



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau

1200 West 7th Street, Los Angeles, CA 90017
tel 213.808.8638 | fax 213.808.8610
hcidla.lacity.org

February 15, 2018

Council File:	16-1443	
Council Districts:	Citywide	
Contact Persons:	Franklin Campos	(213) 808-8446
	Lemono V. Lott	(213) 808-8972
	Edwin Gipson	(213) 808-8597
	Sean L. Spear	(213) 808-8901

Honorable Members of the City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Maria Espinoza, Legislative Assistant

COUNCIL REPORT BACK: THE LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT'S REPORT REGARDING RESEARCH INTO EFFORTS UNDERTAKEN BY OTHER CITIES TO PRESERVE OR EXTEND EXPIRING AFFORDABLE HOUSING COVENANTS

SUMMARY

In response to a Council Motion request (C.F. #16-1443), the Los Angeles Housing + Community Investment Department (HCIDLA) issued a report on June 15, 2017, addressing HCIDLA's ongoing efforts to preserve at-risk housing in the City of Los Angeles. After reviewing HCIDLA's report, the Housing Committee recommended that the City Council receive and file the HCIDLA report. The City Council further instructed HCIDLA to research and report back to the Housing Committee efforts undertaken by other cities to preserve or extend expiring affordable housing covenants in their jurisdictions.

Pursuant to the Housing Committee's request, HCIDLA respectfully submits this report summarizing other programs and strategies to preserve, rehabilitate, and extend expiring housing covenants, and suggestions on how the City of Los Angeles (City) can initiate partnerships with other agencies to facilitate the purchase of existing affordable housing projects.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that:

- I. Your office schedule this report for consideration at the next available meeting(s) of the appropriate City Council Committee(s) and the City Council thereafter;
- II. The City Council receive and file this report.

BACKGROUND

To address the issue of loss of at-risk housing, HCIDLA created a Preservation Team tasked with the responsibility of integrating non-financial and policy components with financial initiatives to preserve at-risk affordable housing. On June 21, 2017, HCIDLA presented the Housing Committee with a report regarding actions HCIDLA has taken to preserve at-risk affordable housing in 2016 and 2017. HCIDLA addressed the need for preservation, and provided strategies for preservation of affordable housing. Such strategies included monitoring the at-risk affordable housing inventory, tracking and prioritizing at-risk housing, and conducting outreach to property owners and tenants regarding their rights and obligations. These strategies and outcomes are detailed in the report to Council (C.F. #16-1443).

REPORT BACK

Through HCIDLA's research, staff determined that the key for preserving at-risk affordable housing is to have flexible financial resources to facilitate long-term preservation transactions, and support by HCIDLA staff solely devoted to preserving at-risk affordable housing by tracking and prioritizing expiring properties and providing outreach to owners and tenants.

As requested by City Council, HCIDLA researched various existing preservation programs in other cities, and contacted several large cities experiencing similar housing challenges, to determine if other effective preservation models existed. With this report, HCIDLA presents its findings, and highlights programs and strategies for the City to further investigate or possibly adopt going forward. HCIDLA's findings are limited to information that was available online, or directly from cities that were willing to respond to HCIDLA's request, and share their preservation strategies and approaches with HCIDLA.

Discussions held with several cities revealed that preservation of at-risk housing is a challenge in many cities, just as it is in the city of Los Angeles, primarily because the decision to continue to provide affordable units rests with a property owner (and not with the City). Therefore, the decision to maintain affordability is generally based on future plans for the property, typically driven by owner motivation, remaining years left on the term of affordability restriction(s), property location, and potential income after expiration of the affordability restrictions. The cities interviewed indicated that they also are focused on tracking at-risk housing, and many are in the process of conducting negotiations to extend affordability on a property-by-property basis, dependent upon funding conditions. As expected, all of the cities contacted indicated that they are pairing tax-exempt bonds with 4% tax credits as part of their financial arsenal for preservation, just as HCIDLA is doing for projects in Los Angeles. Other strategies include the use of a flexible funding source such as a development levy or a linkage fee.

HCIDLA found that most of the financial programs and incentives currently being offered by other cities, fall into three distinct areas: 1) acquisition of restricted and non-restricted affordable housing; 2) rehabilitation programs; and 3) incentives related to the reduction of fees or taxes designed to stimulate or incentivize housing preservation. Some of the more innovative programs, incentives and funding approaches used by cities and counties are listed below. A description of each program is included as attachment A to this report.

City and County of San Francisco, California

Acquisition and Rehabilitation Programs

The Acquisition and Rehabilitation Financing for Small Sites Program (SSP) is an acquisition and rehabilitation loan program for multi-family rental buildings, with five to 25 units. The SSP was created to protect and establish long-term affordable housing for smaller properties throughout the San Francisco area, that are particularly vulnerable to market rate pressure leading to property sale, increased evictions and rising tenant rents. At the SSP acquisition point, existing tenant incomes should range from at or below 50% of Area Median Income (AMI), to above moderate income (120% of AMI). SSP applicants can be non-profit or for-profit entities, and cannot have initiated an Ellis Act eviction in the last three years. The SSP loan program is funded through inclusionary housing fees, condominium conversion fees, and a voter approved General Fund set aside for housing.

Rehabilitation Programs

The Existing Non-Profit Owned Rental Housing Capital Repairs Notice of Funding Availability (ENP NOFA) offered by the City and County of San Francisco, is intended to help applicants fund emergency property repairs, or capital improvements identified in a Capital Needs Assessment (CNA). The ENP NOFA provides grants or long-term residual receipts loans that are intended to fill a financial gap not covered through other sources. The Mayor's Office of Housing and Community Development's (MOHCD) primary goal is to apply income restrictions to units that are not currently regulated. Upon completion of the rehabilitation work, all units shall be reoccupied at turnover or held vacant for households earning no more than 60% of AMI. Exceptions are considered for units that are currently restricted at 80% of AMI. The City and County of San Francisco require a 55 year minimum term of affordability upon completion of a rehabilitation project.

City of Oakland, California

Acquisition and Rehabilitation Programs

The City of Oakland City Bond Measure KK Site Acquisition Program (Measure KK) was approved by the voters in November 2016. Measure KK provides short-term loans for acquisition and related costs associated with developing, protecting and preserving long term affordable housing in the city of Oakland. Measure KK acquisition loans are limited to vacant land, vacant buildings, and existing multi-family buildings, with five or more units. Rental restrictions are set at 60% of AMI or less, and requires properties without long-term affordability covenants to restrict all vacant units at or below 60% of AMI until rents reach an average of 80% of AMI for the property. The maximum Measure KK loan amount is \$5 million; and loan requests cannot exceed \$150,000 per unit. Measure KK loans can be converted to long-term deferred loans, or consolidated with other City financing at the construction or rehabilitation phase.

Rehabilitation Programs

City of Oakland Health and Safety Rehabilitation Loan Program for Subsidized Multifamily Housing Projects is designed for subsidized permanent and transitional multifamily housing, and provides loans to cover costs that would otherwise prevent or correct non complying health and safety conditions. The program is relatively new, and was established with a budget of \$1,000,000 for 2018. Funding is derived from the City's loan portfolio program, various trust funds, and the City of Oakland Low & Moderate Income Housing fund. Financial assistance is limited to properties that have received a non-compliant notice or order, issued through the City's code enforcement department, or an existing property issue that could trigger a non-compliant notice. All projects must serve low- to moderate income households, or individuals at or below 120% of AMI. Eligible loan applicants must be in compliance with any local, state or federal regulatory agreement(s) recorded against the property. The maximum loan amount per project is \$250,000. Loan payments are to be made annually from excess cash flow coming from operations. The loan and other leveraged funding sources must cover the total cost of repairs, and all loans have a 55 year affordability term.

Washington, District of Columbia

Tenant Protection and Acquisition Programs

Through the Tenant Purchase Assistance Program, Washington D.C.'s Department of Housing and Community Development (DHCD) provides assistance to renters, individuals and tenant groups threatened by displacement through the sale of their apartment building. The D.C. Rental Housing Conversion and Sale Act of 1980 states that tenants in buildings that are up for sale have the right to be offered the first opportunity to buy their apartment building, or exercise their right of first refusal. DHCD's Tenant Purchase Assistance Program provides low-interest loans as seed money; funding for earnest money deposits; funding for legal, architectural and engineering expenses; and, assistance to renters and tenant groups that may be threatened by displacement. The Tenant Purchase Assistance Program is funded through a D.C. trust fund comprised of taxes and fees derived from real estate title recordations.

New York City and New York State

Rehabilitation Programs

The City of New York, Department of Housing Preservation & Development (HPD) created a Multifamily Preservation Loan Program to facilitate the preservation of troubled, privately-owned apartment projects that have existing HUD mortgages or expiring use restrictions. The HPD program provides low interest loans with the goal of preserving and/or rehabilitating housing for low to moderate-income households. Most loans in the HPD program are amortized over 30 years and require interest payments, and a balloon payment at loan maturity. Funding for the HPD program comes through local capital or federal HOME funds, at a 1% interest rate. HPD funds can be combined with conventional bank, or tax-exempt bond financing. After rehabilitation, real property taxes may be eligible for abatement or exemption through various programs in combination with HPD's loan programs.

HPD also offers a rehabilitation loan program called the Participation Loan Program (PLP). The PLP provides low-interest loans to private residential building owners, for moderate-to-full rehabilitation of low- to moderate income housing. All PLP projects must include a minimum of 10% of the units to be

set aside for housing the homeless. Projects receiving funding through the PLP program may be eligible for full or partial residential property tax exemption through various programs.

Tax Incentives

New York City and New York State both offer affordable property owners a robust menu of tax incentives to promote preservation. New York City, through HPD, offers nine tax benefit programs to facilitate affordable housing preservation or construction. Tax benefits may be an exemption or an abatement. A real property tax exemption typically implies a full or partial exclusion of the increase to the assessed value of a newly constructed or rehabilitated property. Because property taxes can range from between 15% to 30% of operating income for a multifamily building, tax reduction incentives are a major tool used by HPD to induce affordable housing preservation in New York.

Cook County and the City of Chicago, Illinois

Class S Property Tax Incentive Program

In 2002, Cook County created a new Class S property tax incentive to encourage the renewal and preservation of affordable housing in and around the City of Chicago. Under this program, an owner will receive a reduction in property taxes if the owner renews their Project Based Section 8 Rental Assistance contract (PBRA) for five years. According to the Cook County's Preservation Compact, property taxes can be the single largest operating expense of a multifamily property. Reducing tax expense through a reassessment of market value can incentivize owners to continue to participate in rental assistance programs such as the Project Based Section 8 Rental Assistance contract (PBRA). Additional cash flow after expenses also encourages owners to invest in improvements for their properties. Another benefit of the tax assessment program is that the number of HUD assisted properties in constant risk of termination due to annual renewals, or potential terminations is reduced. According to the Cook County Assessor's Office, the number of units under Class S, currently 3,000, remains consistent because the program requires participation via a long term contract.

City of Seattle, Washington

Acquisition and Rehabilitation Programs

The Seattle Acquisition and Preservation Program provides short-term funding for strategic, low-income housing property acquisition, development and preservation, through a Notice of Funding Availability (NOFA) process. Funding may be used to purchase buildings identified through the City of Seattle's Notice of Intent to Sell Ordinance. A key program objective is to acquire and preserve existing affordable housing that includes occupied subsidized rental housing, or affordable unrestricted rental housing. Seattle is particularly focused on occupied buildings where low-income residents may be at risk of displacement. Funding for their programs comes from a combination of sources including the Housing Levy, which is estimated to generate approximately \$270 million over a seven-year funding period.

City of Boston, Massachusetts

Acquisition and Rehabilitation Programs

The City of Boston, in partnership with two community development financial Institutions (CDFIs), created the Acquisition Opportunity Program (AOP) to enable affordable housing developers to be

competitive when acquiring development sites in Boston's expensive, fast-moving real estate market. The AOP program pre-qualifies developers for property acquisition, and allows them to hold existing buildings or vacant land for development. This \$7.5 million dollar program is funded by the City of Boston's Inclusionary Development funds.

POTENTIAL PRESERVATION OPPORTUNITIES

Opportunities for Acquisition

A program worth considering for Los Angeles may be Boston's Acquisition Opportunity Program. The goal is simple; create a loan fund to help non-profit affordable housing developers to be nimble enough to compete in today's real estate market through an owner/developer pre-qualification program. This tool could remove a huge acquisition impediment that Los Angeles' mission driven organizations encounter when trying to acquire at-risk buildings listed for sale by for-profit entities. A direct acquisition program is currently offered by the City through its New Generation Fund (NGF). The NGF can be utilized to target properties that are nearing the end of their affordability restriction period and/or Section 8 PBRA contract expiration. In addition, HCIDLA is currently working on a Naturally Occurring Affordable Housing Loan Program (NOAH). The NOAH program could be enhanced to target properties that are nearing the end of their affordability restriction period and/or PBRA contract expiration, which may lead to market rate conversion.

Rehabilitation Efforts

HCIDLA's outreach confirmed that most cities have robust housing rehabilitation programs currently in place, with many also providing program funds for needed and necessary repairs of aging multi-family structures. HCIDLA has evaluated that the two City of New York loan programs described in this report would be too difficult to implement in the City of Los Angeles due to the overall cost to run the programs. Also, both loan programs are combined with municipal tax exemptions that the City of Los Angeles is currently not able to offer.

HCIDLA spoke in-depth to staff from the cities of San Francisco and Oakland. Both cities agreed that city-operated rehabilitation programs are still viable tools for replenishment, repair and maintenance of covenanted or assisted properties. Multi-family rehabilitation loan programs in the cities of San Francisco and Oakland are non-competitive and available to owners of both permanent and transitional housing. Both city programs provide funding to improve aging Section 8 PBRA buildings. These programs can address much needed repairs or improvements to a property's physical condition or major systems. However, Oakland's Health and Safety Rehabilitation Loan Program for Subsidized Multifamily Housing Projects could be more cost effective for the City of Los Angeles because periodic Capital Needs Assessment (CNA) requirements were never incorporated into the loan program regulatory agreements. This program also provides the advantage of a higher project AMI ceiling, which broadens the range of households that can be assisted. A rehabilitation loan program, similar in design to the City of Oakland's could be considered for Los Angeles.

The City's current inventory of at-risk Section 8 PBRA properties are well maintained but are aging. Over time, these properties will require major capital repair investment to avoid becoming susceptible to housing code violations. Of the entire HUD at-risk inventory in the City, there are 159 properties with

approximately 3,119 units that have 50 units or less for a pilot program. HCIDLA suggests that a small pilot program based on the City of Oakland's Health and Safety Rehabilitation Loan Program be considered for buildings with less than 50 units.

A targeted approach such as this could be a viable tool to address the needs of at risk Section 8 PBRA buildings that do not have funding or subsidies provided by the City. Based on HCIDLA estimates, a pilot program geared towards 3.2% (approximately 100 units) of the total of 3,119 subsidized residential units in buildings with 5-50 units, could cost up to \$3 million. This effort would initially target the median of this group of buildings, which are those buildings with 16 units and would fund approximately six loans. The budgeted amount would include the estimated HCIDLA residential unit cost of accessibility improvements. The minimum affordability requirement would start at five years with the requirement of the extension of a Section 8 PBRA contract for the same time period.

HCIDLA Portfolio Financing

Covenant Extensions and Buy-downs

Over the last two years, HCIDLA has worked to incentivize property owners with existing City debt or expiring covenants to extend affordability. These incentives are in the form of loan extensions or affordability buy-downs for properties with no City debt. HCIDLA will continue to seek opportunities to work with property owners that are interested in extending their covenants.

Based on an analysis of expiring Community Redevelopment Agency of Los Angeles (CRA/LA) covenanted properties in 2015, and potential buy-down costs to maintain affordability, HCIDLA estimated that the average cost of buying down affordability to be approximately \$53,000 per unit. If fully utilized, buy-down funds could assist in extending affordability for approximately 56 units. The buy-down approach appears to be useful, however, HCIDLA will need to further evaluate the buy-down to determine if the cost, on a one-on-one basis, would be effective.

Financing

In 2016, City Council committed \$2 million from the General Fund (GF) to the Affordable Housing Trust Fund (AHTF) with the intent of using GF dollars for the purpose of extending at-risk affordable housing covenants throughout the city. City Council determined that GF dollars can be used to aid a transaction in need of gap financing that will extend affordability and leverage tax exempt bond financing with LIHTC. Using GF support, HCIDLA has committed approximately \$1.5 million towards closing affordable housing project financing gaps that ultimately will result in the preservation of 65 units located within expiring CRA/LA properties.

Going forward, HCIDLA recommends creating a flexible funding stream for preservation projects that HCIDLA can tap into for leveraging buy-downs of affordability or for use as gap financing for affordable projects citywide. HCIDLA would recommend that the fund program be flexible, and require terms of affordability between 10 to 55 years depending upon negotiation outcomes. HCIDLA recommends funding these efforts using AHTF monies up to \$3 million for City covenanted properties expiring no later than 2021.

State Tax Incentives

The city of Los Angeles is not the only city facing the risk of Section 8 PBRA contract terminations. According to the California Housing Partnership Corporation (CHPC), there are 398 properties in California incorporating approximately 24,610 affordable units that have Section 8 PBRA contracts at-risk of market rate conversion in the next five years. One way the State of California is addressing potential loss of affordable housing statewide is through full or partial property tax exemptions. The State provides a Welfare Exemption from property tax for non-profit owned low-income housing projects that have received government financing. To qualify for the exemption, a property must restrict the property's use to low-income housing, such that a minimum of 90% of the units of the property are made continuously available to or occupied by lower income households (80 %AMI) as defined by Section 50079.5 of the Health and Safety Code. However, the State's exception is limited to properties owned by a limited partnership with a nonprofit corporation or eligible limited liability company as managing general partner. HCIDLA estimates that approximately 71% of the at-risk units in the city are wholly owned by for-profit entities, so use of the Welfare Exemption is a limited preservation option within Los Angeles.

