do not carry the same requirements as federal funds, HCDD may require restrictions similar to those that accompany HUD funds.

Tax Increment Reinvestment Zone (TIRZ) Funds: $5 Million
TIRZ funds are specifically allocated to affordable housing. Although they do not carry the same requirements as federal funds, HCDD may require restrictions similar to those that accompany HUD funds.

Part V. Eligible Activities
As noted above, the purpose of this RFP is to solicit proposals for projects that will both house the chronically homeless and serve their specific needs. Below is a list of activities that are eligible for funding:

- **New construction of properties of 64 units or more.** Smaller properties may be considered if, in fact, the Application shows a major impact on the area or fulfillment of a special need.
- **Rehab or demolition and reconstruction** of multifamily properties of 64 units or more.
- **Demolition as part of rehabilitation and reconstruction** which will serve to reduce density, if appropriate, making the property more manageable.
- **Acquisition of multifamily properties or of land for multifamily properties:** Again the focus is on housing the homeless.
- Project-related **soft costs** may be awarded on a limited basis and will be at the recommendation of staff and based on need determined during the underwriting review.

Please note that a property does not have to be designed only for PSH residents. In fact, HCDD encourages mixed-income and mixed-use projects.

Part VI. Eligibility Standards for Applicants
The following are representative of the requirements to be considered a qualified developer:

**Corporate Structure**
Applicants can be a for-profit or nonprofit entity. There is no requirement of a specific corporate or partnership structure. Multiple organizations may apply as a collaborative or joint venture; however, a lead entity must be designated. For the purposes of this RFP, the lead entity must be the owner/developer of the project.

**Good Standing**
Applicants and Applicants’ team members must be in good standing with HCDD on all previous grants, loans, or loan commitments. In addition, Applicant must affirm that there are no defaults or negative collection actions relating to any financial obligation, either to the City of Houston or to any other public agency or private lender. Any Applicant, Developer or general contractor who is on the federal, state, county or city debarment list will not be allowed to participate. No Applicant, Developer or contractor with management or compliance issues outstanding with the Department or other public agency will be allowed to participate.
Site Control
Applicants must be either the current owner of the property or, at the time of application, have a binding contract to purchase the property. Once an application has been received by HCDD, no moneys may be expended to alter the property until City Council approval is received. If the Applicant spends any funds on the property – either to close on the acquisition or begin construction – from the time of application until HCDD’s loan has closed, the commitment may be nullified.

Experience
Applicants must have a documented capacity to construct, or rehabilitate, and operate multi-family housing that benefits low-income individuals, and must make the commitment to accommodate providers of Permanent Supportive Housing services. Applicants must provide a complete listing, with addresses, of multifamily properties developed or rehabbed, owned or managed by Applicant or Applicant’s team during at least the past 5 years. These addresses may be cross-checked with the Neighborhood Protection Service and the Forfeiture Abatement and Seizure Team (FAST). Applicants with excessive or unpaid nuisance citations may be ineligible to participate in this program. Additionally, there must be no outstanding tax liens on any properties owned or managed by the Applicant. Furthermore, the City will perform background checks and seek references from other lenders, partners, or public agencies with which the Applicant has recently done business.

Financial Capacity
Applicants are expected to have sufficient liquidity to cover any funding shortfalls or delays that may occur during construction, lease-up and operation of the property. Audited financial statements and two years of tax returns of all Applicants and guarantors are required. If the Applicant is a nonprofit, a Single Audit is required.

Part VII. Financial Evaluation and Underwriting
Proposed developments will go through an underwriting process which will evaluate the ownership structure, property operations, the sources and uses of funds, and the financial statements of the owner and guarantor (if applicable).

The pro-forma operating statement must make adequate provisions for the anticipated number of rent-restricted units, vacancy rate (no greater than 10% stabilized), and replacement reserves of no less than $300/unit/year.

HCDD will review the underlying proposed debt and operating pro-forma of the property to determine the development’s feasibility during the affordability period (i.e. demonstration of an acceptable debt service coverage ratio indicating income adequate to cover operating expenses and all applicable debt service). For properties such as those for special needs population, which demonstrate that they cannot carry any debt service, income must exceed expenses. A commitment of the ownership entity to cover any losses will be required in the event of cash flow shortfalls.

