RFP INFORMATION SESSION QUESTIONS AND ANSWERS

THE APPLICATION AND GUIDELINES WILL BE UPDATED TO REFLECT THESE CLARIFICATIONS.

1. If you have a property fully in a flood zone, can you receive any funds?
    - *In very rare instances. It is the department's policy to not use HUD funds in the 100-year flood plain, because the requisite 8-step program is lengthy, costly, and has no guarantees that the results will be acceptable to HUD. While the bond funds may be used for this purpose, we STRONGLY DISCOURAGE development on sites in the flood plain, and PARTICULARLY DISCOURAGE any NEW CONSTRUCTION in the flood plain.*
2. If the property is only partially in a flood zone, can you get funding for the portion <u>not</u> in the flood zone?
    - The whole property must be out of the flood plain.
3. If applying for HOME, NSP, and Disaster, do we submit three applications? It will be for the same property.
    - *No, one application for HOME, NSP and CDBG will suffice. If the project meets threshold requirements, the Department will determine which funds are most suited for the project. The Disaster 2 RFP has not yet been released (as we await final acceptance of the City application to GLO and clarification of several issues). If a project under this RFP is appropriate for Disaster Funds, the application will be considered under the Disaster RFP, although additional information might be required.*
4. C-16 Lead Based Paint Assessment – Does this apply to rehab/reconstruction?
    - *All properties built before 1978 must have a Lead Based Paint Assessment. If the property was built in 1979 and after. Please state this in the place where the assessment is required.*
5. C-17 Property Condition Assessment – Does this apply to rehab/reconstruction?
    - *The purpose in the case of rehab is both to assure that the scope entails all necessary work and that the cost is reasonable.*
    - *In the case of reconstruction, if the application proceeds to underwriting, the Department may require a PCA to assure that the teardown is the best alternative for the property (compared to rehabilitation).*
6. Is there an Application fee?
    - *Yes, $500 for for-profit developers. The fee is waived for nonprofits.*
7. Does the organization have to be formed to apply for funds?
    - *No, but the structure of the organization must be contemplated and the "sponsor" must provide the various affidavits.*
8. Does reconstruction require a Property Condition Assessment?
    - *Yes, see above # 5.*
9. Does reconstruction require an appraisal?
    - *If the property is to be acquired, it must have an appraisal. If the property is owned by the applicant, the appraisal is optional. We want to be perfectly clear that the*

requirement of owner equity in the property will not be considered an owner contribution in the Sources and Uses.

10. Do you have a list of third-party engineers that could do a PCA report for us?
    - *You may use any licensed engineer to do this report.*

11. Please confirm all the third party reports needed for this application:
    1. Environmental Site Assessment
    2. Market Study/Appraisal
    3. PCA
    4. Asbestos Report
    5. Lead Based Paint Report
    6. Survey

    We do have the following reports that were completed during the last two years. Full Environmental Site Assessment (last completed 3/10/10), Market Study/Appraisal (last completed 2/8/10), Asbestos Report (last completed 2/24/10), Lead Based Paint Report (last completed 2/16, 2/17/ & 2/20/10), and Survey (last completed 3/2/11)? Getting new reports will take much time and money. If any of these are required for our application, will the ones we have be sufficient?
    - *The only Threshold 3rd party report is Attachment C-11—Cost Estimates and Architect's/Engineer's statement. These other reports are required for underwriting.*
    - *Older reports are acceptable with the understanding that if the Department goes forward to underwriting, updates will be required. If no reports are provided, a deficiency letter will be sent so that you may order them to meet threshold requirements.*

12. Management fees - Are there any restrictions on management fees? A disaster relief CBDG project we completed last year, COH required a maximum 5% management fee.
    - *Management Fees may not exceed 5%.*

13. Cash Flow restrictions over 1.5 debt coverage- if mathematically applicable to our deal, how long would this restriction be in place?
    - *The restrictions to keep all cash flow over 1.5 DCR will remain in place for the life of the affordability restrictions.*

14. Do the architectural drawings have to be complete to be considered?
    - *The drawings do not have to be complete at the time of submission. WE should have good schematics and an architect/engineer letter of cost reasonableness.*

15. Does the project have to have commitments for all other funding, other than City funds, to be considered?
    - *Other funding commitments should be firming up if not finalized. Minimally, a letters from the funding source saying that they are considering an application should be presented.*

16. The biggest hurdle for us in reviewing the RFP is the apparent COH requirement to be in a superior lien position to our current financing... a HUD 223 A(7) mortgage just closed this past

April 2011? In preliminary talk to lender/HUD, they will not go for this. Is this "no go" or will COH be willing to settle for second lien?!

From page four of the ARH Guidelines:

Loan Position

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. Most importantly, all loans will have to subordinate to the City's Land Use Restriction Agreement (LURA).