To have a broader beneficial impact, HCIDLA deems the City should consider partnering with the County and State to further explore and introduce decreased tax assessment legislation similar in design to Illinois' Cook County Class S incentive. A Class S program has the best potential to incentivize owners of Section 8 PBRA contracted properties to renew long term. A County/City partnership should also explore the possibility of expanding the State Welfare Exemption to for-profit affordable housing project owners that have Section 8 PBRA contracts or expiring covenants and are willing to renew rental subsidies and/or extend affordability covenants for a minimum of at least 20 years.

Alternatives to Protect Tenants in Non-Rent Stabilization Ordinance (RSO) Expiring Housing

Staff explored if other cities utilized a transitional subsidy program in order to avoid immediate tenant displacement in non-RSO buildings. HCIDLA estimates there are 72 properties with approximately 1,736 units under some form of City restriction expiring within the next five years. Based on year built, of the 72 properties, 23 properties consisting of 577 units are not subject to RSO. HCIDLA contemplated the creation of a transition fund pilot program that could support the residents of non-RSO properties to transition to market rate rents. The only functionally comparable transitional subsidy program was found within a jointly operated program between the City and County of San Francisco. The jointly operated program did prevent the future displacement of 172 existing low and moderate-income tenants in an at-risk building in January of 2017. This was accomplished by approving the purchase of lifetime lease protection for the 172 residents at 80% AMI. At vacancy, 102 units would convert to market-rate rents and the balance of 70 units would be preserved as permanently affordable to households at 120% AMI rent levels for the life of the project. Through a consultant, San Francisco valued the cost to preserve the 70 units and the lifetime leases for the current residents of the 70 units at \$21,680,000, or approximately \$310,000 per unit.

Based on two non-RSO expired City restricted properties located in Downtown and the San Fernando Valley, the average monthly rent increase post covenant expiration is 39% (\$350). The rent increases on these two properties ranged from \$24 (2%) to as high as \$868 (137%). For example, if the property

owner agrees to a 39% rent increase after covenant expiration, the tenant would pay 3% and the City would cover 36% for an agreed period (e.g. one year post expiration) for all or a number of units at a set affordability level. Based on HCIDLA estimates using the current HUD Fair Market Rent (FMR) for a one bedroom unit (\$1,195), the cost to provide a one year rental subsidy per unit is \$5,162. As such, the cost of a pilot program geared towards 322 residential units with covenants expiring through 2019, will cost approximately \$1.6 million. If the City considers a five year program for 577 units, the estimated cost is \$2.9 million (see table below).

Table 1 - Potential Costs: One-Bedroom

One-Bedroom HUD Fair Market Rent (FMR)	Average Monthly Rent Increase Post Covenant Expiration: 39% (3% and 36% Split)		X	12 Month City Subsidy Per Unit	X	Total City Subsidy 322 Units (Now - 2019)	Total City Subsidy 577 Units (5 Years)
\$1,195.00	Tenant Contribution	\$35.85					
	City Subsidy	\$430.20		\$5,162.40		\$1,662,293	\$2,978,705
Total Rent Increase							
Total New Rent							

When combining the average FMR rents of one, two and three bedrooms units, the average annual rental subsidy is \$6,939 per unit. Using this average, the total cost of a program for units expiring through 2019 is \$2.2 million and \$4 million for all units expiring in five years (see table 2 below). HCIDLA estimates this type of program would cost approximately \$174,891.72 to administer on a yearly basis.

Table 2 - Potential Costs: Average One-Three Bedrooms

Average One-Three Bedrooms HUD Fair Market Rent (FMR)	Average Monthly Rent Increase Post Covenant Expiration: 39% (3% and 36% Split)		X	12 Month City Subsidy Per Unit	X	Total City Subsidy 322 Units (Now - 2019)	Total City Subsidy 577 Units (5 Years)
\$1,606.33	Tenant Contribution	\$48.19					
	City Subsidy	\$578.28		\$6,939.36		\$2,234,474	\$4,004,011
Total Rent Increase							
Total New Rent							

After a detailed review of cost and potential outcomes, the transition fund is not recommended by HCIDLA because of excessive cost and functional redundancy with other rental subsidies such as the Housing Choice Voucher program.

Legislation

The new noticing requirements under the amended State Preservation Law (AB 1521), in conjunction with HCIDLA's proactive tenant outreach initiative, will provide residents more time and opportunity to explore other housing options. This amended law requires an owner of an assisted housing development for which rental restrictions will expire within one and three years to notify current and prospective

tenants of the scheduled expiration of rental restrictions. Through this law, the HCIDLA can partner with residents or qualified preservation purchasers who could acquire at-risk properties through the use of leveraged City funds in efforts similar to Washington D.C.'s Tenant Purchase Assistance Program.

Future Tenant Protections

Given that affordable housing preservation is an exceedingly challenging option for the City's future, HCIDLA recommends requiring multi-family housing projects, funded by HCIDLA, to have rents tied to the allowable RSO rent increases at covenant expiration (after 55 years). This strategy could reduce the possibility of escalating rents with City funded properties into the far future.

Partnerships to Stimulate Preservation

The City Council requested that HCIDLA report back on its efforts to stimulate partnerships with the following:

California Housing Finance Agency (CalHFA)

HCIDLA has partnered with the California Housing Finance Agency (CalHFA) to fund and preserve projects that have both HCIDLA and CalHFA expiring affordability covenants. Currently, both agencies are collaborating on Bartlett Hill Manor project, a preservation transaction requiring gap financing from both agencies and tax-exempt bonds issued by CalHFA. Currently, HCIDLA is in discussions with CalHFA to enter into a Memorandum of Understanding (MOU) to issue tax-exempt bonds.

Community Development Financial Institutions (CDFIs)

Over the years HCIDLA has had discussions with local CDFIs such as Enterprise regarding strategies to increase affordable housing in the city and leverage funding resources. Currently, HCIDLA through its NOAH Program and various CDFIs are in the process of developing financing programs that target smaller properties and/or non-conventional multifamily housing.

Los Angeles Preservation Working Group (LAPWG)

To keep abreast in new opportunities and strategies, HCIDLA has become a core member of the Los Angeles Preservation Working Group (LAPWG). The LAPWG is comprised of housing agencies and service providers such as the regional office of the U.S. Department of Housing and Urban Development (HUD), the Housing Authority of the City of Los Angeles (HACLA), the County of Los Angeles, various legal service organizations, and affordable housing organizations. The LAPWG meets quarterly to share information, discuss strategies and opportunities for the preservation of the City's affordable housing stock.

POTENTIAL FUNDING FOR PRESERVATION

Last year, various tax measures were passed in the City and County of Los Angeles that provides a basis to fund affordable housing in the City. These included: Measure HHH, Measure M, the Marijuana Regulation and Taxation Referred Ordinance. Most recently the city also approved the Affordable Housing Linkage Fee (AHLF). The AHLF funds can fund programs that seek to preserve at-risk housing.

At the State level, the Governor signed legislation aimed at addressing the State's housing crisis. As part of a housing package, this legislation included Senate Bill 3 (Beall). This bill enacts the Veterans and Affordable Housing Bond Act of 2018, which, if adopted, authorizes the issuance of \$4 billion in General Obligation (GO) bonds for affordable housing programs. The GO bonds are subject to approval by the voters in the November 6, 2018 election. This legislation identified and proposes new funding for several existing programs, including \$1.5 billion for the Multifamily Housing Program (MHP). The MHP assists the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower income households through loans to local governments and non- and for-profit developers.

Given the lack of resources dedicated to preservation, the City should consider allocating its AHLF fees to enhance current initiatives and design affordable housing programs with flexible financing, for the preservation of at-risk housing in the city. In addition, the City should coordinate legislative efforts with local state leaders to support the passage of GO bonds and ensure funds are dedicated towards the preservation of at-risk housing.

NEXT STEPS

HCIDLA's research has shown that most cities are struggling to understand how to prevent the loss of at-risk affordable housing. Preservation achievements appear to have been accomplished by collaborating with governmental and like-minded entities at local, state and county levels, and by applying dedicated financial resources and creative strategies towards preservation efforts.

In general, HCIDLA recommends maintaining the current preservation staff level, and augment when, and if funding for additional preservation initiatives becomes available. HCIDLA will continue to support non-financial preservation initiatives, including the maintenance of an early warning system to track at-risk housing; the enforcement of notification requirements to the City and affected tenants at the end of affordability restrictions (AB 1521); and property owner and tenant education efforts.

The following actions and programs by portfolio type are recommended by HCIDLA to augment the City's current preservation efforts.

HCIDLA Covenanted Portfolio:

1. Request to have \$3 million in AHTF proceeds be dedicated towards buy-downs of affordability, or gap financing projects.
2. Analyze the benefits of adding new language to HCIDLA loan documents that would require new multi-family housing projects, funded by HCIDLA, to have rents tied to the allowable RSO rent increase at covenant expiration (after 55 years);
3. Collaborate with City Council and State officials to support the passage of the Veterans and Affordable Housing Bond Act of 2018 GO bonds, subject to approval by the voters in the November 6, 2018 election, and advocate for dedicated funds for the preservation of at-risk housing.

Federally Subsidized At-Risk Portfolio:

1. Explore a multi-family rehabilitation pilot loan program using a \$3 million set aside from the AHTF account to target an initial 100 at-risk units. This rehabilitation pilot program will have underwriting criteria similar to the City of Oakland's Health and Safety Rehabilitation Loan Program for Subsidized Multifamily Housing Projects program, but with a caveat requiring correction of any outstanding accessibility issues, in order to execute a new City covenant and extend a Section 8 PBRA contract;
2. Partner with County and State officials to further explore and potentially introduce decreased tax assessment legislation similar in design to Illinois' Cook County Class S tax relief incentive program. This program has the potential to incentivize owners of Section 8 PBRA properties to invest in improvements and renew long term affordability;
3. Partner with County and State officials in efforts to create and introduce legislation to expand the current Welfare Exemption to property owners that renew rental subsidies or extend covenants for an additional 20 years at minimum.

FISCAL IMPACT STATEMENT

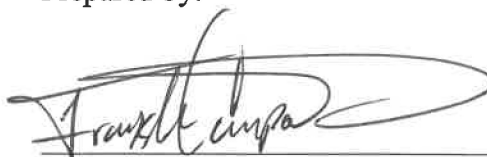
There is no impact to the General Fund.

Prepared by:



FRANKLIN R. CAMPOS
Finance Development Officer I

Prepared by:



for LEMONO V. LOTT
Finance Development Officer I

Reviewed by:



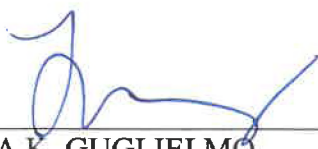
EDWIN C. GIPSON II
Director of Development and Finance

Reviewed by:



SEAN L. SPEAR
Assistant General Manager

Reviewed by:



LAURA K. GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager

Cc: Honorable Mayor Eric Garcetti

Attachment A: Research and Description of other City Programs

Attachment A

Research and Description of Other City Programs

County and City of San Francisco

- **Acquisition and Rehabilitation Financing for Small Sites Program (Small Sites Program - SSP):** The SSP is an acquisition and rehabilitation loan program for multi-family rental buildings, with five (5) to 25 units. The SSP program goal is to protect and preserve long-term affordable housing through acquisition rehabilitation.
- **Existing Non-Profit Owned Rental Housing Capital Repairs Notice of Funding Availability (ENP NOFA):** The ENP NOFA funds various programs based on geography and use restrictions throughout the City of San Francisco. The NOFA facilitates the preservation of permanent affordable housing for low income and homeless households.

NOTICE OF FUNDING AVAILABILITY

Acquisition and Rehabilitation Financing for Small Sites Program Properties

*Issued by the Mayor's Office of Housing and Community Development
of the City and County of San Francisco*

Currently Available Funds: \$3,000,000¹

A. Introduction

The Small Sites Program (SSP) is an acquisition and rehabilitation loan program for multi-family rental buildings of 5 to 25 units. The program has been created to protect and establish long-term affordable housing in smaller properties throughout San Francisco that are particularly vulnerable to market pressure resulting in property sales, increased evictions and rising tenant rents. In the face of this increasing pressure on tenants, the City developed the Small Sites Program in order to support non-profit and for-profit entities to successfully remove these sites from the market and restrict them for the long-term. The overarching program goals are to:

- 1) Protect and stabilize housing for current tenants at a range of income levels, so long as at least 75% of the building's tenants have an average area median income (AMI) at or below 80%;
- 2) Remove SSP properties from the speculative market while increasing the supply of permanently affordable rental housing by restricting SSP properties to serve households with average incomes at 80% AMI;
- 3) Create financially stable, self-sustaining housing that serves multiple generations of low to moderate income households by ensuring that SSP properties operate with sufficient cash flow to adequately care for the property and repay debt obligations, including SSP loans, which the City will reinvest into future SSP properties.

B. Project Eligibility and Prioritization

The Small Sites Program is available to residential buildings with 5-25 conforming "dwelling units", as defined by the SF Planning Department, throughout San Francisco. Mixed-use properties, group housing, and nonconforming units will not be considered.

The SSP funds available through this NOFA are available on a first-come, first-serve basis to sites that meet the threshold eligibility criteria, as defined in Section H, below, and the attached Small Sites Program Underwriting Guidelines. If there is more than one project competing at

¹ The City's implementation of SSP will consist of multiple funding rounds, with timing subject to the availability of funds.

any given time, MOHCD will give additional priority points to proposals with the following characteristics:

- 1) Building is at immediate risk for Ellis Act eviction or in the process of an Ellis Act eviction
- 2) Building is located in a neighborhood with a high level of Ellis Act evictions, as listed below per 2009-2013 Rent Board data:
 - a. Inner Mission
 - b. Russian Hill/Polk Gulch
 - c. Castro/Eureka Valley
 - d. Outer Richmond
 - e. Inner Richmond
 - f. North Beach
 - g. Haight-Ashbury/Western Addition tied with Twin Peaks/Glen Park
 - h. Sunset
 - i. Ingleside/Excelsior
 - j. SOMA
- 3) Existing tenants include vulnerable populations: families with minor children, elderly, disabled, and catastrophically-ill persons
- 4) Building houses tenants with the lowest incomes
- 5) Building requires the lowest amount of subsidy per unit

C. Target Population: Low- and Moderate-income Tenants

The Small Sites Program is a mixed-income affordable rental program, serving households at a variety of income levels up to a maximum of 120% of AMI while maintaining a building-wide average of 80% AMI. In certain cases, as explained below, households earning more than 120% AMI may be included in the program. There is no minimum income threshold, provided that a tenant can afford to pay the rent applied to his or her unit.

- 1) At acquisition, existing tenant incomes are expected to range from very low-income (at or below 50% of AMI) to above-moderate income (at or above 120% of AMI). In order to qualify for the program, a minimum of 75% of existing tenants must income certify, and, among those 75%, the average household income for the building must not exceed 80% of AMI. Up to 25% may be over-income (above 120% AMI) or refuse to certify without rendering the property ineligible. Regardless of whether a unit's occupant(s) complete the income certification process or are over-income at acquisition, all units will be restricted for the life of the project.
- 2) Upon vacancy, SSP owners are required to ensure that SSP buildings achieve an 80% AMI average rent. This is accomplished at unit turnover by placing incoming tenants at rent levels that are as high or low as necessary to bring the building as close as is mathematically possible to an 80% AMI average. Vacant units may be rented up to a maximum of 120% AMI in order to achieve the required 80% AMI rent average.

D. Eligible Uses of Funds

Funding that is awarded through this NOFA may be used for acquisition and acquisition take-out, including pre-acquisition due diligence costs, as well as for rehabilitation. Specific eligible uses include:

- property acquisition and holding costs, including take-out of financing sources that have less favorable terms
- due diligence reports, including environmental assessments and property inspections,
- appraisals
- legal costs
- architectural and engineering expenses, as applicable
- relocation costs, as applicable
- project management or developer fees
- rehabilitation costs
- all other soft costs associated with acquisition or rehabilitation of the site

Ineligible Use of Funds

Soft costs associated with legalizing any non-conforming uses.

E. Loan Terms

All SSP applicants must leverage City debt with a first mortgage. A list of preferred lenders who are familiar with the Small Sites Program is on MOHCD's website; however, applicants are free to select a lender who is not on the preferred lender list if the applicant is able to find better terms elsewhere. Understanding the need for a range of loan terms that are dependent on a myriad of underwriting standards by outside lenders, MOHCD has established the following preferred loan terms for the SSP and will be evaluating each SSP applicant's first mortgage for similar terms:

- acquisition loans that automatically convert to permanent with a 15-year minimum term
- 30-year amortization schedule
- 1.10 to 1.15 debt service coverage ratio
- nonrecourse to the borrower
- low interest rates
- no more than 1.5% lender fees

The SSP offers a blended interest rate well below market by combining a first mortgage bearing a competitive interest rate with City funds bearing a very low interest rate. This strategy ensures that SSP properties can afford to repay their loans from cash flow while maintaining below market rate rents for their current and future tenants. Additionally, the City's role as a subordinate (gap) lender allows for minor rehabilitation of the acquired sites and, consequently, a higher loan-to-value ratio (LTV) than would be available in its absence. The following is a synopsis of key SSP loan terms:

- \$250,000 maximum City subsidy per unit
- 3% annual simple interest
- 30-year term
- subordinate to the first lender
- repayment due to the extent that residual cash flow is available and at expiration of the loan term
- rents restricted at an average of 80% AMI for the life of the project, regardless of City loan payoff or expiration of the loan term
- restrictions must be recorded in first position on title

Please review the attached Small Sites Program Underwriting Guidelines for full loan terms and program policies.