Any proposal demonstrating a projected DSCR greater than 1.50 will be reviewed to assure that the City’s contribution is not “over-enriching” the property owner.
Part VIII. Financing Terms

As a policy, the City desires to provide enough funding to each approved transaction to increase the availability of affordable units, or substantially improve the quality of existing units, without over-subsidizing (enriching) the development or increasing the risk associated with over-leveraging the development (too much debt for the restricted rents to support).

The City reserves the right to determine award and financing terms based on its financial evaluation of the transaction in tandem with the program requirements and availability of funds. Applicants must identify all other sources of capital in the application.

Loan Amount

Applicants should make a specific loan request to the City. The request should represent the gap between (a) the total project cost and (b) the Applicant’s equity plus commercially available debt, grants, tax credits, and other capital contributions.

Interest Rate

Interest rates will vary based on the level and type of investment by the City and the program funding. Determination will occur during underwriting review, and the City will establish a final loan structure to meet financial feasibility and program regulatory requirements. The loan will be structured with a regular monthly payment beginning at construction completion and continuing for the loan term. If the Borrower is a non-profit, the City will consider a zero percent (0%) performance based loan which is repayable only upon the sale or re-finance of the property at an amount of 50% of the proceeds up to the loan amount.

Loan Position

The City’s Land Use Restriction Agreement (LURA) must be superior to all other liens. In most cases the City loan position will be junior to Senior Debt; however the City reserves the right to have a position senior to other sources of financing.

Terms

HCDD will typically provide for a maximum eighteen (18) month construction period. Any expected variation from this timeline should be explained in footnotes to the pro-forma project costs. The loan term and property affordability period will begin at the acknowledgement by the Department of successful completion of the project (IDIS completion). Loan commitments are not transferable and become due and payable in full in the event of noncompliance or default over the life of the agreement. The LURA term will be ten (10) years or more depending on funding amount, but the loan term may extend for up to forty (40) years.

Applicants may not transfer ownership of the asset, or refinance its debt, throughout the affordability period except with the express consent of the Director of HCDD.

Material Changes

Any material changes to the project during underwriting or construction must be reported in writing to the Department. Failure to do so may result in a Default under the loan.
**Construction Guaranty and Cost Overruns**

Developers will personally guarantee the loan until construction or rehabilitation is complete and all buildings receive certificates of occupancy (Completion Guaranty). Upon completion, if the development is in compliance with applicable HUD requirements, personal liability of the guarantors will be released except for losses due to fraud, theft, failure to pay taxes, failure to maintain insurance and similar acts or omissions (“bad acts exceptions”). Developers must also provide a 12-month Maintenance bond once construction is complete.

**Affordability Covenants**

A Land Use Restriction Agreement (LURA) requires that the rents charged to low-income tenants are based upon the renter’s income as a percentage of Area Median Income (AMI) established annually by HUD. The LURA also defines the number of units which must be restricted to low-income and very-low-income tenants (“restricted units”). These covenants must be in a lien position superior to all other liens, including existing debt, and will require any existing lender to subordinate to the rent restrictions.

The LURA will be recorded in higher priority than any first lien made by a commercial lender and will remain in force throughout the affordability period despite bankruptcy, sale, or other event transferring title. The LURA will be insured with a separate title insurance policy provided by the developer. Developers are advised to use the HOME restrictions (described below) to underwrite all projects since they are the strictest with respect to affordability.

The Developer must use its best efforts to distribute the restricted units among unit sizes in proportion to the distribution of unit sizes in the Property and to avoid concentration of restricted units in any area or areas of the Property.

During the affordability period, HCDD will monitor each project for financial stability as well as compliance with the City’s Minimum Property Standards and LURA. This will include:

- Regular review of financial statements
- Annual inspections of property to assure that Minimum Property Standards are maintained
- Verifying lease related documentation/actions to demonstrate compliance with Affirmative Marketing and Fair Housing requirements under local, state and federal rules in tenant selection/housing;
- Verifying income documentation and eligibility of persons certified/assisted; and
- Certifying/approving rent rates and utility allowances within limits set by local, state or federal agencies as applicable to each project.

**HOME Restrictions**

The HOME program restricts rents for affordable (restricted) units based on income at each level. Projects funded with CDBG are expected to comply with the same restrictions. Pursuant to HUD regulations, tenants with income levels at 50% or below Area Median Income (AMI) are eligible for Low HOME rents; tenants with income levels between 51% and 80% of AMI are eligible for High HOME rents.