17. How long is the COH affordability period?

    HOME rents – Minimum Affordability Period:

    - *New Construction: 20 years*
    - *Rehab or purchase > $40,000/unit:15 years*
    - *Rehab or purchase between $15,000/unit and $40,000/unit:10 years*
    - *Rehab for < $15,000/unit: 5 years*

18. On page 4, paragraph 2 of the RFP it states "Applicants must provide a complete listing with addresses of multifamily properties currently owned or managed, and recently owned or managed (during the past 5 years). These addresses will be cross-checked with the Neighborhood Protection Service and the Forfeiture Abatement and Seizure Team (FAST)." What does this mean? If the subject property or any other property owned or managed is designated as (FAST), would the applicant be ineligible?

    - *It is the department's policy to not do business with developers who have not followed the necessary procedures of the City. If the developer owns a property which is on the Neighborhood Protection Services list of the FAST list, the issues that are reported will be taken into account in the evaluation of that developer's experience.*

19. Are there any restrictions in placing some of the rental housing next to railroad tracks?

    - *Yes. Since noise levels at a railroad track will almost always be elevated due to train traffic, HUD noise regulations will effectively restrict placement of rental housing next to railroad tracks.*

      Specifically, HUD noise regulations found at 24 CFR 51 state that if noise levels at a site are between 65-75 decibels (dB), it is deemed "normally unacceptable" and can be funded by HUD only if attenuation is performed so that the noise levels inside the rental housing units are below 45 decibels (dB). If noise levels are above 75 dB, federally funding this project is as a rule considered unacceptable under 24 CFR 51.

      Hence the fact of excessive noise will work to restrict placement of rental housing next to railroad tracks.

20. I was unsure about the maximum amount of funding available to a property. Am I correct in assuming that it is $ 1,500,000 until the next disaster relief funding comes around?

    - *There is no maximum stated for the current RFP. We expect to be funding in the range of $500,000 to $2,000,000 but may not be able to go above $1,000,000 depending upon*

internal departmental allocations. The application should reflect the gap in available financing and total costs.

The Disaster Relief RFP is not yet out but funding is up to $10,000,000 per property.

21. If our entity applying for funds is a to be formed Limited Partnership, how do we satisfy Tab 3, Exhibit B, Attachment B-1 - Articles of Incorporation or Partnership documents?

    - *If the applicant applying for funds is a to-be-formed Limited Partnership, please provide all available information about the partnership including the general partner, anticipated limited partners, anticipated structure etc. You may apply under the Parent company or the to be formed SPE. The City will have the right* to approve the final partnership. *The specifics of Tab 3, Exhibit B, Attachment B-1 may be provided closer to closing.*

22. Is a property appraisal required for new construction on raw land?

    - *We will need an appraisal to establish a value for the land. We do not need an appraisal for the future development.*

23. Our firm that handles lead-based paint assessments is asking for clarification on what type of test you are requiring?

    - *HUD Lead-Based Paint Requirements governing testing are found at 24 CFR 35. A link can be found here:*

      http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title24/24cfr35_main_02.tpl

      In particular, Section 35.1315-35.1350 layout requirements as to how lead remediation should be performed according to HUD regulations.

24. This project is 100% Project Based Sec 8 and located next to a railroad track. TDHCA has given us a waiver and obviously HUD is aware of their project being next to the tracks, will there be an issue here?

    - *The Environmental Section would need to see the waiver from TDHCA in order to make any type of determination regarding noise.*

      Furthermore, the Environmental Section would need to know if the work to be performed for this project was rehab or reconstruction, and the specific scope of that work.

25. With respect to the matching of funds, my questions are as follows:

    If the applicant is applying for disaster and HOME funds from the city through this single application and the City decides how to divide the funds between these two sources, how to you know how much match you will be required to provide?

    - *Match only applies projects that are funded with HOME funds and is calculated based upon the amount of HOME funds in the project.*

Commercially borrowed funds are mentioned in the match section. Does that mean a project's permanent loan from a conventional lender can be counted as match?"

- *Match is a permanent contribution to affordable housing. Since loans are repaid to the lender, they are not a permanent contribution and thus cannot be counted as match.*

If not all units in the development will be HOME assisted, are funds associated with all units eligible as part of the match? For example, if you had a 100 unit project with 20 HOME assisted units, and you received $100,000 of donated materials, would all $100,000 be match eligible or would only $20,000 be match.

- *Investments in the non-HOME assisted portion of mixed-income developments can be counted as match as long as 50% or more of the dwelling units are HOME-assisted. If the non-HOME units meet the HOME eligibility requirements for affordability, then the contributions to any affordable non-HOME units apply, regardless of the percentage of HOME units in the project. So in the scenario above, since we are not taking at least 50% of the units, then we cannot automatically count the entire $100,000 as match. The amount of match that can be taken from the $100,000 in donated materials depends upon if the other 80 non-HOME units in the project are HOME eligible although they are not HOME assisted.*

  Once the City has determined how much funding will be granted from each source, the exact amount of Match will be determined and addressed.

26. Similar to the Market Study guide lines are there appraisal guidelines for the for 2012 Affordable Housing Rental Application?