F. Financing Plan and Affordability Restrictions

Applicants should incorporate the loan terms outlined above into their financing plans and submit a detailed Sources and Uses budget that includes construction cost estimates identified in a current capital needs assessment or similar document. Construction cost estimates should exclude escalation assumptions. The Sources and Uses budget must adhere to the SSP Underwriting Guidelines. Applicants must use MOHCD's form of Sources and Uses, as provided with this NOFA.

Applicants must submit two separate financing scenarios with their application, as follows:

- 1) As Currently Rented - Submit a 1-Year Operating Budget and 20-Year Cash Flow based on the current rents being charged at the property (and all other current building income, as applicable) and expected operating expenses. Expected operating expenses and cash flow assumptions must adhere to the SSP Underwriting Guidelines.
- 2) As Restricted - Submit a 1-Year Operating Budget and 20-Year Cash Flow based on the restricted rents projected for the property and expected operating expenses. For the purpose of modeling, restricted rents should be set at 80% AMI and escalate by 2.5% per year. Expected operating expenses and cash flow assumptions must adhere to the SSP Underwriting Guidelines.

MOHCD reserves the right to fund all or a portion of the acquisition and rehabilitation of the property and/or to require the applicant to apply for another capital source of funds. All proposed financing will be subject to the attached Small Sites Program Underwriting Guidelines. Applicants must use MOHCD's form of operating budget and 20-year cash flow, as provided with this NOFA.

G. Rent Roll

Applicants must submit a rent roll reflecting the current unit mix, rents charged, any rent subsidies received, tenant household composition and tenant income level. As explained in the

SSP Underwriting Guidelines and Section C, above, no less than 75% of the building's current tenants must complete income certification forms and meet the average 80% income requirement of the program. Tenant information will be confirmed a second time at the end of construction and on an annual basis, thereafter, to ensure ongoing compliance with the program. Applicants must use MOHCD's form of rent roll, as provided with this NOFA.

H. Threshold Eligibility Criteria

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

Eligible Applicants

- 1) Must be a duly formed non-profit or for-profit corporation.
- 2) May not have initiated an Ellis Act eviction in the last 3 years. Applicants must complete the attached SSP Landlord Background Check Form to be verified by the San Francisco Rent Board.
- 3) Must demonstrate the technical capacity and experience to successfully acquire, own, rehabilitate and manage affordable housing, either through staff, contracted services, or in collaboration with other organizations, including:
 - a. Acquisition Experience: The applicant must have acquired at least one "Qualifying Project" in the past 5 years (subject to satisfactory performance review by an appropriate public finance agency). A "Qualifying Project" is defined as a rental housing property that includes at least 5 units of affordable housing affordable to low- and moderate-income households.
 - b. Property 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).
 - c. Project Management Experience: The applicant's project manager must have experience with at least one Qualifying Project or be assisted by a consultant or other staff person with greater experience and the demonstrated capacity to oversee the project. When using a consultant, the consultant's resume should demonstrate that the consultant has successfully managed all aspects of at least two (2) comparable development projects in the recent past.
 - d. Construction Management Experience: Applicant must identify specific staff or consultant(s) who will provide construction management functions on behalf of the owner, including: permit applications and expediting, cost analysis, completion evaluations, change order evaluations, scope analysis and schedule analysis. The applicant's construction manager must have experience with at

least one Qualifying Project.

- 4) Must demonstrate site control with appropriate documentation.

Eligible Projects

- 1) 5-25 residential unit buildings
- 2) Buildings with 100% of the units meeting the San Francisco Planning Department's definition of "dwelling unit" and fully conform with Planning Code requirements applicable to the site, including zoning, General Code compliance, and any relevant neighborhood plan controls.
- 3) Buildings with purchase prices that are reasonable in comparison to other sites in the neighborhood, as documented in a City-approved appraisal
- 4) Buildings that can demonstrate positive cash flow under current rents for a minimum ten-year period and positive cash flow for a minimum 20-year period with projected, restricted rents, per Section F(1) and F(2), above.

Note:

Shortly after application, Applicants must indicate general tenant approval of the proposed building purchase and the tenants' willingness to participate by providing income certifications for a minimum of 75% of existing tenants. The average income of participating households must not exceed 80% of AMI, as described in Section G, above. The City will not move forward with the application processing without this documentation.

Ineligible Projects

- 1) Buildings with commercial space/mixed uses
- 2) Group housing with shared cooking and/or restroom facilities
- 3) Master leased hotels

I. Evaluation Criteria and Scoring Summary

All applications that meet the Threshold Eligibility Criteria above will be scored and ranked according to the following scoring criteria (see "Small Sites NOFA Scoring Criteria" attachment for details):

Category	Potential Points
Acquisition Experience exceeding threshold requirement	15
Property Management Experience exceeding threshold requirement	15
Project Management Experience exceeding threshold requirement	15
Construction Management Experience exceeding threshold requirement	15
Building is at immediate risk for Ellis Act eviction or in the process of an	8

Ellis Act eviction	
Building is located in a neighborhood with a high level of Ellis Act evictions	8
Existing tenants include vulnerable populations: families with minor children, elderly, disabled, and catastrophically-ill persons	8
Building houses tenants with the lowest incomes	8
Building requires the lowest amount of subsidy per unit	8
TOTAL POSSIBLE POINTS	100

J. Funding Requirements and Guidelines

Funding Terms

Funds will be provided as a residual receipts loan. Rehabilitation/permanent loans will bear a 3% simple interest rate. For all loans, however, in the event of uncorrected default under the loan agreement, interest shall be charged at the minimum rate of 10% per year from the date of the loan agreement and shall become immediately due and payable.

Equal Employment Opportunities

Project sponsors selected under this NOFA will be required to comply with local 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 local procurement requirements, applicants should meet with MOHCD and San Francisco Contract Monitoring Division staff prior to hiring their development team to develop a plan for such compliance.

Environmental Review

Depending on conditions at the site and on the rehab scope, proposed SSP projects may be subject to review under the California Environmental Quality Act (CEQA) and 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 may also be required. Applicants to this NOFA must not undertake activities, including acquisition, which would have an adverse environmental impact or limit the choice of reasonable alternatives between the time of application submittal and completion of the CEQA/NHPA/Section 106 review process, if applicable.

Accessibility Requirements

Project sponsors may be responsible for meeting 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. Applicants should strive to make 5% of all rehabilitated units accessible in conformance with Section 504, and provide an additional 2% of units for the hearing and/or vision impaired. Applicants should submit accessibility details with their proposed rehabilitation scopes of work, including any requests for hardship waivers.

Relocation Requirements

If the proposed project intends to apply for rehabilitation funds from MOHCD, applicants may be subject to the provisions of state relocation law and/or MOHCD-approved relocation requirements, if the scope of the project will include rehabilitation that requires tenants to temporarily vacate their units while work is being completed. Applicants should be prepared to notify any existing residents of the plans to rehabilitate the site and that public funds are being sought for this purpose, if such notice has not already been given. No permanent displacement should occur as a result of the rehabilitation performed under this NOFA.

Sustainable Design

The Mayor's Office of Housing and Community Development seeks to maximize the overall sustainability of financed projects to the extent possible through the integrated use of "green" building elements. Programmatic goals for projects should focus on durability, energy efficiency, indoor air quality and recycling.

K. Application Process

Application Forms and Deadline

Application forms will be provided by email upon request to ruby.harris@sfgov.org or by visiting the City's website at <http://www.sfmohcd.org>.

The SSP application packet includes the following materials:

- 1) SSP Application – Word Document with applicable supporting documentation
- 2) SSP Application – Excel Spreadsheet with all tabs complete
- 3) SSP Operating Budget and 20-Year Cash Flow – Excel Spreadsheet must be completed twice, once with current rents and once with restricted rents
- 4) Landlord Background Check Form – Word Document
- 5) SSP Income Certification Form – Word Document to be completed for at least 75% of current tenants

A complete application package must be received in order to be assigned to a MOHCD project manager for review. Additional materials may be required, as appropriate for the site and requested by MOHCD staff.

MOHCD requires that applications be submitted both by email and in hard-copy (signed by an authorized representative of the applicant). Please submit two (2) hard copies of your application and one (1) electronic copy. Applications will be accepted at any time following publication of this NOFA on an "over-the-counter" basis until the earlier of the commitment of all funds under this NOFA or June 30, 2015.

If the SSP application includes property acquisition, the SSP application must be submitted no later than the 5th day of escrow in order to allow time for thorough underwriting and loan approval prior to the expiration of the applicant's finance contingency. Escrow periods may not

be shorter than 90 days. Finance and inspection contingency periods may not be shorter than 60 days.

Application Review

Applications will be reviewed in the order in which they are received for completeness and eligibility. If more than one application is received concurrently, applications will be ranked internally according to the scoring criteria described in Section I and in the attached Small Sites NOFA Scoring Criteria. Eligible application(s) will then be reviewed for compliance with relevant City policies and current Small Sites Program Underwriting Guidelines for overall feasibility, including but not limited to the following issues:

- 1) Financial Feasibility - The project must be financially feasible with both current rents and restricted rents, including realistic development and operating budget projections that conform to industry standards. There should be a reasonable likelihood that all identified funding sources will be secured in a timely manner.
- 2) Cost - Cost per unit and per square foot (gross square footage of building space) will be examined relative to comparable projects' costs. City subsidy per unit may not exceed \$250,000.
- 3) Leveraging - The project's ability to demonstrate other sources of funding.
- 4) Displacement and Relocation - Projects may not include displacement of residential tenants. If temporary relocation of residents is anticipated, the sponsor must provide a preliminary relocation plan and budget.

Once compliance has been determined, the selected project(s) will be announced by the MOHCD Director of Housing Development.

L. Other Requirements

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

- 1) An opinion by the applicant's legal counsel, satisfactory to the City's legal counsel, that the applicant and borrowing entity is duly formed, validly existing, in good standing under the laws of the State of California, has the power and authority to enter into an Agreement with the City, and shall be bound by the terms of the Agreement when executed and delivered, and that addresses such other matters as the City may reasonably request.
- 2) A copy of appropriate insurance policies naming the City as co-insured.
- 3) Project sponsors will be required to comply with all requirements applicable to entities contracting with the City, including, but not limited to insurance coverage, business

relationships, and domestic partners' benefits.

- 4) Audited or financially reviewed financial statements for the entity's last three fiscal years.
- 5) If the applicant is not an experienced developer, an executed development services contract with proposed development partner or development consultant.

For questions concerning this NOFA, please call Ruby Harris, Project Manager (415-701-5517; ruby.harris@sfgov.org) or Teresa Yanga, Director of Housing Development (415-701-5515; teresa.yanga@sfgov.org) at the Mayor's Office of Housing and Community Development.

**MAYOR'S OFFICE OF HOUSING AND COMMUNITY
DEVELOPMENT
CITY AND COUNTY OF SAN FRANCISCO**



Ed Lee
MAYOR

Olson Lee
DIRECTOR

NOTICE OF FUNDING AVAILABILITY

**Existing Non-Profit Owned Rental Housing
Capital Repairs**

Issue Date: April 15, 2016

Application Due Date: May 27, 2016

Available Funds: The sources of funds for this NOFA include Tax Exempt Bond proceeds, 350 Bush SRO Rehabilitation funds, and Eastern Neighborhood Community Improvement Funds for the Mission and South of Market neighborhoods. Each of these sources has geographic and/or use restrictions that limit where or how they may be used:

<u>Tax-exempt bond proceeds, approximately:</u>		\$5,196,479
Geographic limitations:	Within City and County of San Francisco to the greatest extent feasible for the Mission District	
Use restrictions:	May not be used on projects resyndicating LIHTCs.	
<u>350 Bush Street funds:</u>		\$1,088,308
Geographic limitations:	Limited to use in the vicinity of 350 Bush Street	
Use restrictions:	Limited to rehabilitation of SROs or studio apartments	
<u>Eastern Neighborhoods Community Improvement Fund (EN Mission):</u>		\$1,183,080
Geographic limitations:	Mission District (Division - Cesar Chavez; Potrero - Guerrero)	
Use restrictions:	Rehabilitation of existing housing	
<u>Eastern Neighborhoods Community Improvement Fund (EN SOMA):</u>		\$2,393,881
Geographic limitations:	South of Market (5th - 10th Streets; Howard - Harrison Streets)	
Use restrictions:	Rehabilitation of existing housing	
TOTAL ALL SOURCES:		\$9,924,269
<i>Note: All amounts approximate and subject to change. MOHCD reserves the right to commit more or less funds than the amounts listed.</i>		

TABLE OF CONTENTS

A. Introduction	2
B. Threshold Eligibility Requirements	3
1. Eligible Projects	3
2. Eligible Work	3
3. Documentation of Need	3
C. Eligible Uses of Funds	4
D. Affordability Restrictions	4
E. Funding Terms	4
F. Application Forms and Procedure	5
1. Geographic Grouping of Applications	5
2. Ranking Criteria	6
a. Urgency	6
b. Readiness	6
G. Important Dates	7
H. Other Funding Requirements and Guidelines	8
I. Other City Requirements	9
Exhibit A: Submittal Instructions	11
Exhibit B: Application Checklist	14

FORMS TO BE FOUND ON MOHCD WEBSITE: <http://sfmohcd.org/nofas-rfp-rfq-bids-jobs>

Application Proforma
Attachment 3a ENP Respondent Description
Attachment 3b ENP Projected Staffing Workload
Attachment 4x ENP Project Schedule
Attachment 7 ENP NOFA Disclosures

A. Introduction

In order to facilitate the preservation of permanent affordable housing for low income and homeless households in San Francisco, the Mayor's Office of Housing and Community Development (MOHCD) announces the availability of capital improvement funding for existing, non-profit (ENP) rental housing in San Francisco ("City"). This Notice of Funding Availability (ENP NOFA) is being issued in accordance with the City's Consolidated Plan and its current Master Plan Housing Element.

Most of the more than 200 affordable housing assets that have received funding from MOHCD and its predecessor City agencies are required pursuant to their Regulatory Agreements to provide regular updates to MOHCD's Asset Management division on their property capital improvement needs. Of these, approximately half have provided recent Capital Needs Assessments (CNAs) to the City for review and monitoring. These sites report urgent, immediate and short-term capital replacement and repair needs with a collective cost of nearly \$31M. The average amount needed to fully cover the hard construction costs of making these

repairs is \$308,000 per property. Thirteen (13) sites report a need for more than \$500k in repairs; and eight (8) of the sites report the need for more than \$1M in major repairs or rehabilitation.

This Existing Non-Profit Owned Rental Housing Capital Repairs NOFA is intended to help qualified applicants to address the unmet needs for emergency repairs or capital improvements identified in a CNA within the past 5 years, by providing grants or long-term residual receipts loans to supplement other resources that may be available for this purpose. Emergency repairs are needed to address items that present an immediate threat to the health, safety, and/or quality of life of the tenants. Capital improvements may be needed to maintain the habitability of the housing, to improve its marketability or to protect, expand or deepen its affordability.

The goal is to address the most urgent and immediate needs, and to do so as quickly as possible, by prioritizing applicants whose needs are particularly urgent and those who are ready to move forward with their improvements by the end the current calendar year.

B. Threshold Eligibility Requirements.

1. The affordable housing development seeking funds must have the following characteristics:
 - It must be located in the City and County of San Francisco.
 - It must be owned and operated by a 501(c)(3) non-profit corporation or a limited partnership whose managing general partner is a 501(c)(3) non-profit corporation. It must have been previously funded by MOHCD or its predecessor agencies, the Office of Community Investment and Infrastructure (OCII), or the San Francisco Redevelopment Agency (RDA), and be in compliance with all applicable MOHCD regulatory agreement requirements.
 - It must currently be providing permanent or transitional affordable housing for households or individuals at or below 80% of median income. (1)
 - It must have replacement reserves that are insufficient to meet its immediate and short-term capital improvement needs as recommended in a current CNA. It must be able to demonstrate that, following completion of the repairs or capital improvements, the project will have a positive cash flow over a minimum of 5 years or provide a plan for achieving operating feasibility over the next 5 years.
2. The work to be performed must have the following characteristics:
 - It must be necessary to:
 - Address conditions that threaten the health, safety, and/or quality of life of a building's occupants, such as mold, water intrusion, lead and pest remediation, or damaged or inadequate fire/life-safety systems;
 - Maintain or improve the habitability of the housing, particularly in individual units, such as addressing requests for reasonable accommodation for disabled residents;

(1) Although buildings serving households at 80% of median or below are eligible for funds under this NOFA, all units in such buildings may be subject to deeper affordability standards upon completion of rehabilitation at unit turnover. See Section **D. Affordability Restrictions** below.

- Replace building components or systems that contribute to a building's inefficient use of energy or whose condition requires unreasonable and excessive maintenance and repair expenditures;
3. The need for urgent, immediate or short-term improvements must be documented.
- It must be identified in a current CNA (i.e., no more than five (5) years old) as an immediate or short-term need for capital investment. Short-term improvements are defined as improvements that must be completed within 12 to 24 months.
 - In addition to, or as a substitute for, a CNA, respondents may provide evidence of need in the form of notices of violation, failed inspection reports, and/or third party technical reports on major systems, such as roofing, elevators or HVAC.