Notwithstanding the preceding phrases, HCDD further limits units leased at High HOME rents to tenants earning between 51% and 60% of AMI.
Rent Restrictions and Income Restrictions
The 2014 Low HOME and High HOME rents are shown below:

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>EFFICIENCY</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Home Rent Limit</td>
<td>586</td>
<td>628</td>
<td>753</td>
<td>870</td>
<td>971</td>
<td>1,071</td>
</tr>
<tr>
<td>High Home Rent Limit</td>
<td>623</td>
<td>750</td>
<td>926</td>
<td>1,097</td>
<td>1,205</td>
<td>1,311</td>
</tr>
</tbody>
</table>

Source: [https://www.hudexchange.info/reports/HOME_RentLimits_State_TX_2014.pdf](https://www.hudexchange.info/reports/HOME_RentLimits_State_TX_2014.pdf)

The 2014 income limits for HOME and CDBG funded projects are as follows:

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>1 PERSON</th>
<th>2 PERSON</th>
<th>3 PERSON</th>
<th>4 PERSON</th>
<th>5 PERSON</th>
<th>6 PERSON</th>
<th>7 PERSON</th>
<th>8 PERSON</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;30% AMI</td>
<td>11,050</td>
<td>12,600</td>
<td>14,200</td>
<td>15,750</td>
<td>17,050</td>
<td>18,300</td>
<td>19,550</td>
<td>20,800</td>
</tr>
<tr>
<td>&lt; 50% AMI</td>
<td>18,400</td>
<td>21,000</td>
<td>23,650</td>
<td>26,250</td>
<td>28,350</td>
<td>30,450</td>
<td>32,550</td>
<td>34,650</td>
</tr>
<tr>
<td>&lt; 60% AMI</td>
<td>22,080</td>
<td>25,200</td>
<td>28,380</td>
<td>31,500</td>
<td>34,020</td>
<td>36,540</td>
<td>39,060</td>
<td>41,580</td>
</tr>
<tr>
<td>&lt; 80% AMI</td>
<td>29,400</td>
<td>33,600</td>
<td>37,800</td>
<td>42,000</td>
<td>45,400</td>
<td>48,750</td>
<td>52,100</td>
<td>55,450</td>
</tr>
</tbody>
</table>

Source: [https://www.hudexchange.info/resource-library/home-income-limits](https://www.hudexchange.info/resource-library/home-income-limits)

HCDD will provide assistance and monitoring to property owners and managers to ensure the correct rents are being charged to the tenants. Note that proposals selected by HHA pursuant to HHA’s Project Based Voucher RFP are subject to rent reasonableness requirements as noted in federal regulations and/or HHA’s RFP.

Number of Restricted Units
The number of restricted units for projects receiving HOME funds is based on the pro-rata share of the HOME funds to the total project cost. So, for a 100 unit project, if HCDD provides 15% of the total project cost, then at least 15 units must be restricted. These units are restricted to tenants earning less than 60% of AMI, with 20% of the restricted units (or 3 units in this example) being further restricted to tenants earning less than 50% of AMI.

For properties receiving CDBG funds, 51% of all units in the property will be restricted (regardless of the share of CDBG funds in the project) to households below 80% AMI. The Department uses the lower of High HOME Rents or FMR as the maximum chargeable for restricted CDBG units.

PSH units will satisfy the requirements for restricted units.

Floating Units
Restricted units may "float" in the property, in accordance with the meaning ascribed by HUD. Under certain circumstances, however, the City may require that the restricted units be fixed. In particular, if both HCDD and the County fund a development, all restricted units must be fixed so that each entity can monitor its own units.

Non-Federal Funding
All funding from sources other than HOME and CDBG that is made available through HCDD may carry with it the same federal income restrictions and federal rent limits as discussed above. The final
determination of rent restrictions and limits will be at the discretion of the Department after the underwriting review and in tandem with Department housing goals.

Insurance
Title Insurance (both Loan and LURA coverage), Property Insurance, Flood Insurance, Wind Insurance, Builder’s Risk Insurance, and Worker’s Compensation Insurance will be required. Other insurance requirements may apply and will be more fully described in the loan documents.