    - *No, we do not have appraisal guidelines. Please prepared according to industry standards.*

27. I have a quick question regarding the upcoming CDBG DR RFP. I was wondering if the city has determined the affordability period for the CDBG DR MF developments. If so, what is the minimum affordability period for the CDBG DR MF developments? I know that HOME has very specific minimum affordability period requirements and CDBG does not; hence, the question.

    - *Disaster Relief funds will carry a minimum affordability period of 10 years, per the State guidelines. Depending upon the amount of funding, the City may choose to extend the affordability period beyond 10 years.*

28. The March 9, 2012 application deadline is for regular City of Houston funds – correct?
    - *The RFP has been extended to March 16, 2012.*

29. The Disaster Recovery RFP has not come out and that application is not due on the 9th, but will be due later after the release of the CDBG RFP – correct?

- *This is correct.*

30. When does the City of Houston expect the (Disaster) Recovery Funds to be released from the GLO?
    - *The City has made application to the GLO and it is under review. We expect that it will be available in the next few months.*

31. Please confirm the address the application is supposed to be dropped off at. Page 14 states the 900 Bagby address and we just want to be sure. Also, the guarantor of our application is putting his financial statements and tax returns in a sealed envelope in the binder and would like the envelope addressed to a specific person. Who should I address the envelope to?

    Please send your proposal to the address below:

    City Secretary's Office
    City Hall Annex, Public Level
    900 Bagby
    Houston, TX 77002
    The guarantor's financials should be addressed to Eta Paransky, Assistant Director.

32. I just wanted to confirm who the application check is to be made payable to and what address to put on the check? City of Houston at 900 Bagby or City of Houston 601 Sawyer? Also can the PDF copy be broken up into a couple of files (i.e. Tabs 1-3 and Tabs 4-7)? Our application is very thick and trying to get all into one file might prove difficult. Also, in case the file is too big for one CD, is two CD's acceptable (labeled appropriately as Disc 1 and Disc 2)?

    - *Please make your check payable to the City of Houston, 601 Sawyer, Suite 400, 77007. For your PDF, you can create bookmarks to delineate tabs, and of course you can use more than one CD if necessary.*

33. When we provide the supplementary documentation for the applications such as Appraisals, Lead Based Paint Reports, etc. how should we do so? Will an email suffice or do you need it on CD and in a package delivered like the original application?

    - *One original, two copies, and a pdf copy on CD delivered to 601 Sawyer, 4th floor, 77007, ATTN: Eta Paransky.*

34. With respect to the financials for the guarantor and developer, it is a newly formed entity. I have provided a letter stating so, will that suffice? I can provide personal financial statements at a later date if needed or for underwriting?
    - *Personal financial statements are fine. We will also need to know each member's percentage of ownership in the new entity. If the deal goes forward, we will need all of this information before getting council approval.*

35. With respect to Letters of Commitment, can you please clarify? Are you looking for a letter from a potential Lender that would provide permanent financing or the construction financing?
    - *We need commitments from both the construction lender and the permanent lender.*

36. With respect to matching of funds, if this is only required for Home Funds and I plan on pursuing disaster/hurricane funds (which do not require matching) how/ do I need to show this in the pro forma?
    - *The City expects every deal to have some "owner equity" in the transaction. Please show this, even if it does not meet the 12.5% match requirement. If the City decides that HOME funds are best applied to this transaction, then the Match requirement can be addressed.*

37. With respect to the General Contractor – if the construction loan is in my name, I assume I am I able to select a general contractor (that I do not have a financial ownership interest in). On both of my projects I have outside General Contractors already, such as NRP.
    - *At the time of negotiating the Construction contract, the City expects the developer to have a G-max contract. All subcontracts must be bid and tabulated with an explanation of why if the lowest bid was not selected. The pricing of any work which the GC intends to perform himself/herself must be validated by outside bids. The City will also require invoices from all of the subs for each draw.*

38. With respect to developer and contractor fees, if I am only applying for permanent financing and disaster funds on a project (no tax credits or bonds), I assume I may apply the same fee structure as allowed by TDHCA?
    - *Yes.*

39. Do you have any guides, minimums, or other standards necessary to calculate a budget for relocation costs.

    - *At this time HCDD only funds Temporary Relocation of projects and encourages projects to temporarily relocate tenants on-site and direct transfer of tenants into rehabbed units, which will not trigger the URA. Within these parameters, the average movers cost per move has been around $500.00. Add in mailing cost for notices, packing supplies, boxes and 10% for misc expenses. HUD has a brochure called "Planning and Budgeting Relocation Costs for HUD-Funded Projects" which can be downloaded at* www.hud.gov/relocation .

40. Do we need to have an "actual, full-blown" relocation plan in place for the application? The sample on the website seems more like a framework but we have concerns that it could be much more. Is there a true sample from a previous application? I know TDHCA posts applications online so I thought maybe you had the same.

    - *You do not need an "actual, full-blown'" relocation plan in place for the application. The sample plan on HCDD website is a guide form to give applicants a good idea of the information needed to assess required actions and inform HCDD that the applicant has the knowledge, capacity, and resources in place to perform required relocation procedures. A final plan will be approved prior to City Council approval of project.*

    - *It is not our procedure to post applications online.*