C. Eligible Uses of Funds.

Funds awarded through this NOFA may be used to pay the following costs:

- Construction contract payments for rehabilitation work. Note that CNA estimates of construction costs are not sufficient for sizing a funding request. Bids from relevant contractors or estimates from third party technical experts are required.
- Architectural and engineering expenses.
- Temporary relocation expenses if necessary.
- Construction period insurance, permit fees and other costs associated with the rehabilitation work.
- Other necessary soft costs associated with the rehabilitation work.
- Legal and transactional costs associated with closing MOHCD funding.
- Applicant's project and construction management expenses limited to no more than 10% of construction or repair hard costs.
- Capitalized replacement reserves if necessary to ensure the adequacy of such reserves to meet anticipated capital improvement needs.
- Completion of an updated CNA that anticipates future capital improvement needs for at least 15 years, and associated reserve analysis.

D. Affordability Restrictions.

MOHCD seeks to work with applicants to insure and deepen long-term affordability at each project. Our goal is to apply income restrictions to units that are currently not regulated. Upon completion of the rehabilitation work pursuant to this NOFA, all units shall be reoccupied at turnover by or held vacant for households earning no more than 60% of Area Median Income (AMI) for San Francisco as determined by HUD, adjusted for family size but not high cost area (often referred to as "unadjusted"), and maximum rents may not exceed 30% of 60% of AMI for San Francisco, as established by MOHCD and available on the MOHCD website. MOHCD will consider an exception to this requirement for units that are currently restricted at 80% of AMI. Units occupied by households whose incomes exceed 80% of AMI at the time funds are awarded under this NOFA may continue to be occupied by those households. However, upon vacancy of these units, they must be occupied by households earning no more than 60% of AMI.

Furthermore, upon completion of any rehabilitation pursuant to this NOFA, affordability restrictions associated with prior City financing notwithstanding, the minimum term of

affordability required for all units in the building will be 55 years from the date of repair completion.

E. Funding Terms.

Funds from the Tax-exempt Bond Proceeds will be provided as grants. All other funds will be provided as loans depending on the under the circumstances. Loans will be interest bearing where it is financially feasible, and may be deferred or require repayment depending on the development's overall debt carrying capacity. For all loans and grants, however, in the event of uncorrected default under the Agreement, interest shall be charged at the minimum rate of 10% per year from the date of the Agreement and shall become immediately due and payable.

All funding agreements will include language rescinding commitment of funds in the event that they are not closed and construction initiated within 6 months of their commitment by the City.

F. Application Forms and Procedure.

1. Application Forms and Deadline: Application forms are available on the MOHCD website at <http://www.sfmohcd.org/documents-reports-and-forms>

The application consists of two parts:

- Application Checklist (Attachment B to this NOFA)
- MOHCD Proforma (Excel file)

MOHCD requires that applications be submitted both by email and in hard-copy (signed by an authorized representative of the applicant). Applications will be accepted anytime prior to **May 27** but will not be processed until **May 27** unless extraordinary circumstances require more immediate attention.

2. Application Processing:

a. Geographic Grouping of Applications.

All applications received by the application deadline that meet the Threshold Eligibility Requirements will first be grouped according to their geographic location in order to determine which funding source(s) they may be eligible for:

- Applications for projects *located in the Mission District* bounded by Division, Potrero, Cesar Chavez and Guerrero Street will be eligible for EN Mission funds and Tax-exempt Bond Proceeds.
- Applications for projects *located in the South of Market* bounded by 5th Street, Howard Street, 10th Street and Harrison Street will be eligible for EN SOMA funds and Tax-exempt Bond Proceeds.

- Applications for projects located in the vicinity of 350 Bush Street and proposing rehabilitation of SROs or studio apartments will be eligible for 350 Bush Street funds and Tax-exempt Bond Proceeds.
- All other applications will only be eligible for Tax-exempt Bond Proceeds.

b. Ranking Criteria: Urgency and Readiness.

Each geographic group of applications will be ranked by MOHCD staff familiar with affordable housing finance, asset management and operations. Ranking will determine the order in which applications will be presented to the Citywide Affordable Housing Loan Committee and the order in which financing will be committed from the applicable funding source(s).

Urgency: Applications will first be placed into one of the following categories:

- Most Urgent. Emergency repairs or capital improvements are needed as soon as possible. For example: conditions that pose an immediate and significant threat to health, safety or security for residents or staff such as pests, mold, or flaking lead-based paint.
- Urgent. Repairs or capital improvements are needed soon (within 1 year). For example: failing building systems or components which significantly reduce a building's habitability, such as inoperable elevators, unreliable electrical or plumbing systems, building or housing code violations or other legally mandated improvements; and modifications needed to respond to requests for reasonable accommodations for disabled residents.
- Important but Less Urgent. Repairs or capital improvements needed within 24 months. For example: conditions that require extraordinary maintenance and on-going repairs that result in or threaten operating deficits and long term affordability; improvements to a building's energy efficiency have the potential to significantly reduce operating costs and present an opportunity for increasing the building's replacement and operating reserves; or accessibility improvements that are not in response to requests for reasonable accommodations.

Applications in each category of Urgency ("Most Urgent", "Urgent", and "Less Urgent") will then be ranked according to their readiness to proceed beginning with the Most Urgent.

Readiness: Readiness will be determined according to such factors as the following:

- Project management capacity to close financing with MOHCD and commence capital improvement work within six (6) months of the City's funding commitment as evidenced by identifiable, qualified staff or consultants under contract with capacity to begin managing proposed rehabilitation work immediately;
- Construction cost and budgeting documentation;
- Engineering reports, contractors' estimates, bids, executable contracts, other kinds of vendors' evidence of readiness;

- Plans for temporary relocation or resident assistance in place.

c. Application Review.

Ranked applications will be reviewed and evaluated by MOHCD staff for compliance with relevant City policies and current Underwriting Guidelines, and for overall feasibility, in preparation for their presentation to the Citywide Affordable Housing Loan Committee, including but not limited to such issues as:

- Cost of repair or rehabilitation, including its comparability to similar work and to industry standards.
- The appropriateness of the scope of work relative to the overall physical needs of the building, the status of its reserves, and its ability to address other capital improvement needs in a timely way.
- The operating expenses and income of the building, including the likelihood of maintaining regular appropriate deposits into its reserves.
- The history of the applicant's compliance with the terms of previous financing agreements, including annual monitoring reports and residual receipts payments.

d. Final Review and Commitment of Funds.

Once staff evaluations are completed, all qualified applications will be presented to the Citywide Affordable Housing Loan Committee for review and approval in the order of their ranking. Upon approval by the Loan Committee, letters of commitment will be issued and loan/grant agreements drafted and executed. All commitments recommended by the Loan Committee are subject to final approval by the Mayor.

G. Important Dates.

NOFA Issued by MOHCD	April 15, 2016
Pre-application Meeting at MOHCD	April 22, 2016, 10am
Introduction to Application Proforma Meeting	April 29, 2016, 10am
Deadline for Questions and Requests for Additional Information	May 6, 2016
Application DUE	May 27, 2016
Screening for Threshold Eligibility Completed and Applicants Notified	June 3, 2016
Ranking Completed Applications and Applicants Notified	June 17, 2016
Review and Approval by Citywide Affordable Housing Loan Committee	No later than July 30, 2016

1. Pre-Application Meeting.

A pre-application meeting will be held at MOHCD (1 South Van Ness Avenue, 5th floor), on **April 22, 2016 at 10:00 am**. The purpose of the meeting is to ensure that all potential applicants understand the programmatic and application requirements of the NOFA. Although attendance at the pre-application meeting is not mandatory, it is highly recommended.

2. Questions and Requests for Information.

Questions raised at the pre-application meeting may be answered orally. If any substantive new information is provided in response to questions raised at this meeting, it will also be posted on the MOHCD website and will be emailed to all parties that have attended the pre-application meeting or otherwise requested that they be included on the NOFA emailing list. Subsequent to this meeting, questions or requests for interpretation will only be accepted by email and all questions and responses will be answered by email and posted on the MOHCD website. No questions or requests for interpretation will be accepted after **5:00 p.m. May 6, 2016**. Emailed questions and information requests should be submitted to Mara Blitzer at: mara.blitzer@sfgov.org.

3. Application Due Date and Method.

(5) copies of each Application must be received by the MOHCD receptionist and an emailed copy sent to mara.blitzer@sfgov.org no later than **5:00 p.m. May 27, 2016**.

H. Other Funding Requirements and Guidelines.

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 MOHCD 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 the Building Codes of the State of California and the City.

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 and Community Development seeks to maximize the overall sustainability of financed projects through the integrated use of "green" building elements in compliance with local and state ordinances, including but not limited to the San Francisco Green Building Ordinance – 083.

Projects selected for funding must comply with the mandatory minimum provisions of one of several recognized green building criteria for multifamily rehabilitation to the extent they apply to the proposed scope of work, including Build it Green, and USGBC LEED.

I. Other City Requirements.

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

- An opinion by the applicant's legal counsel, satisfactory to the City's legal counsel, that the applicant 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.
- A copy of appropriate insurance policies naming the City as co-insured.
- A Phase I (and II, if appropriate) Environmental Assessment.

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.

Audited or financially reviewed financial statements for the entity's last three fiscal years.

Executed development services contract with development partner or development consultant, if applicable.

Proof of financing commitments for all non-City funding identified in the application.

For questions concerning this NOFA, contact Mara Blitzer, Director of Housing Development (415-701-5544; mara.blitzer@sfgov.org) at the Mayor's Office of Housing and Community Development. See section G.2 for additional information regarding Questions and Requests for Information.

Exhibit A: Submittal Instructions

Applications should be organized as follows, with numbered and labeled Tabs at the beginning of each section of the printed application as indicated below. Electronic copies should include a separate Worksheet for each section of the application using the same numbers and labels.

Tab 1. Summary. Provide a concise narrative description of the repairs or rehabilitation work for which you are seeking funds. Describe the building (name, address), condition(s) you are trying to address, and estimated cost.

Complete the following sections of the **Application Proforma**:

Sheet 1. General Project Information:

- Application Date = 05/27/2016; leave next two input cells empty.
- Check the box next to Existing Development;
- Complete the sections called “Proposed Development” and “Target Population”. Some cells have drop down menus that appear when you click the cell.
- Complete the section called “Project Financing” by describing all current debt; include proposed new financing as well.
- Complete the sections on Residual Receipts / Ground Lease Information.

Sheet 2. Utilities and Other Income:

- Use the drop-down menus to complete the “Who Pays” section.
- Complete the “Other Project Income” section.

Sheet 3b. Existing Project Rent Roll:

- Starting with Rent Roll Date, provide the Rent Roll data and complete the section called “Current Tenant Paid Rent and Affordability Information.”
- If any current units are unrestricted or restricted to incomes above 60% AMI See Section D.4. of the ENP NOFA and complete all columns in “Proposed Tenant Paid Rent and Affordability.”
- If no changes to affordability restrictions are proposed, complete the section “Proposed Tenant Paid Rent and Affordability”, beginning with column W, “Proposed Rent Type.”

Tab 2. Owner Background Information. Provide copies the following for the Owner/sponsor:

- Certificate of Good Standing. Label as **Attachment 2a.**
- Certification of 501(c)(3) status. Label as **Attachment 2b.**
- Previous 2 years of tax returns or audited financial statements with management letters; label as **Attachments 2c. and 2d.**

Tab 3. Experience and Capacity.

1. **Owner’s Experience:** Provide a concise narrative description of the building Owner’s experience with other rehabilitation or major repair work within the past 10 years, if any. Include the overall scope of work, how long it took to complete, how much it cost, how it

was paid for and if the building was occupied during the work, what if any accommodations were made to reduce or mitigate the impact on the residents while the work was done.

2. **Staff Experience:** Briefly describe the rehabilitation management and construction management experience of the proposed Project Manager and Construction Manager.
 - Using **Attachment 3a. – ENP NOFA Respondent Description**, provide contact information for the Owner, Project Manager and Construction Manager.
 - Complete **Attachment 3b. - Projected Staffing Workload**.

Tab 4. Work to be Performed.

1. **Project History:** Briefly describe the history of the building to be rehabilitated, including its age, general condition, and whether any prior rehabilitation work has been done and if so, what that work was.
2. **Capital Repair/Rehabilitation Plan:** Describe how all the funds requested are proposed to be used, including non-construction uses. Describe the overall rehabilitation work, including how that work satisfies one or more of the Threshold Eligibility Requirements listed in Section B.2. of the NOFA. Include a Proposed Construction Budget with separate line items for each trade. For each line item include its budgeted amount; describe the documentation or other evidence that demonstrates the need to include each item in the scope of work; and identify the source used to estimate its cost such as a third party consultant, cost estimate, contract, etc. Attach this budget as **Attachment 4a**.
3. **Documentation of Need:** Attach a current Capital Needs Assessment and/or other documentation of the need to perform the work such as notices of violation, failed inspection reports, and/or third party technical reports on major systems, and label them **Attachment(s) 4b, 4c**, etc.
4. **Project Schedule:** Complete a project milestone schedule using **Attachment 4x** ENP NOFA Project Schedule.

Tab 5. Readiness. Briefly describe what factors are in place that demonstrate readiness to implement plans for rehabilitation or major repair work, such as staff capacity and readiness to begin immediately, estimates or bids received and ready to execute, contractors' description of their own readiness and capacity, work dependent on materials that are readily available and tradespeople generally able to begin work within a short period of time, etc. Attach any documentation relevant to readiness as **Attachment(s) 5a, 5b**, etc.

Tab 6. Budgets. Complete the following sections of the Application Proforma:

Sheet 4b. **Permanent Sources and Uses.**

- On Line 8, identify any other sources of financing besides MOHCD funds, including existing replacement reserves or cash on hand that has been budgeted for repairs.

- On Line 24 insert Construction/Rehab costs.
- Review the list of Soft Costs to identify any that may apply and insert costs if any do.
- Under Reserves include any funds being requested as part of this application to be used to recapitalize the building's replacement reserves once the rehabilitation is completed. Assume \$1,000 per unit. *[Note: This amount will be reviewed by MOHCD in preparation for Loan Committee review and may be modified.]*
- Insert the cost of construction management (line 93) and project management (line 94). These costs combined may not exceed 10% of Construction/Rehab costs (line 24).
- If applicable, insert the cost of an Updated CNA on line 95.

Sheet 5. Commercial Operating Budget.

- If the project has a commercial component whose cash flow supports the housing component of the project, complete this worksheet. Input first year Operating Income and Expenses (column E), and comments about any changes you make in the annual escalations (column F).
- Manually input reserve deposits, hard debt service, and reserve activity beginning from row 68.

Sheet 6. First Year Operating Budget.

- Input projected Operating Expenses for the first full year of operations following rehabilitation work starting with Line 31 (column F) and provide comments if appropriate (column G). Be sure to use the most currently submitted AMR to serve as the basis for the First Year Operating Budget. If any significant deviations in income or expenses are anticipated from the most current AMR, please provide comments.

Sheet 7. 20-Year Details.

- Review the Annual Increase percentages in column F and explain any changes you make in the Comments column (G).
- Verify the default values in the yellow cells, especially below the line items. If needed, make manual adjustments.
- Input Replacement Reserve, Operating Reserve, and other Reserve activity beginning from Row 157. The Replacement Reserve activity should be consistent with the application for funding under this NOFA.

11. Disclosure Form. Submit a completed and signed copy of **Attachment 7 – ENP NOFA Disclosures**, which requires any respondent to this NOFA to disclose defaults, lawsuits, legal proceedings, bankruptcy filings or financial interests affiliated with MOHCD staff or Citywide Affordable Housing Loan Committee members.