Payment, Performance and Maintenance Bond
The general contractor shall furnish a Payment and Performance bond for the full amount of the construction contract, which requires the contractor’s full performance of the contract. The contractor shall also furnish a 1-year Maintenance bond to secure the warranty required under the construction contract between the owner and the contractor. Bonds shall be made payable to the City and the owner, in a form approved by the Director of HCDD. The surety issuing the bond must be on the current list of accepted sureties on federal bonds published by the US Treasury Department and/or on the State Board of Insurance list of authorized insurance companies in Texas.

Other Liens
After closing, Borrower will not be permitted to place subsequent liens against the property either in priority or subordinate to City’s lien. No additional debt is allowed without prior written approval by the Director of HCDD. The City’s lien (debt) position can be junior to an existing lender, but the LURA covenants must be superior to all other debt and liens including existing debt, and will require the existing lender to subordinate to the rent restrictions. Refinancing of senior debt will be allowed only with approval of the Director.

Documentation of Agreement
This RFP is a framework upon which requests may be submitted. The Loan/Grant Agreement will be negotiated and signed by all parties before a Request for Council Action (RCA) is taken to City Council. All documents as required by the City and its attorneys including without limitation, the Deed of Trust, Promissory Note, Intercreditor Agreement, LURA, and Assignment of all contracts, leases and rents, will be negotiated and presented as appendices to the Loan/Grant Agreement. Final documents will be executed prior to closing.

Closing on the Loan shall be concurrent with closing on any superior liens and any other sources of funds determined to be necessary for the long-term financial feasibility of the Development. All due diligence determined by the Department to be prudent and necessary to meet and to secure the interests of the Department and of the City of Houston must be complete prior to closing.

Closing must occur within 12 months of City Council approval.

Part IX. Development Requirements
Minimum Units
Developments involving new construction or rehabilitation will include a minimum of 64 units (this amount may be reduced at the Director’s discretion). A minimum of 25 PSH units is recommended.
Environmental Review
Once an application has been received by the Housing and Community Development Department, HCDD will conduct an environmental review. During this review period, neither an Applicant nor any participant in the development process, including public or private nonprofit or for-profit entities or any of their contractors, may commit or expend any funds on the project including non-HUD funds. Additionally, no activities having either an adverse environmental impact or limitation on the choice of reasonable alternatives may be undertaken.

The environmental review process can take 120 days or more to complete, and includes a period of public posting. If any funds (private or public) are spent or committed to a development prior to the completion of the environmental review process, the Housing and Community Development Department cannot provide federal funding for the development.

The Environmental Review includes (but is not limited to) the following topics:
- Review of Phase I report (update is required if over 6 months and a new Phase I is required if over 1 year) (The ASTM E1527-13 Standard includes Vapor Intrusion Analysis)
- Texas Historical Commission review (existing properties 45 years of age and older and undeveloped tracts of land)
- Comanche Tribal Consultation (undeveloped tracts of land)
- Floodplain
- Wetlands
- Coastal zone
- Sole source aquifers
- Endangered species
- Noise pollution


All properties must be free of contaminants/hazardous substances that pose dangers to users of the property or conflict with the intended purpose of the property as explained in 24 CFR 58.5(i)(2)(i). This includes, but is not limited to, toxic mold and asbestos. If there might be a concern that a property contains toxic mold or asbestos, the developer will be responsible for the testing and either implementation of an O&M plan (operations and maintenance plan) or completion of the abatement process (by a certified asbestos contractor).

New construction is required to provide sufficient sound-proofing to maintain an interior noise level below 45 decibels, and exterior noise level below 75 decibels.

Floodplain and Floodway Development
Floodplain development is discouraged, but will be considered by the Department only when there is no practical alternative to performing work in the floodplain. To do so all mitigation measures possible must be implemented in order to avoid adverse impacts to the floodplain and to restore and preserve the natural and beneficial values of the floodplain. Mitigation includes but is not limited to Chapter 19 of the City’s Code of Ordinances.
Critical action projects, as defined in 24 CFR Part 55, involve facilities where even a slight chance of flooding would be too great, because such flooding might result in loss of life, injury to persons, or damage to property. Such projects include facilities that house hazardous materials, store irreplaceable records, provide vital services (i.e. police and fire stations), and provide care to persons who lack mobility (i.e. hospitals, nursing homes, convalescent homes, etc.). For these projects, all mitigation efforts must be undertaken.