Exhibit B: APPLICATION CHECKLIST

Exhibit B		Existing Non-Profit Capital Repairs NOFA - Submittal Checklist	
Project Sponsor:			
Project Name/Address:			
Check Box	Tab #	Submittal Requirement	Attachments
<input type="checkbox"/>	1.	Summary	Proforma Worksheets 1, 2, 3b
	2.	Sponsor Information	
<input type="checkbox"/>		Certificate of Good Standing	Attach to Application sec. 2 as Attachment 2a
<input type="checkbox"/>		Certification of 501(c)(3) status (for nonprofit developers)	Attach to Application sec. 2 as Attachment 2b
<input type="checkbox"/>		Latest 2 years of tax returns or audited financial statements w/ management letters	Attach to Application sec. 2 as Attachment 2c and 2d
	3.	Experience and Capacity	
	3.1.	Owner's Rehabilitation/Repair Experience and Capacity	
<input type="checkbox"/>		Owner's Experience with prior rehabilitation work	Narrative: See NOFA Exhibit A Submittal Instructions
<input type="checkbox"/>		Project Management Capacity	Attachment 3a - ENP NOFA Respondent Description
	3.2.	Construction Management Experience and Capacity	
<input type="checkbox"/>		Construction Management Experience	Narrative: See NOFA Exhibit A Submittal Instructions
<input type="checkbox"/>		Construction Management Capacity	Attachment 3b - ENP NOFA Projected Staffing Workload
	4.	Work to be Performed	
<input type="checkbox"/>	4.1.	Project History Narrative	Narrative: See NOFA Exhibit A Submittal Instructions
<input type="checkbox"/>	4.2.	Capital Repair Plan Description/Narrative	Narrative: See NOFA Exhibit A Submittal Instructions
<input type="checkbox"/>		Proposed Construction Budget	Attach to Application sec. 4 as Attachment 4a
<input type="checkbox"/>	4.3.	Capital Needs Assessment or other documentation of need	Attach to Application sec. 4 as Attachment 4, 4c, etc.
<input type="checkbox"/>	4.4.	Project Milestone Schedule for Capital Repairs	Attachment 4x - ENP NOFA Project Schedule
	5.	Readiness	
<input type="checkbox"/>	5.1	Documentation of Readiness	Narrative: See NOFA Exhibit A Submittal Instructions Attach to Application sec. 5 as Attachments 5a, 5b, etc.
	6	Budgets	
<input type="checkbox"/>	6.1	Sources and Uses Budget	See NOFA Exhibit A Submittal Instructions Proforma Worksheet 4b
<input type="checkbox"/>	6.3	Commercial Budget	Proforma Worksheet 5, if applicable
<input type="checkbox"/>	6.3	1st Year Operating Budget	Proforma Worksheet 6
<input type="checkbox"/>	6.4	20-Year Cash Flow Proforma	Proforma Worksheet 7
<input type="checkbox"/>	7	Signed Disclosure Form	Attachment 7 - ENP NOFA Disclosures

City of Oakland, California

- **Bond Measure KK Site Acquisition Program (Measure KK):** Measure KK provides short-term loans for the acquisition of vacant land, vacant buildings, and existing multi-family buildings, with five or more units.
- **Health and Safety Rehabilitation Loan Program for Subsidized Multifamily Housing Projects:** This program provides loans to cover costs that would otherwise prevent or correct non complying health and safety conditions in subsidized permanent and transitional multifamily housing. Financial assistance is limited to properties that have received a non-compliant notice or order, issued through the city's code enforcement department.



HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT

Bond Measure KK Site Acquisition Program

Applications Accepted Starting June 5, 2017

Funds Anticipated August 2017

On November 8, 2016, City of Oakland voters approved Bond Measure KK to fund affordable housing projects and programs and infrastructure improvements. The program guidelines set forth below are in accordance with the City's Affordable Housing and Infrastructure Bond Law adopted by Oakland City Council in City Ordinance 13403 C.M.S., dated November 29, 2016, and codified in Chapter 4.54, Article IV, of the Oakland Municipal Code.

The purpose of the Bond Measure KK Site Acquisition Program is to provide short-term loans for acquisition-related costs associated with developing, protecting and preserving long term affordable housing throughout the City of Oakland.

I. Eligibility

A. Eligible Projects

- Acquisition loans are limited to vacant land, vacant buildings, and existing multi-family rental buildings (5 units or greater).
- For the acquisition of vacant land or existing restricted affordable housing projects, funds are available to developers who propose to serve households or individuals at or below sixty percent (60%) of area median income (AMI) as set by the City of Oakland's rent limits.

B. Eligible Borrowers

- Funds are available to non-profit and for-profit affordable housing developers.
- Developers must meet the experience requirements outlined in Section III.B below. A developer that does not meet the developer qualifications must joint-venture with a developer that does meet the criteria.

C. Eligible Uses of Funds

Generally, all costs associated with acquisition are eligible uses of program funds, including the following:

- Pre-acquisition due diligence costs.
- Purchase costs.
- Holding costs associated with the property such as taxes, insurance and debt service.
- Option fees, to be repaid no later than the date of the purchase of the property.
- Due diligence reports, including environmental assessments and property inspections.



- Legal costs.
- Architectural and engineering expenses, as applicable.
- Appraisals.
- Gap financing costs.
- All other costs associated with acquisition of the site, as approved by the City.

City loan requests must not exceed \$150,000 per unit or a project maximum of \$5 million.

D. Ineligible Use of Funds

Ineligible uses of funds include costs associated with new construction, mortgage assistance, rental subsidy or legalizing any non-conforming uses.

II. Loan Requirements

A. Loan Terms

- Acquisition loans are to be repaid as soon as projects secure permanent financing, or three years from the date of loan closing, whichever is sooner.
- Loans carry a simple interest rate of three percent (3%) per annum.
- A loan origination fee equal to three percent (3%) of the loan amount will be charged for all loans.
- Affordability agreements or regulatory agreements will be recorded on the property at the time the loan is closed, and will restrict the property to low-income renters at certain income limits for a period of fifty five (55) years, regardless of whether the loan is repaid.
 - For acquisition of vacant land or existing restricted affordable housing projects, all existing or future units must be restricted to households or individuals at or below sixty percent (60%) of AMI.
 - For acquisition of properties without long-term affordability restrictions, units that become available for rent after the date of the loan must be restricted to serve households or individuals at or below sixty percent (60%) of AMI until rents reach an average of eighty percent (80%) of AMI for the property.
- At the time that the property is ready for construction or rehabilitation, or three years from the date of the loan, whichever is later, the City Administrator, or his or her designee, may, in his or her discretion, convert the loan to a long-term deferred loan, or consolidate the loan with other City development financing for the project.
- If the project is unsuccessful in securing financing and entitlements or unable to make the full loan repayment within three years, the City Administrator, or his or her designee, will determine if the property is likely to be developed and if so, may at his or her discretion, authorize an extension of the loan term.



B. Loan Disbursement

Proper back-up documentation will be required to support disbursement requests.

C. Loan Documentation and Security

Each loan shall be documented by a loan agreement, promissory note, and recorded regulatory agreement or affordability agreement. Each loan will be secured in a manner that adequately protects the interest of the City. Security may include but is not limited to a deed of trust or other lien on the property.

At the development stage, the City may agree to subordinate its deed of trust, if it becomes necessary to do so for project feasibility. The City will not subordinate its regulatory agreement or affordability agreement to private lenders.

D. Loan Termination

Loan commitments or agreements may be reduced or terminated by the City if staff determines that:

- One or more conditions of the commitment, agreement, or disbursement terms have not been, or will not be met;
- The borrower has violated program guidelines;
- Anticipated project financing sources are not awarded, and no alternative financing plan acceptable to the City is presented; or
- Acquisition expenses are less than projected. In this case, the amount of the loan will be reduced to an amount required to meet actual expenses.

III. Application Requirements

Applicants must submit one hard copy of the City of Oakland *Bond Measure KK Site Acquisition Program application form* and all supporting documentation to:

**Housing and Community Development Department
250 Frank H. Ogawa Plaza, Suite 5313
Oakland, CA 94612
Attn: Housing Development Services Unit**

Applicants must also submit one electronic copy to Meghan Horl at mhorl@oaklandnet.com.



Supporting documentation includes the following materials:

A. Narrative Description of Site and Proposed Development

Applicants must provide a narrative cover letter that describes the site to be acquired, including basic information about the site and potential development. The cover letter should include but not limited to the following:

Site Information

- Location of site/project.
- Number and size of housing units (if acquiring an existing building).
- Target population served (if identified).
- Expected affordability levels.
- Current condition of site/project (occupied vs. vacant).
- Any environmental, safety or hazardous issues.

Financing Activities

- Amount of loan requested.
- Total acquisition costs.
- Description of other funds being considered for the acquisition

B. Developer Experience and Capacity

The development entity applying for funding must have experience successfully completing at least three similar affordable housing development projects. Developers must submit the following information concerning completed projects:

- The type of project developed (number of units, funding sources, total development cost, new construction, preservation or rehabilitation).
- Location of project.
- Date of project start and completion.
- List of staff members involved in the development of the project.
- Income level of the households that are served.
- Name, title, email and telephone number of staff member of local governing body most familiar with the project.
- Whether project was on time and on budget (relative to schedule and budget at start of construction).
- Resumes of key staff members (executive director, project manager, director of real estate development, architect, etc.) who will be involved in the proposed project.

1. Joint Ventures

A developer that does not meet the criteria for experience must joint-venture with a developer that does meet the criteria. Prior to funding approval, the City must review and approve all joint venture agreements. A majority interest and control must be held



by the development entity meeting the City requirements for experience as described above.

2. Limited Partnerships or LLCs

For development entities proposed as limited partnerships or limited liability companies, the City reserves the right to approve the limited partnership agreement or operating agreement.

C. Articles of Incorporation, Articles of Organization, Bylaws, Tax-Exempt Determination from the I.R.S., List of Board Members and Corporate Borrowing Resolution, if applicable

D. Financial Statements

Submit borrower's financial statements for the two most recent years. If possible, financial statements should be audited by an independent or certified public accountant.

E. Location Map of Proposed Site

Provide a map clearly identifying the location of the project in the City of Oakland.

F. Budget (Sources and Uses)

Provide a detailed sources and uses budget which includes all items to be paid from the City loan and other funds.

G. Rent Roll

For existing occupied buildings, provide rent and family size information for current tenant population.

H. Preliminary Holding Cost Budget (Acquisition Projects)

Provide a three year budget of holding costs for the site: real estate taxes, insurance, maintenance, etc. Include a buyer estimated closing statement.

I. Preliminary Title Report

Provide a preliminary title report for the site which must be dated not more than 60 days prior to the date of submission of the application. Prepare a narrative of a plan to remove all appropriate liens with a timetable for the removal.



Documents required within ninety (90) days of application submittal:

(If applicant fails to provide the documents within ninety (90) days, the project application will be moved to the end of the application queue and funds could be awarded to another project.)

A. Evidence of Site Control

Provide evidence of site control including one of the following:

- Grant deed evidencing fee title ownership.
- Purchase agreement, including evidence that the agreement is of a term sufficient to hold the property until the anticipated date of purchase.
- Option to purchase or lease, including evidence that options are renewable until the start of construction.
- Long term lease agreement.
- Executed land sales contract or other enforceable agreement for acquisition.

B. Environmental Assessment

Provide a copy of the Phase I Environmental Assessment for the site. Applicants may be required to complete a Phase II Environmental Assessment and remediate potentially hazardous materials, if found on the site (sites must be free of significant contamination at loan closing). The City may reimburse for these costs upon acquisition, subject to prior approval. Depending on the conditions at the site, proposed projects may be subject to review under the California Environmental Quality Act (CEQA).

C. Planning and Zoning Information

Provide a letter from the City's zoning division (510-238-3911) on current zoning for the project site, and any zoning or land use requirements for the development of the project, such as conditional use permits and design review. (These letters are currently taking at least 30 days to process.)

D. Appraisal

Provide a copy of an "as is" appraisal, with no presumed condition like rezoning or cleanup, in order to determine the fair market value. Appraisals must conform to the Uniform Standards of Professional Appraisal Practice (USPAP), in particular Standards 1 and 2. In addition, appraisals must comply with the appraisal requirements of the Appraisal Institute's Regulation 3. All appraisers must be California State Licensed/Certified. "Letter appraisals" are not acceptable. A self-contained appraisal report, per current USPAP guidelines, is the minimum acceptable form of appraisal, provided the evaluation includes both improvements and environmental issues, if either is present. The appraisal must include a separate as-is



value for any improvements to be retained, or a demolition cost for any to be removed. Similarly, the estimate of environmental costs must be discussed in the appraisal.

E. Site Plan

Provide preliminary drawings for the proposed project or existing drawings, including a site plan that identifies all areas and project amenities (laundry, recreational, common space facilities, etc.), building elevations and unit floor plans. These drawing must include square footages and scale.

F. Insurance

Document the ability to obtain, at purchase, comprehensive general liability insurance coverage of at least \$2 million. Property (hazard) insurance at value of structure is required for sites with buildings or other improvements. (All future policies must name, as additional insureds, “the City of Oakland, its Councilmembers, directors, officers, agents, and employees.” Property insurance must have a lenders loss payable endorsement naming the City of Oakland.)

G. Community Acceptance

This program is intended to provide developers with additional time to build community acceptance. Include a discussion and rough schedule of how you will receive input on and develop community acceptance for the proposed project. (The process should begin immediately after loan approval.)

City staff reserves the right to require additional information for the project, as deemed necessary throughout the review or closing process.

Applicants should be aware that under the California Public Records Act and the City’s Sunshine Ordinance, all documents that they submit in response as part of their application, including financial information, are considered public records and will be made available to the public upon request.

IV. Application Review Process

- The process is non-competitive. Applications will be accepted at any time beginning **June 5, 2017** on an “over-the counter” basis until all funds are expended or committed. If more than one application is received within one day of each other and sufficient Bond Measure KK funds are not available to finance all projects, applications will be prioritized based on funding priorities established by the Housing and Community Development Department.



- Applications will be reviewed and assessed for completeness and project feasibility. If the application is not complete, additional information will be requested from the applicant.
- If the application is approved, a commitment letter will be prepared and sent to the applicant for acceptance. After acceptance, funds will be reserved for a period of three months, subject to extension at the discretion of the Director of the Housing and Community Development Department.
- Loan documents will be drafted and reviewed by City staff, the City Attorney's Office, and the applicant.
- Loan documents will be executed and recorded, as necessary.
- Loan funds will be disbursed upon receipt of satisfactory documentation. Borrowers should consult with the City Housing Development staff about requirements for submitting payment requests.

For questions or additional information, please contact Meghan Horl, Housing Development Coordinator, at 510-238-6171 or mhorl@oaklandnet.com.

City Of Oakland

HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT

Health and Safety Rehabilitation Loan Program for Subsidized Multifamily Housing Projects

Purpose: to provide loans to cover costs that would prevent or correct noncomplying health and safety conditions in existing multifamily affordable housing projects in Oakland.

I. Definition of " Health and Safety Condition"

A health and safety condition means a condition in which the property owner is required to make immediate repairs to bring the property into compliance with applicable state or local zoning, building or housing standards, including but not limited to standards contained in the Oakland Housing Code, Oakland Municipal Code, and Oakland Planning Code, and/or the Uniform Fire Code as adopted by the City. Assistance is limited to those projects with:

- A. A declaration, notice or order issued by the City's Building Official or other city code enforcement official under the authority of the Oakland Housing Code or other provision of law declaring that a property is substandard, unsafe, and/or a public nuisance;
- B. A notice or order to abate a substandard or noncomplying condition issued by a City code enforcement official in which the condition poses an imminent threat to the quality of life of the tenants;
- C. A condition which may result in a notice and/or order by the City requiring that the project, a project unit, or a room be vacated, either immediately or at some future specified time as a result of a determination that such building, unit or room is substandard, blighted, unsafe, a public nuisance or not in compliance with applicable building, housing, zoning or other code standards; or
- D. An unsafe or substandard condition reported by the Housing and Community Development Department's Asset monitor that requires correction to be in compliance with the City's regulatory agreement.

II. Eligibility requirements

Eligibility for the Health and Safety Rehabilitation Loan Program is restricted to property owners of subsidized multifamily affordable housing rental projects in Oakland. The projects must have all the following characteristics:

- A. It must be currently providing permanent or transitional affordable rental housing;
- B. It must be serving low and moderate income households or individuals at or below 120% of area median income; and
- C. The project must have been completed and in operation for a minimum of 10 years.

To be eligible for a rehabilitation loan under this program, the project owner must be:

- 1. In compliance with an applicable local, state or federal Regulatory Agreement recorded against the property; and
- 2. In good standing with the State of California.

III. Loan Requirements

A. Funding

The following requirements apply to loans awarded under this program:

- 1. The maximum loan amount a project owner may apply for an individual project is \$250,000. The loan, along with other funding sources, must repair the outstanding health and safety condition. The repair must be verified by City inspection. The loan will bear no interest and will have a term of fifty-five (55) years. Payments of principal will be due annually from excess cash flow from operations after payment of project operating costs, senior debt and reserves. To the extent payments are not made from excess cash flow, they will be deferred for the term of the loan. All loans are due on sale, refinancing, transfer (except to a related entity, such as a limited partnership, subject to City approval) or at the end of the 55 year term. City loans will be evidenced by a promissory note secured by a deed of trust on the property. A loan agreement will specify all repair obligations.
- 2. A loan origination fee equal to three percent (3%) of the loan amount will be charged for all loans. Ordinarily, this fee will be collected from loan proceeds at the initial funding.

3. Any loan of \$50,000 or more must comply with the City's contract compliance requirements.
4. The City retains the right to adjust the amount of the loan up or down, based on the review of the scope of work and the reasonableness of the costs for completing the repairs, and to waive restrictions on eligibility to apply for loan funds, at the discretion of the Director of the Housing and Community Development Department.

B. Conditions for Assistance

The following conditions will apply to the loan:

1. The application for funding must clearly identify the existing health and safety condition and must contain a detailed justification in support of the health and safety repair. Applications must include a scope of work prepared by a licensed contractor; a copy of any declaration, notice or order from a City code enforcement official or order documentation of a health safety condition.
2. Funding awarded may be expended only for uses approved by the City.
3. The repair must be completed within six months of the initial start of construction. A one-time extension of up to six months may be granted at the Department's discretion for unforeseen circumstances.
4. Tenants must be notified in writing about the overall plan to perform the repairs. The notification should include the scope of work, schedule for the work, whether or not temporary relocation is likely to be required, and the length of time of any relocation. It is important that the notice to tenants reassures them that if temporary relocation is required, tenants will be moved to vacant units in the building to the greatest extent possible. Otherwise, the property owner is responsible for providing temporary relocation assistance and benefits at its own expense in accordance with relocation laws for the extent of the tenant's temporary displacement.