**Multifamily development in the floodway is prohibited under all circumstances.** Applicants are advised to check property addresses against the most recent flood maps which can be accessed at [www.tsarp.org](http://www.tsarp.org)

**Site and Neighborhood Standards**

Applications proposing new construction, or rehab that includes increasing the number of units in the project, are subject to the Site and Neighborhood Standards as described in 24 CFR 983.57 (e) and 983.6(b). This section of the application will be reviewed by HCDD according to HUD’s Fair Housing and Equal Opportunities (FHEO) standards before an award can be granted. Key standards include the following (this is not a complete list):

- Adequacy of the site for the proposed building;
- Suitable to furthering compliance with Title VI of the Civil Rights Act of 1964, the Fair Housing Act Executive Order #11063 and HUD regulations
- Not in an area of minority concentration, unless in a redevelopment zone.
- Evidence of significant public and/or private investment in the neighborhood
- If in racially mixed area, will not significantly increase the proportion of minorities
- Project promotes greater choice of housing opportunities and avoids undue concentration of assisted persons
- The neighborhood is not seriously detrimental to family life
- Access to a broad range of services and facilities
- Travel or access to jobs cannot be excessively difficult

Applicants must provide a narrative describing the site’s compliance with these standards. The narrative must include a discussion of public and/or private revitalization efforts or investment currently (or recently) underway in the immediate area.

**Affirmatively Furthering Fair Housing (AFFH)**

Developers must complete and submit the Affirmative Fair Housing Marketing Plan found at [http://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf), in furtherance of the City’s commitment to non-discrimination and equal opportunity in housing. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area without regard to race, color, national origin, gender, religion, familial status, or disability. The plan must provide detailed procedures and actions geared to attract eligible persons to the development. Beginning at lease-up, records must be maintained describing actions taken by the Developer to affirmatively market its units. Documentation of compliance with the Affirmative Marketing requirements in the Fair Housing Act is required. Applicants will be required to use HUD form 935.2a to meet these requirements. The City will assess the results of these actions annually, for the duration of the funding agreement.
Uniform Relocation Act
If existing tenants are required to move out of their units as a result of a project receiving federal funding, the developer must comply with both the Uniform Relocation Assistance Act and Real Property Acquisition Policies Act of 1970, as amended, (URA) as well as HCDD’s Policies and Procedures for Relocation. The URA requires that the owner of the property receiving federal funding must provide notices and assistance to tenants impacted by acquisition, demolition, and/or rehabilitation/reconstruction. HCDD staff will assist owners in complying with the URA.

Guide forms and the HCDD relocation policy may be found on the City website at: http://www.houstontx.gov/housing/URA.html. This site also includes the URA requirements for appraisals (C: Guide to Preparing an Appraisal Scope of Work). Details of the requirements for following URA regulations are also available in Handbook 1378 at the following web site: www.hud.gov/relocation

Accessibility
Section 504 - All properties receiving federal funds must be in compliance with UFAS, ADA 2010 Standards (with exceptions), and Fair Housing Accessibility Guidelines. HUD has established rules explaining Section 504 as it applies to housing. They are found in the Code of Federal Regulations at 24 CFR Part 8. Section 504 requires that 5% of all units (or at least one unit) must be accessible to persons with physical disabilities. An additional 2% of all units (at least one) must be accessible to persons with visual or hearing disabilities. These costs must be reflected in the Development Budget. The architectural drawings will be reviewed by a third party consultant for compliance with these regulations. In addition, the property will be inspected by an accessibility expert at approximately 50% completion and upon full completion, and must be deemed in compliance before retainage will be released. Accessible units must be spread across all unit types, and evenly distributed across the property.

Access must be available to all dwelling units with one or more elevators and to all ground floor units for buildings without an elevator The Fair Housing Act contains seven basic requirements that must be met to comply with the access requirements of the Act. Those Requirements are:

Requirement 1: An accessible building entrance on an accessible route.
Requirement 2: Accessible common and public use areas.
Requirement 3: Usable doors (usable by a person in a wheelchair).
Requirement 4: Accessible route into and through the dwelling unit.
Requirement 5: Light switches, electrical outlets, thermostats and other environmental controls in accessible locations.
Requirement 6: Reinforced walls in bathrooms for later installation of grab bars.
Requirement 7: Usable kitchens and bathrooms.

These requirements are stated in the Fair Housing Act, as amended, 42 U.S.C. 3604(f)(3)(C).

Additionally the project must comply with the Architectural Barriers Act of 1968 (42 U.S.C. Sec. 4151 et seq.), including use of telecommunications device of deaf persons (TDDS) or equally effective communication system. Notwithstanding the general requirement of 5% accessibility and 2% visually and hearing impaired, the Department may waive this requirement for rehabilitation projects where the cost of rehabilitation is less than 75% of replacement costs.
**Code Compliance**
Upon completion, rehabilitated or newly constructed properties must comply with local building code, health code, safety code, and Minimum Property Standards (MPS) as defined by the Department. Proposals selected by HHA pursuant to HHA’s Project Based Voucher RFP must comply with HUD’s Housing Quality Standards (HQS). The MPS standards can be found using the following link: [http://www.houstontx.gov/housing/pdf/multifamilyminimumstandards.pdf](http://www.houstontx.gov/housing/pdf/multifamilyminimumstandards.pdf)

**Cost Reasonableness Study**
HCDD will engage a third party firm to review the proposed plans, specifications and budget, to determine if the estimated project costs are sufficient to construct the property described in the plans and specs. If there is a senior lender, HCDD will rely on a report that is prepared for that lender, if the City is named on the report or if a reliance letter is provided.

**Part X. Construction Requirements**

**Employment Policies**

**Davis Bacon and Related Acts (DBRA)/Labor Standards Provisions**
HCDD anticipates that most developments selected will require compliance with the Davis-Bacon Labor standards. Applicants should take this into consideration when preparing their budget. Davis-Bacon and Related Acts require that prevailing wage rates be paid to all construction laborers. Practically, under most conditions, this will mean weekly payment and submission of weekly payrolls of all contractors and lower tier-subcontractors. HCDD staff will actively monitor the job site for compliance with these regulations.

**Minority Business Enterprises/Small Business Enterprises**
The City of Houston requires MBE and SBE participation in all contracts. The specific goals will be determined for each individual project, depending on funding source(s).

**Section 3**
Section 3 is a provision of the Housing and Urban Development Act of 1968 that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 program requires recipients of HUD funds to provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Before construction may commence, the developer must have completed a Section 3 Utilization Plan and have received the City’s approval of the plan. Approval will be granted once the developer has provided evidence that 10% of total hard costs, and 10% of hard costs for each subcontract that is over $100,000, have been given to Section 3 subcontractors. In addition, 3% of all soft costs, and 3% of any subcontract for soft costs that is over $100,000, must also be shown to have been awarded to Section 3 vendors. Developers are encouraged to begin compliance with the soft cost requirement as early as possible.

Go to [http://www.houstontx.gov/housing/complianceandmonitoring.html](http://www.houstontx.gov/housing/complianceandmonitoring.html) for additional information on Davis Bacon and Section 3.
Contractor Selection
The City of Houston is charged with making efforts to determine that Project costs are reasonable. HCDD has approved the following three methods for selecting a general contractor:

- **Bidding Process** - The Borrower may choose to go through an open bidding process for selection of the General Contractor. This involves:
  1. Compiling plans, specs and a list of required qualifications, bonding requirements, etc. for the prospective contractor
  2. Conducting a pre-bid meeting with prospective bidders
  3. Advertising the bid process for two consecutive weeks
  4. Reviewing, evaluating and tabulating bids
  5. Obtaining clearance from HCDD’s Compliance and Monitoring division to proceed with the selected contractor.

  A more complete explanation of the process will be provided by Compliance & Monitoring.

- **Captive General Contractor** - If the owner has the capacity to complete the construction work through a related entity as a captive general contractor, the City will pay for actual hard costs (and relocation costs) but will not pay for general contractor conditions, profit and overhead. If the construction costs are partially funded by a different federal or state program or other financing source for which general conditions, profit and overhead are eligible expenses, these costs may be paid out of the other program funds.

- **Hand-picked General Contractor** - The Borrower may select a General Contractor of their choosing without going through a bidding process.

Under almost all conditions a Guaranteed Maximum Price Contract will be required. All subcontracts must be bid and tabulated. If the lowest responsive bidder is not selected, an explanation must be provided to substantiate the decision not to select the absolute lowest bidder. In addition, if a Section 3 subcontractor’s bid is within 10% of the lowest bid, the contract must be awarded to that company.