C. Eligible Uses of Funds

Loan funds are available only to address health and safety conditions. The project owner must submit a description of the proposed use of funds and demonstrate how the repairs relate to eliminating the immediate health and safety conditions. The repair items must have existed prior to submission of the application in order to obtain loan funds. Funds may be used to repair or replace systems deficiencies which are life hazard or major code violation, including but not limited to:

1. Existing building and structural components that are in critical condition; or
2. Repairs or replacements of existing mechanical, plumbing, or electrical systems, roof, or boiler to the extent they are necessary for health and safety reasons. The purchase of high efficiency heating and cooling systems for the approved replacement equipment is encouraged to promote energy conservation.

D. Ineligible Uses of Funds

The following are ineligible uses of funds offered through this program:

1. Deferred maintenance costs associated with construction items or materials of a luxury nature;
2. Developer/ sponsor administrative costs;
3. Demolition and reconstruction activities such as conversion of bedroom units;
4. Improvements such as installation of sprinkler systems, additional lighting in parking lots; and
5. Projects that require permanent relocation of tenants.

IV. Application Requirements

Application for the loan must be made using the City of Oakland Health and Safety Rehabilitation Program application form including all supporting documentation, and shall be sent to:

**Department of Housing and Community Development
250 Frank H. Ogawa Plaza, Suite 5313
Oakland, CA 94612
Attn: Housing Development Services Unit**

The applicant must attach a written description of the scope of work which clearly identifies the basis for the health and safety declaration and how it

impacts the tenants, as well as what would happen if the repair(s) were not made immediately. It must also identify the repair(s) proposed to abate the emergency for which funding is requested, including a reasonable estimate of the cost of work to be performed.

Other items required

- Tenant notification letter.
- Health and safety repair budget and schedule.
- Preliminary Title Report dated within 90 days of the application deadline.

V. Application Approval Process

The process is non-competitive. Housing Development staff will accept applications on an over-the counter basis until all funds are expended or committed.

- Applications will be reviewed in the order in which they are received.
- Applications will be evaluated by staff for urgency of need, completeness and compliance with all City requirements. If necessary, applicants will be contacted for additional information.
- Successful applicants will be awarded health and safety rehabilitation loan funds until available amounts are expended.
- Housing development staff will reserve the funds for approved applications and notify borrowers by memorandum at the time the assignment of funds has been approved.
- Subsequently, staff will inform borrowers that the execution of the loan agreement is necessary to receive the funds.

For questions or additional information, please contact Ahmed Conde at (510) 238-2934 or aconde@oaklandnet.com.

Washington, District of Columbia

- **Tenant Purchase Assistance Program:** The program provides renters or tenant groups, threatened by displacement, with low-interest loans as seed money; funding for earnest money deposits; funding for legal, architectural and engineering expenses; and, assistance to purchase their for sale properties. This is done in conjunction with a right of first refusal under the D.C. Rental Housing Conversion and Sale Act of 1980.

TENANT PURCHASE ASSISTANCE PROGRAMS



The Department of Housing and Community Development (DHCD) has two innovative programs that assist low-to-moderate income District residents threatened with displacement because of the sale of their building. DC Law 3-86, the “Rental Housing Conversion and Sale Act of 1980,” states that tenants in buildings up for sale must be offered the first opportunity to buy their building. The District encourages tenants to exercise this right – it stabilizes city neighborhoods and combats urban displacement.

First Right Purchase Assistance Program

When exercising their “first right” to purchase the building, this program offers low-interest loans to income-qualified persons and tenant groups in the District to be used for:

- Down payment
- Earnest money deposits
- Purchase
- Legal, architectural and engineering costs

Am I Eligible?

First Right Purchase applicants must meet income limits and:

- reside in a building within the District of Columbia;
- head a low- to moderate-income household;
- have a good credit rating and adequate income to afford a mortgage from a private lender (for single family buildings); and
- not have any ownership interest in any other housing in the District or neighboring jurisdictions.

How Can I Apply?

If you are interested in either program, please call
(202) 442-7156.

Note: Income limit guidelines are adjusted periodically, and applicants facing displacement as defined under the law may get priority assistance under both programs.

Tenant Purchase Technical Assistance Program

This program provides free, specialized development services for tenant groups pursuing the purchase of their apartment buildings as cooperatives or condominiums, including:

- Assistance with organizing and structuring the group
- Preparation of legal organizational documents
- Help with loan applications
- Support in sales negotiations

Am I Eligible?

Tenant associations can apply, provided the following conditions are met:

- the building must be located in the District;
- the building is to be converted to a cooperative or a condominium;
- more the 50 percent of the tenants are interested in purchasing a unit; and
- 50 percent or more of the tenant association must qualify as low- to moderate-income households.



September 24, 2013

DC's First Right Purchase Program Helps to Preserve Affordable Housing and Is One of DC's Key Anti-Displacement Tools

By Jenny Reed

Introduction

DC's First Right Purchase Program (also commonly known as "tenant purchase") has helped to preserve nearly 1,400 units of affordable housing over the past decade and is one of the District's key tools to help residents stay in their homes as housing costs rise around them. The program provides low-interest loans to tenant groups that want to purchase — and in many cases rehabilitate their building — when their landlord has decided to sell. Without financial and technical assistance provided by the First Right Purchase program, many tenant groups are unable to take advantage of the important right they have in DC to potentially purchase and preserve their housing when their apartment building is being sold.

DC's First Right Purchase program, which is managed by DC's Department of Housing and Community Development, has several benefits. It is a tremendous tool to help prevent displacement as neighborhoods develop and to preserve affordable housing in those neighborhoods for a significant length of time. In addition, the First Right Purchase program offers many low- and moderate-income residents their first opportunity for homeownership. It provides them with control over their living conditions, and gives them the ability to address neglected repairs to the buildings they live in. Because First Right Purchase helps preserves existing low-cost housing, it can also be cost effective, with lower costs per unit than other affordable housing development programs, according to a recent survey of some member projects by the Coalition for Non-Profit Housing and Economic Development.

Reductions in resources have resulted in limited use of the program in recent years. The majority of funding comes from either the District's Housing Production Trust Fund or the federal Community Development Block Grant — both of which had been significantly reduced in recent years. Just 35 new units were preserved using this program in fiscal year (FY) 2012 while over 5,000 units of rental housing up for sale across 99 buildings in DC. First Right Purchase can play a critical role in preserving housing that is affordable to low- and moderate-income residents, but only if it is adequately supported.

This paper looks at District-supported First Right Purchase projects from FY 2002 through FY 2013¹, using data obtained from DC's Department of Housing and Community Development. It recommends that the District increase funding to more effectively deploy the First Right Purchase program as an affordable housing tool.

This paper also makes several recommendations to enhance the effectiveness of the First Right Purchase program. Changes to the underwriting guidelines are needed to ensure that tenant groups can get financing in a timely way. In addition, caps on funding might need to be increased on a project by project basis to make sure that a broad array of tenant groups are able to purchase their buildings. The District also should improve transparency of the availability of funds for tenant purchase. Finally, increased access to technical assistance for tenant associations after their purchase is completed can help ensure that they can manage as building owners, including complying with DHCD's loan requirements to submit certain financial documents on a regular basis — a current issue that can be improved with ongoing technical assistance.

A Closer Look at First Right Purchase in DC: Quest Cooperative

In 2004, the residents of Quest Cooperative received a notice that their building would be put up for sale. The 23 unit building in Columbia Heights was occupied by many low-income, long-time DC residents. The residents decided to form a tenant association in order to buy the building and with help from DHCD, obtained a loan, bought the building, and prevented the displacement of the residents from their homes and their neighborhood.

Since the tenants purchased Quest Cooperative, the building has undergone a full renovation and now has high efficient heating and cooling systems, energy star appliances, storage units and a community space. In 2010, the co-op underwent a big transition when the long-term board president moved out. Because of the full participation of the members new leaders filled the gap and a strong and committed co-op board remains in place today. Quest is stable financially and fully occupied.

Source: Mi Casa, Inc., technical service provider and development consultant to the cooperative.

What is the First Right Purchase Program?

The District's First Right Purchase program helps low- and moderate-income DC tenants who form tenant associations and wish to exercise their first right of purchase to buy their building and maintain the housing as affordable.² All DC tenants have the opportunity to purchase when the building goes up for sale, under DC's Tenant Opportunity to Purchase Act which was passed as part of the Rental Housing Conversion and Sale Act of 1980.³ In a multi-family building with five or

¹ As of September 20, 2013.

² The First Right Purchase program largely covers loans made to tenant associations and does not typically include when tenants assign their rights to a developer from the outset of the acquisition and development process. Therefore, this paper does not consider or include data on every instance where tenants exercised their rights to preserve their housing, but when tenants utilized the First Right Purchase program.

³ For a more detailed overview of the tenant purchase process, see "An Analysis of the Strengths and Deficiencies of Washington, D.C.'s Tenant Opportunity to Purchase Act," Prepared by the Harrison Institute for Public Law and Georgetown University Law Center, 2006. Available at: <http://cdm16064.contentdm.oclc.org/cdm/singleitem/collection/p266901coll4/id/719/rec/11>.

more units, these rights are given to tenants collectively, so a majority of the tenants have to have interest in, and form, a unified tenant association to exercise these rights.

While the right for tenants to purchase exists, tenants are not given a special purchase price under the law, but must be able to match the price a third party has offered for the property or negotiate a price with the seller if no third party offer exists. Many properties require major repairs or rehabilitation and low and moderate-income tenants often need assistance because they do not have the financial resources or access to credit. In addition to financial assistance, tenants often need legal and technical assistance to negotiate something as complex as buying a multi-family building.

This is where DC's First Right Purchase program steps in to provide financial and technical assistance to tenant associations. The program, which is managed by the District's Department of Housing and Community Development (DHCD), provides low-interest loans to tenant associations to purchase, and if needed, to rehabilitate their building. The loans can be used for down payment, acquisition costs, "earnest money" deposits — deposits made to demonstrate a buyer's commitment to the offer — and legal, architectural and engineering costs. Rehabilitation funds can also be requested.

In some cases, tenants assign part or all of their rights to a non-profit or for-profit developer in return for the developer's commitment to rehabilitate and maintain the units as affordable rentals for a set period of time. In those instances, loans are made to the developer and are not typically included in the First Right Purchase program (although in DCFPI's review of the data three buildings where tenants assigned some or all rights are included). These developers normally apply for DHCD financial assistance through other programs also managed by DHCD.

DHCD also funds non-profit organizations to provide technical assistance and organizing help to residents going through the tenant purchase process. Currently, this assistance is offered by DHCD to tenant groups every time a building owner makes an offer of sale. In addition to this assistance, most low- and moderate income tenant associations also receive help from attorneys and from developers or development consultants.

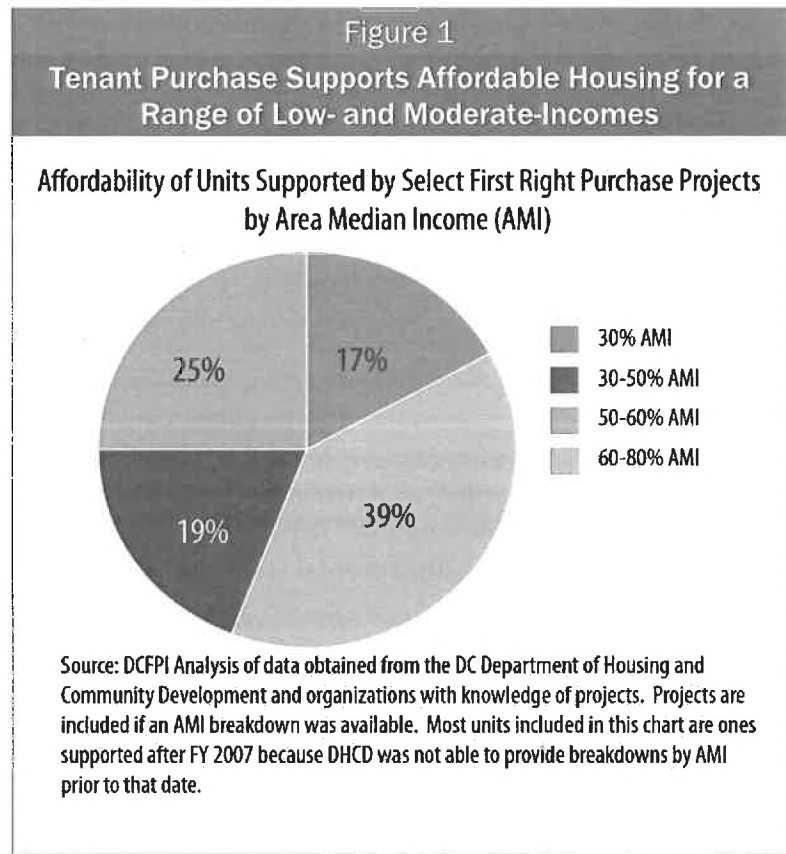
Generally, when an owner notifies the tenants of a plan to sell the building, tenants must form a tenant association (if they do not have one) and register their intent to purchase their building within 45 days (30 days if the tenant association already exists).

After the tenant organization has registered, it has 120 days to finalize a sales contract with the building owner and put down an earnest money deposit. Tenant groups then have 120 days to purchase but can be given an extension of another 120 days if they have a letter showing that the tenants have applied for financing but that the lender needs more time to make a decision on the financing. Other reasonable accommodation extensions can also be given by the owner to the tenants.

Once tenants purchase their building, they can develop the units as a market rate co-operative (co-op), a limited equity co-op, as condominiums, or as rentals. Some are a combination of these where tenant associations own a small percentage of the rental building.

The large majority of tenant groups that seek to purchase their building directly *and* receive funding assistance through DC's First Right Purchase program develop as limited equity co-

operatives (or co-op).⁴ In a co-op, tenants own shares of, or hold membership in, a corporation that in turn owns the building. Unlike a condominium, tenants do not own their individual units. In a limited equity co-op, tenants get the tax benefits available to homeowners, but they accept restrictions on the future resale of their share. Unlike in a market rate co-op, where tenants can sell their share at whatever price the market will bear, tenants selling shares of a limited equity co-op must sell the share at an affordable price to low- and moderate-income residents. These affordability restrictions typically last for 40 years, which is a requirement of projects when utilizing funds from DC's Housing Production Trust Fund — the main source for First Right Purchase assistance.



Many tenants choose to develop as a limited-equity co-op because the initial price for membership into the co-op is very low and because the limited-equity co-op is able to obtain the loan to purchase the building. This means that an individual household's credit is not a factor as it is a single-family home or condominium purchase. Monthly charges that tenants are required to pay are then kept lower than market rate co-ops through subsidies, usually a subsidized loan from the Housing Production Trust Fund, obtained by the tenant association.

DC's First Right Purchase Program Has Several Benefits

- **First Right Purchase Is One of DC's Key Anti-Displacement Tools for Low- and Moderate-Income Residents.** The First Right Purchase program allows tenants to stay in their building and maintain housing that is affordable to them, even as the neighborhood develops and housing prices rise around them.
- **First Right Purchase Preserves Affordability in Neighborhoods.** DC-supported tenant purchase projects since 2008⁵ have preserved affordable housing for a range of low- and moderate-income families, from as low as 30 percent of area median income (\$32,250 for a

⁴ For a more detailed look at limited equity co-ops see: Policy Link, "Limited Equity Co-Op," available at: http://www.policylink.org/site/c.lkIXLbMNjRE/b.5137049/k.A9DF/Limited_Equity_Housing_Coop.htm

⁵ DHCD was not able to provide a breakdown of the units by AMI for all years, most figures are from loans made after FY 2007.

family of 4) up to 80 percent of area median income (\$70,250 for a family of four.) (See **Figure 1.**) Most buildings that receive funding from DC's First Right Purchase program remain affordable for 40 years.

Importantly, First Right Purchase helps preserve affordable housing in the tenants' current neighborhood—even as the neighborhood develops and grows. For example, within the Columbia Heights/Mt. Pleasant/Park View/Pleasant Plans neighborhood cluster, a neighborhood cluster that has seen significant growth in population, amenities and housing prices over the last decade, has 14 First Right Purchase projects that were supported by DHCD between FY 2002 and FY 2013. These projects have helped preserve nearly 364 units of affordable housing.

- **First Right Purchase Provides Home Ownership Opportunities to Low- and Moderate-Income Residents.** For many low-income residents, First Right Purchase provides their first opportunity for home ownership. By forming as a group and pooling their resources, tenants who would not likely be eligible to purchase a home on their own can get access to financing and buy into a co-operative or condominium at a much lower cost than buying a single family home, yet still get the tax benefits and opportunities to gain equity that homeowners enjoy.

A Closer Look at First Right Purchase in DC: 1417 N Street Cooperative Association

The 1417 N Street Cooperative Association is located in the Logan Circle neighborhood in DC's Ward 2. The building consists of 84 housing units which the tenants purchased in July 2011 with help from DCHD's First Right Purchase program.

Prior to purchase, the tenants had been faced with poor living conditions—including rodents, leaks, and mold. When faced with their building being converted to condominiums and realizing that many of the current residents would no longer be able to afford to live there, the tenants organized, formed a tenant association, and six years later purchased their building with technical assistance from the Latino Economic Development Center.

Since purchasing their building, the tenants have begun repairs and plan to do significant rehabilitation as well as add a childcare center. Because of the First Right Purchase program, The 1417 N Street Cooperative Association is still home to low- and moderate-income families and individuals in one of DC's more expensive neighborhoods.

For more information, visit: <http://www.norwoodtenants.org/>

- **First Right Purchase Provides Tenants with Control over Their Living Conditions.** Many tenants use the First Right Purchase program to make repairs that are neglected and leave them in unsafe living conditions. If developing a co-op or condominium, tenants elect a board from their own members to make decisions on the future of their home. If tenants keep the property as an affordable rental they can choose a developer or non-profit to work to help make the building into a better place to live.
- **First Right Purchase Can Be A Cost-Effective Preservation Tool.** The average development costs for First Right Purchase projects were just under \$165,000 per unit, according to an analysis of some recent projects by members of the Coalition for Nonprofit Housing and Economic Development (CNHED). This is lower than other types of affordable

housing development (i.e. single-family, rental developments, special needs housing, etc.) on a per-unit basis.⁶

CNHED's analysis notes however that First Right Purchase projects typically require a larger share of the development costs to come from DHCD. This, CNHED notes, is largely due to the fact that ownership projects typically cannot access Low-Income Housing Tax Credits (a federal affordable housing program) and that often the tenants have very low-incomes.⁷ As a result, low-income tenants have difficulty obtaining private financing and usually need a larger share of the subsidy to come from DHCD in order to make the project viable.

The total development costs and amount of subsidy needed for any project will vary for a variety of factors, but with First Right Purchase projects the three largest factors are building location, the level of rehabilitation needed, and the incomes of the residents. Buildings located in areas where land values are higher will have higher acquisition costs and buildings that are in severe disrepair will often need more rehabilitation funding to make them livable. In addition, buildings with tenants with very low-incomes will require greater subsidy.

- **First Right Purchase Is a Loan Program that Is Repaid to DC Over Time.** First Right Purchase assistance is given in the form of a loan that is repaid to the District over a period of time. This means that the assistance given to residents can come back to DC and help re-build funds for affordable housing.

DCHD's First Right Purchase Program Has Helped to Preserve Nearly 1,400 units of Affordable Housing Since 2002

According to data from the District's Department of Housing and Community Development, the District has supported 49 different First Right Purchase projects since 2002 with approximately \$130 million in investment — with funds largely from the Housing Production Trust Fund, Community Development Block Grant Funds and recently with Low-Income Housing Tax Credits.⁸ This funding has preserved nearly 1,400 units of affordable housing in all but two wards of DC⁹. (See **Figure 2.**)

⁶ "Financing Affordable Housing in DC: An Analysis of Sources of Financing," Coalition for Nonprofit Housing and Economic Development, May 2012.

⁷ Due to a lack of DHCD funding in recent years several First Right Purchase projects have remained rental in order to access tax credits.

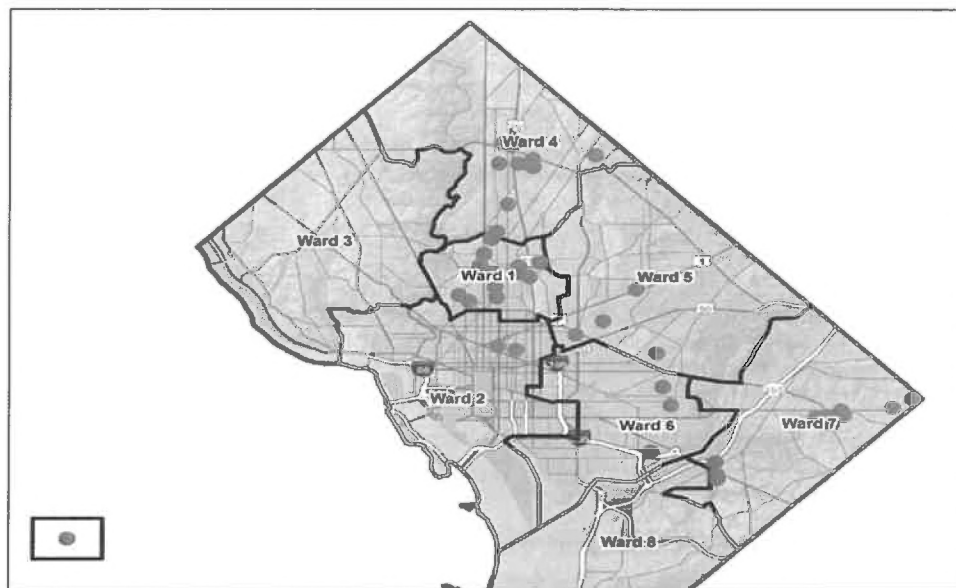
⁸ DHCD provided seed money loans or earnest money deposits to four projects in FY 2008 that did not move forward with the tenant purchase process for reasons unknown. The program also supported one other project that it was not clear if these units were preserved because of the First Right Purchase program. DCFPI's analysis does not include these units in the total number of units preserved and only includes the funding in total loans and loan amounts given out by DHCD.

⁹ First Right Purchase projects have been supported in wards 3 and 8 prior to FY 2002. However this analysis is limited to projects that received assistance through the program from FY 2002-FY 2013. It also does not mean that tenants did not exercise their rights to purchase but assigned their rights from the outset to a developer to preserve the housing. These projects are not typically included in the First Right Purchase program and so are not included in this analysis. However, three of the First Right projects DCFPI reviewed seemed to have developed with tenants assigning some or all rights to the developer so a small percentage are included in this analysis.

Figure 2

DC's First Right Purchase Program Has Helped Preserve Nearly 1,400 Affordable Units of Housing Across DC

Locations of Properties that Received Assistance from
DC's First Right Purchase Program,
FY 2002-FY 2013



Source: DCFPI analysis of data obtained from DC's Department of Housing and Community Development

The majority of the buildings supported by the First Right Purchase program are located in Wards 1 and 7, which had 437 and 397 affordable units preserved, respectively. (See **Table 1, next page.**)

Table 1 also shows the total investment from 2002-2013 in each ward and the average cost per unit. Citywide, the average public support has averaged about \$97,900 per unit over the past decade.

As noted, the total development cost per unit will depend on a number of factors including location year of sale and how much rehabilitation the building needs. For example, the high per-unit cost in Ward 2 partially reflects the high price of land there. The amount of DHCD investment per-unit that will be required for the project will depend on the mix of tenant incomes. But total per-unit costs will also depend on what kind of assistance is given. For example, buildings that require both acquisition and rehabilitation funds could have a higher per unit cost than buildings that require acquisition alone.

The First Right Purchase program has been successful in preserving affordable housing in DC. Over the course of FY 2002-FY 2013, the program has supported 49 unique projects, of which 90

percent remain affordable.¹⁰

Thirty four of the 49 projects remain in the same ownership structure as they began, either as limited equity co-ops (28 projects), affordable rental (three projects), affordable condominium (two projects) or affordable condo/limited equity co-operative mix

(one project). Nine of the others had a change in ownership structure but remained affordable.¹¹ Four projects were awarded seed money only, but did not go on to develop as co-operatives.¹²

Table 1 DC's First Right Purchase Program Has Helped Preserve Nearly 1,400 Units of Affordable Housing				
Ward	Projects	Units	Total DHCD Investment (in thousands)	Average Subsidy Per Unit (in thousands)
1	17	437	\$46,500	\$114
2	2	158	\$26,940	\$171
3	0	0	\$0	\$0
4	10	268	\$20,880	\$91
5	4	124	\$9,070	\$70
6	3	34	\$3,970	\$117
7	8	397	\$23,470	\$58
8	0	0	\$0	\$0
Total	45	1,391	\$129,600	\$97,900

Source: DCFPI analysis of data provided DC's Department of Housing and Community Development. Dollars are in thousands and adjusted for inflation to equal FY 2013 dollars. Per unit costs do not include units that were preserved using loan modifications or only got seed money which have no dollar value associated with them or minimal dollar amounts, respectively.

While the program has, overall, been very successful at preserving affordable housing there have been instances where projects changed and tenants sold their buildings. Among the projects supported by DHCD between FY 2002 and FY 2013, one group did sell their building—although it remains affordable housing—and another group is planning to sell, in part, because of difficulties in securing rehabilitation funds.¹³ It is likely though that this project will also remain affordable, according to those working with the project.

There have also been instances where tenant groups went through DHCD to try and purchase their building, but not the First Right Purchase Program according to DHCD, and faced significant challenges that put their building at risk. For example, one group of tenants, living at the Randolph

¹⁰ Some of the current ownership status came from 2011 research from Amanda Huron's dissertation, "The Work of the Urban Commons: Limited-Equity Cooperatives in Washington, D.C." Amanda received her PhD in geography from the Graduate Center of the City University of New York in 2012. Contact Jenny Reed (reed@dcfpi.org) to be put in touch with Amanda Huron. The remaining statuses were confirmed by talking with organizations that had knowledge of the projects' status. Please contact Jenny Reed (reed@dcfpi.org) for further information.

¹¹ Eight of the projects changed from a limited equity co-op to affordable rentals, because it allowed them to seek federal low-income housing tax credits or other federal funds to fund rehabilitation. One project converted from a limited equity co-op to affordable condominiums.

¹² Three of those projects developed as affordable rentals, and one developed as market-rate condominiums.

¹³ One project was awarded acquisition funds in FY 2002 as developed as a co-op but the tenants later sold the building. Currently, the building is owned by a group that operates the building as affordable rental for people with a mental illness. Available data do not identify who owned the building between the time the tenants sold the building and the time the current owners bought the building (also with help from another DHCD program). This means it is not clear if the tenant purchase process or First Right Purchase program aided the building in remaining affordable today.

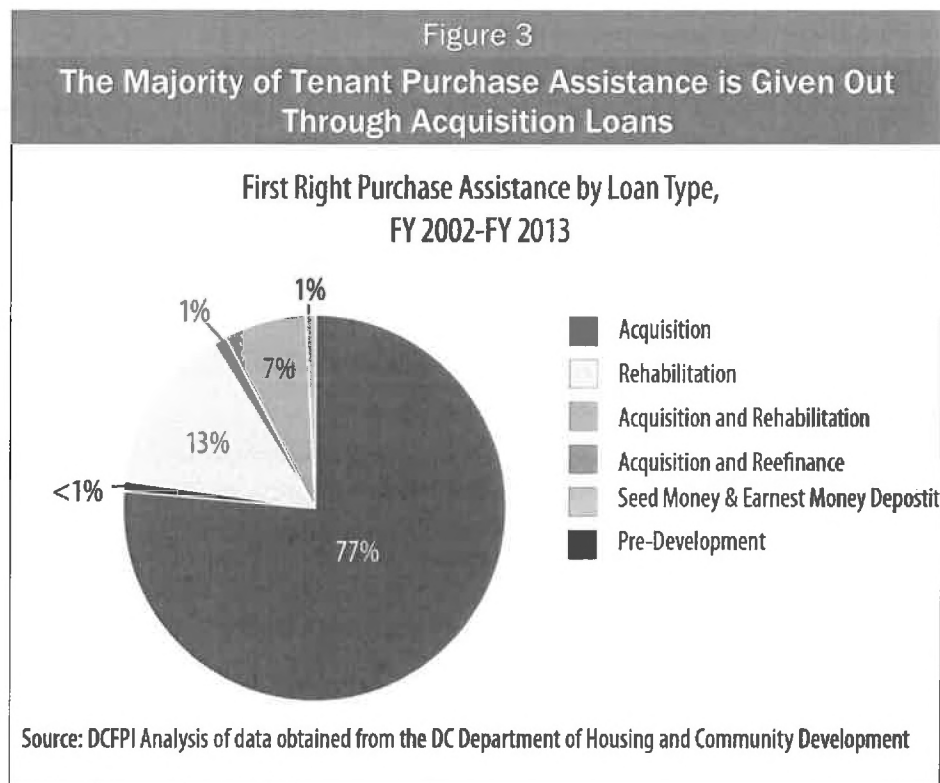
Towers property, tried to purchase their building and used funds from DHCD's Home Purchase Assistance Program (HPAP) to help subsidize the affordable homeownership and acquisition of their building. However, for a variety of reasons — the housing market crash, a change in DHCD HPAP policies mid-purchase, confusion among tenants, and slow responses from DHCD to address the issues — the purchase was threatened and the building nearly went into foreclosure. Currently, the building is working with several entities, including DHCD, but its status is unknown and it is unclear what may happen to the tenants, some of which have decided to move out.¹⁴

A similar situation occurred at a building called Mayfair Mansions where the project was split into affordable rentals and affordable condos. The condo portion of the building did not move forward and ultimately went into foreclosure.¹⁵ It would be useful for DHCD to pinpoint precisely what went wrong when these tenants tried to purchase their buildings going through other DHCD programs so as not try and avoid these types of poor outcomes going forward.

The Majority of First Right Purchase Assistance Comes from DC's Housing Production Trust Fund and Is Used for Acquisition

The majority of First Right Purchase assistance from DHCD since FY 2002 — \$100 million of \$130 million — has been in the form of acquisition loans. (See Figure 3.) Acquisition loans make up nearly half of the 80 loans DHCD has given for First Right Purchase since FY 2002. The second largest use of these loans — 13 percent of the loan volume over the past decade — has been for rehabilitation.

The District also has issued 17 First Right



¹⁴ For more history on the Randolph Towers building, see: Lydia DePillis, "Randolph Towers Heading to Foreclosure," Washington City Paper, March 8, 2011, available at: <http://www.washingtoncitypaper.com/blogs/housingcomplex/2011/03/18/randolph-towers-heading-towards-foreclosure/>.

¹⁵ See: Lydia DePillis, "Another City-Supported Tenant Purchase Goes Under," Washington City Paper, August 31, 2010, available at: <http://www.washingtoncitypaper.com/blogs/housingcomplex/2010/08/31/another-city-supported-tenant-purchase-goes-under/>.

Purchase loans for seed money since FY 2002. Yet, because they are typically far smaller than acquisition loans, seed money loans make up less than 1 percent of the total assistance.

DC's Housing Production Trust Fund is the major source of funding for First Right Purchase, accounting for nearly 63 percent of the total investment since 2002 (see **Figure 4**). DC's Community Development Block Grant also has provided significant support for First Right Purchase, accounting for 29 percent of total investment. Low-Income Housing Tax Credits (LIHTC's) accounted for a significant portion of First Right Purchase support in the last few years, as funding for both the HPTF and CDBG programs fell significantly. The projects that have utilized LIHTC's have largely done so in order to be able to secure rehabilitation funding.¹⁶

Over 5,000 DC Housing Units Went Up For Sale in FY 2012 and Could Potentially Have Been Supported by First Right Purchase

A key element of First Right Purchase is that it can prevent displacement. Over 5,000 units of housing went up for sale across 99 buildings in every ward in DC in fiscal year 2012, and by law tenants had the first right to purchase them. (See **Figure 5**.) Ward 2 and Ward 6

Figure 4
The Majority of First Right Purchase Program Assistance Comes from DC's Housing Production Trust Fund

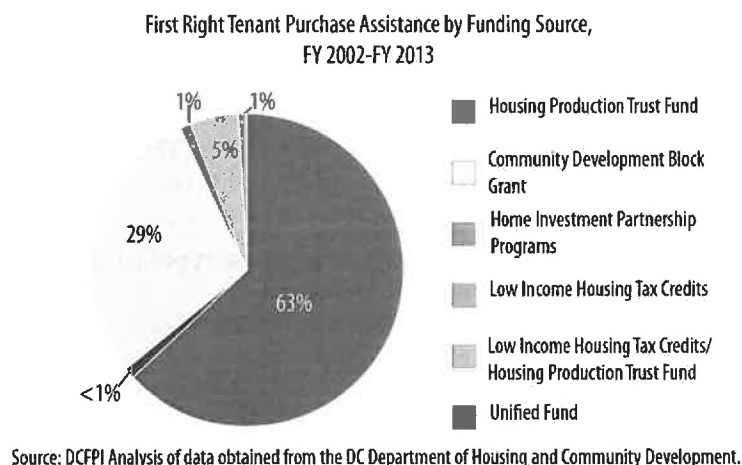


Table 2
In FY 2012, Over 5,000 Rental Units in Multi-Family Buildings Went Up For Sale in DC

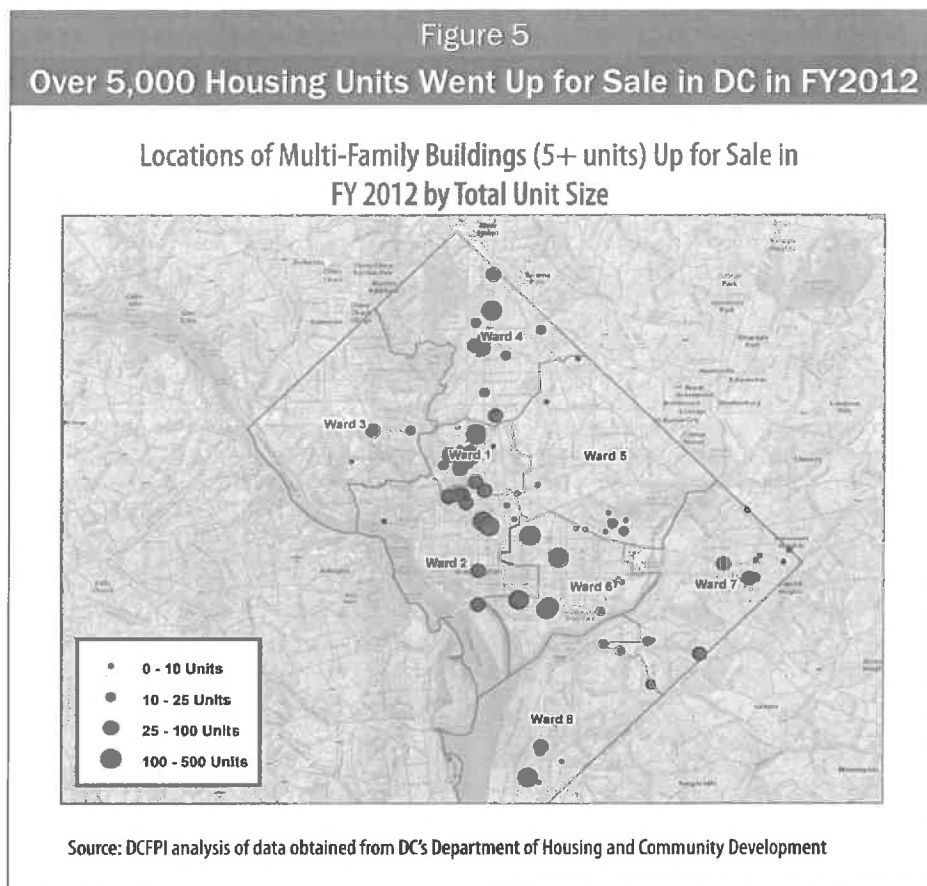
Ward	Number of Buildings	Number of Housing Units
1	16	1,060
2	11	1,075
3	3	121
4	14	514
5	9	78
6	12	1,536
7	16	222
8	18	558
TOTAL	99	5,164