Please note, regardless of the method of selection of a General Contractor, prior to award of contract the recipient must be approved by the Compliance and Monitoring Division. Therefore, Recipient must submit a Request for Contractor Clearance form to the Compliance and Monitoring Division and obtain approval for the proposed contractor prior to execution of a contract agreement.

Construction Draws and Inspections
During construction, HCDD will engage a third party firm to provide monthly inspections and confirm work in progress. If the Senior Lender or Tax Credit Investor uses a third party inspection firm, the City may rely on these inspection reports if the City is included as an addressee of the report. Borrowers will certify that each draw request is for actual costs expended and must provide documentation to support such costs, including sub-contractor invoices. The City will only pay for completed and documented work.

Expenditures must be allowable and reasonable in accordance with federal, state, and local rules and regulations. The Department shall determine the reasonableness of all expenditures. The Department may request that the Developer make modifications to the disbursement request and is authorized to modify the disbursement procedures set forth herein and to establish such additional requirements for
payment of funds to Developer/Owner as may be necessary or advisable for compliance with all program requirements. Any change in scope during the construction process must be approved in advance by HCDD.

HCDD will retain 10% of construction costs in each draw until satisfactory completion of the development. Retainage will be held until at least thirty (30) days after completion of construction; a final inspection is completed and clearance is issued by the Department; labor standards final wage compliance report is completed; and certificates of occupancy are received for new construction or a certification of completion is received from the development architect for rehabilitation.

The final request for disbursement of retainage must be submitted to the Department with supporting documentation no later than sixty (60) days after the termination date of the Contract in order to remain in compliance with the Contract and eligible for future funding. The Department shall not be obligated to pay for costs incurred or performance rendered after the termination date of a Contract.

### Part XI. Application Submissions

The City of Houston as a unit of local government reserves the right to reject any and/or all proposals, reserves the right to waive any formalities or irregularities in the proposal or evaluation process, and reserves the right to award contract(s) in the best interest of the City of Houston. As noted previously, Applicants must also apply for vouchers for their project from the Houston Housing Authority, or provide evidence of other rental subsidy.

#### Process

Applications under this RFP are due to the City of Houston by **3:00 p.m. on Monday, December 8, 2014.** Since applications will be reviewed and possibly awarded as received, there is a possibility that funds will not be available for the later applications. To minimize duplication of effort in the application process, Harris County will accept City of Houston applications. Houston Housing Authority Project Based Voucher applications are available at [http://www.housingforhouston.com/doing-business-with-hha/current-bidsrequest-for-proposalsrequest-for-quotes.aspx](http://www.housingforhouston.com/doing-business-with-hha/current-bidsrequest-for-proposalsrequest-for-quotes.aspx).

#### Format: Excel Workbook

- Complete each yellow cell of each Tab of the Application for City of Houston Funds, and provide all items listed on the Checklist (2nd tab of the Excel Application workbook). Print and sign two original and two copies. The complete original Applications for each proposed development plus two copies must be submitted in binders with tabs delineating the sections of the application. Improperly compiled and/or unbound Applications will not be accepted.
- Two flash drives or discs with the entire application (including Excel workbook) must be provided.
- The Bookmark feature in the PDF file, delineating each section, must be used. HCDD will not review any application that is not bookmarked.
- **The Excel workbook must be provided in Excel (not pdf)**
- The City encourages applicants to print double-sided to conserve paper. If one document satisfies requirements in two sections do not include a second copy of the same document.
- All applications must be signed by the organization’s Board Chair/Executive Director/President or Designee. Unsigned applications will not be accepted.
- Original Documents shall have original signatures and be clearly noted ORIGINAL.
- All statements requiring a notarized signature must be notarized.
A $1,000 application fee is required from for-profit Applicants; the fee for non-profits is $500. The fee must be submitted with the application.

Prior to the deadline, the Department will accept Applications from 8 a.m. to 5 p.m. each business day, excluding city holidays. Two bound original, two bound copies, and two electronic copies of the complete application must be submitted.

Applications will be accepted ONLY if addressed as follows (Please do not send Applications to the City Secretary's Office).

Commercial Division
City of Houston
Housing and Community Development Department
601 Sawyer Street, 4th Floor
Houston, TX 77007

ALL APPLICATION SUBMISSIONS BECOME THE PROPERTY OF HCDD.

All Applications submitted under this RFP must be received on or before 3:00 p.m. Monday, December 8, 2014. Late proposals will not be accepted and will be returned, unopened, to the Applicant at the Applicant’s expense.

For questions regarding this RFP, please contact Juanita Moore in the Commercial Division via e-mail at Juanita.moore@houstontx.gov

IN ACCORDANCE WITH THE ANTI-LOBBYING ORDINANCE, CODE OF SILENCE OR SIMILAR REQUIREMENTS, AFTER THE APPLICATION SUBMISSION OR DEADLINE AND UP TO PANEL REVIEW AND SCORING OF APPLICATIONS, ALL COMMUNICATION BETWEEN APPLICANTS AND CITY STAFF MUST BE IN WRITING.

Applicable Regulations

- Applicants must comply with all pertinent federal regulations as described herein and provided in the Loan Documents. These regulations include, but are not limited to:
  - Community Development Block Grant Regulations (24 CFR Part 570)
  - Davis-Bacon and Related Acts and Copeland Anti-Kickback Act
  - Fair Labor Standards Act (29 CFR Part 5)
  - Fair Housing (24 CFR Parts 100-115)
  - Conflict of Interest Requirements (24 CFR 92.356(f))
  - Environmental Requirements (24 CFR Part 58)
  - Lead Safe Housing Rule (24 CFR Part 35)
  - Uniform Relocation Act (49 CFR Part 24)
  - Economic Opportunities for Low and Very Low Income Persons Section 3 (24 CFR Part 135)
Part XII. Selection Criteria

Applications will be reviewed and scored by a panel of HCDD personnel. All applications must meet a minimum threshold score of 60 points to be considered for additional review and underwriting. Should applications meeting this minimum threshold exceed available funding, HCDD reserves the right to reconsider these applications at such time that funding is available. If third party reports become “stale,” updates will be required.

Maximum Total Score = 100 Points
Organizational Expertise (25 Points)
Supportive Services (10 Points)
Location Information (20 Points)
Project Information (25 Points)
Third Party Reports (5 Points)
Financial Analysis (15 Points)

Organizational Expertise
1. Applicants’ prior experience with development of properties similar to proposed project, including acquisition, rehabilitation, construction, marketing, and leasing of affordable rental housing
2. Number of multi-family units previously built and/or managed
3. Qualifications and experience of proposed staff and strength of the development team. The City reserves the right to refuse funding to a project if prior experience with the City was unfavorable.
4. Availability of third party sources of funding
5. Overall financial condition and the applicant’s ability to fund potential cost overruns or other costs not anticipated in the project budget
6. Three years of operating statements (if applicable)
7. Experience using government funds

Supportive Services
1. Applicant’s prior experience in financing, owning and/or operating Permanent Supportive Housing
2. Property management’s experience in working with homeless individuals and support service providers
3. Discussion of other services which the Applicant will provide the residents

Location Information
1. Letters of Support from community and legislative representatives
2. Convenient access to local transit.
3. Proximity to medical facilities appropriate for PSH
4. Proximity to grocery store(s), pharmacies, and other amenities
5. Proximity to employment and training opportunities
6. Evidence of public/private revitalization efforts in the area
7. Located outside of the 100-year flood plain
8. Consistent with HUD Site & Neighborhood requirements regarding racial and poverty concentrations
Project Information
1. A defined scope of work including preliminary design plans and site plans.
2. Mixed income property
3. Designed to affirmatively further Fair Housing
4. Energy efficiency / sustainable practices
5. Site control documentation
6. Relocation Plan (if applicable)
7. Detailed cost estimates

Third Party Reports
1. Appraisal
2. Phase I Environmental report (Phase II if needed)
3. Property Condition Report (rehab only)
4. Market Study
5. Survey

Financial Analysis
1. Demonstration that the development is feasible in terms of cost, sources and uses, and financial thresholds.
2. Construction Cost per unit and Total Cost per unit relative to similar properties submitted under this RFP and in the marketplace.
3. Evidence of other funding sources, allowing HCDD to only provide gap financing
4. Evidence of Match funds
5. Proforma income and expense reasonableness; debt coverage above 1.20

PLEASE NOTE: The Director, at his/her sole discretion, can either waive any of the requirements contained herein, or reject any application to this RFP.