Source: DCFPI analysis of data obtained from DC's Department of Housing and Community Development

¹⁶ In order to utilize LIHTC funding the coops must first sell their building, or assign their rights, to an investment partnership. In some cases the co-op may participate in the partnership. This is because the investors in the tax credits are the owners of the property and therefore the building must be operated as a rental property. The level of involvement of the coops in decision-making varies greatly between partnerships. In many instances the partnership and co-op agree up front to terms under which the coop will be able to buy back the building once the credits have expired, usually in 15 years, at the initial acquisition price. However the tenants are no longer owners during this time period and may still need to acquire acquisition funding to buy the building back, although the purchase price at that point is usually at a substantial discount.

had the highest number of units put up for sale with approximately 1,075 units and 1,536 units, respectively. (See **Table 2.**)

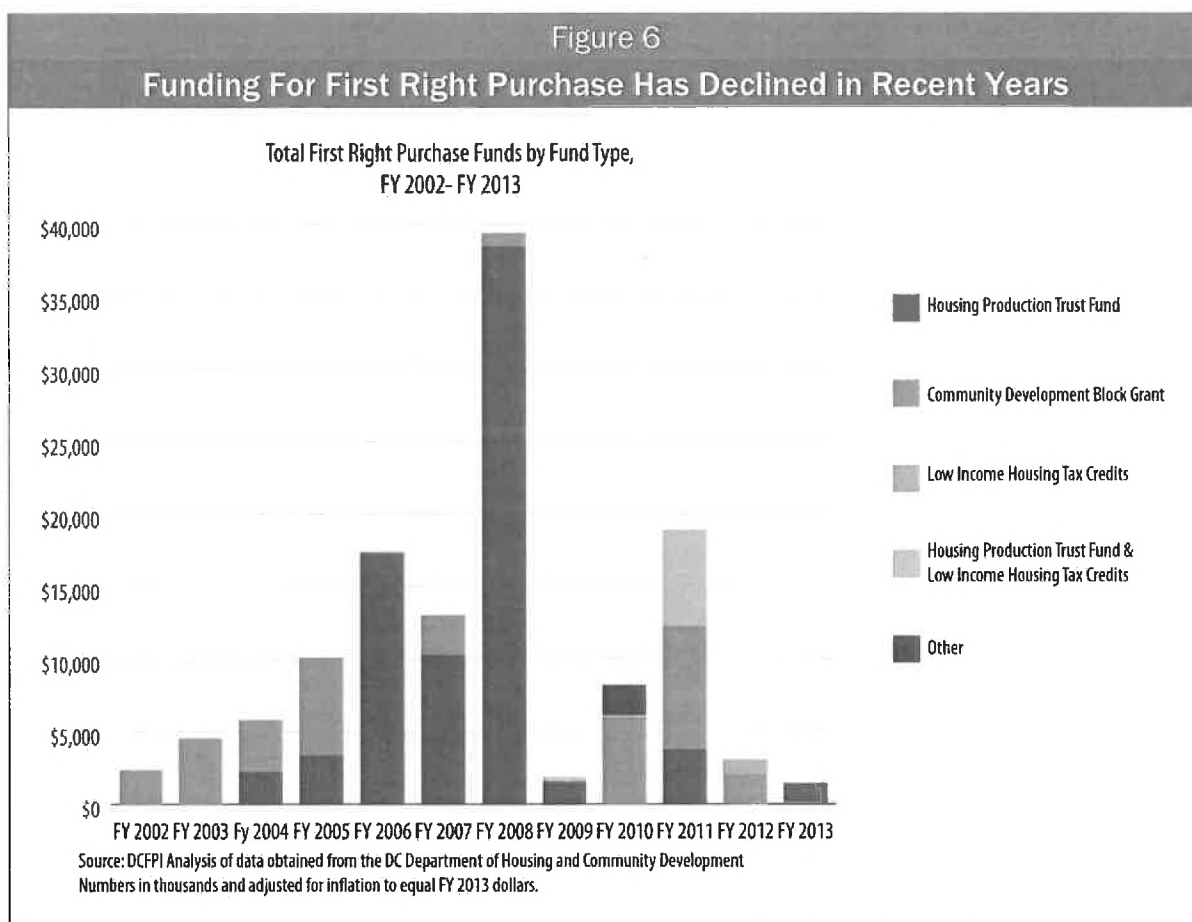
At least 45 groups of residents formed tenant associations and filed with DC's Rental Housing Commission — an indication that they intend to consider purchasing their building. Yet current resources for First Right Purchase assistance are not adequate to meet this high demand, even if some of the groups ultimately stop pursuing a purchase. This could potentially lead to the loss of a significant amount of low- and moderate-cost housing.



As noted, the majority of funds for First Right Purchase come from the Housing Production Trust Fund and Community Development Block Grant (CDBG), both of which have seen significant cutbacks in recent years, particularly in the wake of the recession. Total funding for First Right Purchase reached a peak of approximately \$39 million in FY 2008 with the majority of funds coming from the HPTF and some from the CDBG. Funding then fell dramatically in FY 2009, to just \$1.8 million. (See **Figure 6, next page.**) Funding began to climb in 2010 and 2011, but then fell again in FY 2012 and FY 2013. The resources from these pots that are made available for First Right Purchase depend on DHCD discretion, the projects requesting funds, and other types of affordable housing projects that are competing for the same resources.

The reduction in funds available for First Right Purchase has led to a cutback in the number of housing units preserved through this program. While a high of 292 net new units were supported in FY 2008, the total dropped significantly in FY 2009 and now stand at 35 for FY 2012 and 28 for FY 2013.¹⁷ (See **Figure 7, page 13.**)

¹⁷ While several projects had been supported in FY 2012, they had previously been supported in prior years and could not be counted as net new.



Ensuring the Viability and Long-Term Success of First Right Purchase Projects Should Be a High Priority for the District

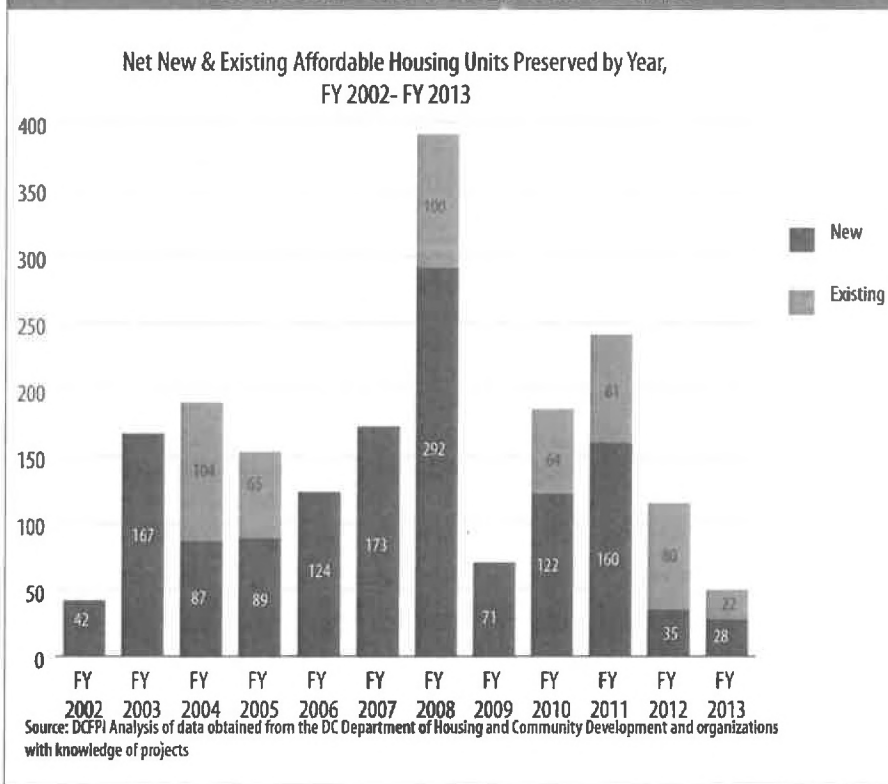
Because of the great benefits the First Right Purchase program offers, ensuring the viability of the First Right Purchase program and long-term success of tenant purchased buildings should be a high priority for the District. The following section provides recommendations to address a number of challenges tenants can face in acquiring their building. This includes: the timely availability of funds, limits on the amount of assistance per unit and limits on how funds can be used. It also includes recommendations on greater assistance and oversight of projects *after* the building has been purchased and the job of the tenants turns to an equally challenging task —managing their buildings.

One area where this need becomes especially apparent is that several of the co-op buildings are not in compliance with DC's paperwork requirements, meaning they have not submitted documents such as annual audits and tax returns in a timely manner. This is partly due to the fact that the rules have not been rigorously enforced by DHCD until recently. The lack of compliance may also reflect tenant groups that are not aware of the types of documents that are required, tenant groups that have not submitted updated contact information to DHCD, tenant groups that haven't submitted documents, and document requirements that may be too onerous for tenants of smaller buildings.

Low compliance with paperwork requirements does not mean that co-operatives are not working, but it does make it difficult to assess their current strength and financial viability. DHCD is in the process of ensuring all co-operatives move into compliance, including working with community-based organizations that provide technical assistance to co-operatives.

The following recommendations address ways the District could make the First Right Purchase program more effective for tenants trying to buy or renovate their buildings.

Figure 6
After a Spike in 2008, Net New Affordable Housing Units Preserved with Tenant Purchase Between 2002-2013 Have Fallen



In particular, the District should:

- Increase funding to make more First Right Purchases possible;
- Make it easier for tenant groups to get needed funds quickly for initial stages of a purchase;
- Enhance the funding available per project and increase funds available for capital needs;
- Streamline the process for underwriting and approving First Right Purchases; and
- Provide additional assistance to tenant groups that have purchased their buildings.

The recommendations do not focus on the Tenant Opportunity to Purchase (TOPA) law itself and the process that tenants go through under TOPA while purchasing the building. Issues around the TOPA process, and recommendations for strengthening it, have been addressed in other policy briefs.¹⁸ It would be worthwhile for DC to revisit and evaluate those process recommendations.

¹⁸ See: "A Study of Limited-equity Cooperatives in the District of Columbia," Coalition for Non-Profit Housing and Economic Development, available at www.cnhed.org & "An Analysis of the Strengths and Deficiencies of Washington, D.C.'s Tenant Opportunity to Purchase Act," Harrison Institute for Public Law, Georgetown University Law Center, available at: <http://content.knowledgeplex.org/kp2/cache/documents/1834/183436.pdf>.

Policy Recommendations

Increase Funding to Make More First Right Purchases Possible

Without additional funds for the First Right Purchase program, many low- and moderate-income tenant groups will not be able to fully exercise their right to purchase their building under DC's Tenant Opportunity to Purchase Act. The main sources of funding for First Right Purchase — the Housing Production Trust Fund and Community Development Block Grant — had both been cut back in recent years leaving fewer resources for the First Right Purchase program. However, DC's HPTF recently received a significant boost in funding which has the potential to make more First Right Purchase projects possible.

Currently, DCHD has a target of funding 100 First Right Purchase units per year. Yet with 45 tenant associations filing in FY 2012 alone, and representing more than 1,000 units, the goal of 100 a year is too low to meet the need. DHCD should increase its target funding to 300 units per year of First Right Purchase units.

Make It Easier for Tenant Groups to Get Needed Funds Quickly for Initial Stages of a Purchase

- **Develop a process to help tenant groups get temporary loans with short turnaround time.** First Right Purchase projects happen throughout the year and are on tight timeframes. In some cases, tenants need access to funds quickly, through something known as a “bridge loan,” while they work to line up permanent financing. The District has such a process — the Site Acquisition Funding Initiative — to help eligible non-profit developers with bridge financing, but First Right Purchase groups are not eligible for these funds. The District could look to expand this program to tenant associations.
- **Improve the turnaround time for seed money applications.** There are several different types of financing that can be requested by tenants from DHCD as part of the First Right Purchase process, but a common first step is getting seed money for an application, which is needed to do an initial analysis of the development. Currently, DHCD's process to review seed money applications can take as long as the typical review for an acquisition loan. Since seed money is needed to get the development process kick-started, the applications should not take more than 45 days for turnaround.

Enhance the Funding Available Per Project and Make More Funds Available for Capital Needs

- **Allow for DC financing to cover a larger share of the costs of a First Right Purchase project.** Currently, DHCD has a ceiling in place that no more than 49 percent of a First Right Purchase project's total development costs can come from funding from DHCD. While DHCD has discretion to go above the 49 percent limit on a case by case basis — and has shown some willingness to consider adjusting the ceiling — this limit often is not workable and should be removed as a rule. This is especially important for purchases of smaller buildings, because it is more difficult to get private financing or Low-Income Housing Tax Credits on buildings with fewer units.

In addition, buildings with tenants who have very low-incomes or buildings that need substantial renovation often need to access a greater amount of low-cost financing, because private financing costs would lead to rents that tenants could not afford. In fact, CNHED's analysis of some recent member projects showed that the average First Right Purchase project had about 72 percent of total development costs come from DC financing sources. This means that for the typical First Right Purchase project, a 49 percent ceiling would not be workable.

- **Increase the amount of assistance available per unit for First Right Purchase projects.** In prior years, DHCD had a \$95,000 per unit ceiling on the amount it would provide toward the development costs for First Right Purchase projects. But, this is too low in many cases. CNHED's analysis of recent First Right Purchase projects showed that the average per unit development cost — including both public and private resources — was \$165,000. If a tenant group is seeking funds for both acquisition and renovation of the building, it may need more than \$95,000 per unit in public financing assistance.
- **Make more funds available for renovation of First Right Purchase buildings.** The majority of funds for First Right Purchase are devoted to acquisition. Yet buildings often need renovation, sometimes at substantial levels, in order to remain safe, decent, and affordable. DHCD should consider having a separate pool of First Right Purchase funds set aside for renovations or allow tenant groups to apply for both acquisition and rehabilitation funds at the same time. This additional investment in renovation can help ensure that investments in buildings stay sound in the long-run.
- **Allow First Right Purchase Funds to be used for emergency-type repairs.** In many instances, tenant groups are purchasing buildings that are in significant disrepair. While the tenant group may not be at a point where they are ready for a larger renovation; there may be some repairs that are needed within the first year such as roof repair or replacement, heating/cooling system repair, or major systems issues. Allowing First Right Purchase funds to be used for these emergency repairs can help ensure tenants can fix basic safety problems at the onset of the purchase.
- **Improve the transparency of funds for First Right Purchase.** It is often difficult to determine how much funding is available at a given time from sources like the Housing Production Trust Fund (HPTF) or Community Development Block Grant (CDBG), for First Right Purchase projects. Matching the TOPA timeline requires that DHCD have funding available for seed money and First Right Purchase throughout the calendar year, and that the agency knows how much money is available at any given time.

Real-time quarterly estimates should be posted on DHCD's website to help improve the transparency of the funds available. In addition, tenant groups should be able to call and inquire how much funding is available so prospective tenant groups and developers could check to see if HPTF, CDBG, or other types of funding are available so that they could determine if they wanted to move forward on a First Right Purchase project with financing from DHCD. The lack of transparency has led to a decrease in applications in years past as development consultants assume funds are not available, when in some cases there is money in the Trust Fund.

Streamline the Process for Underwriting and Approving First Right Purchase Projects

- Tie application review process and timeline more closely to the tenant opportunity to purchase process. The steps in First Right Purchase are tightly tied to specific timeframes set by the Tenant Opportunity to Purchase Act. For example, tenant associations have 120 days to finalize a sales contract after they have registered their intent to purchase (although extensions are possible in some cases). It would be helpful to applicants if DHCD completed its review of First Right Purchase applications in a timely manner so that tenants could meet their legal deadlines. Some ways that the review of the application could be completed in a more timely manner include:
 1. Begin the application review process while some required studies are pending. Tenant associations typically do not have funds to obtain appraisals, environmental and other studies early in the process. Until quick access to funds is available through DHCD or other sources, DHCD should begin the underwriting process while awaiting these studies.
 2. Revise the application form for easier underwriting. Tenant purchase applications do not often include a request for construction funding but the DHCD application form makes it difficult to distinguish between the acquisition and construction phase of the purchase. The application should provide enough information so that underwriting can consider the feasibility of construction financing in the future; however, there should be clear demarcation between the two phases.
 3. Waive requirements not applicable to First Right Purchase. Borrowers and DHCD staff should be clear that First Right Purchase projects can receive waivers for non-applicable requirements. For example, a market study in cases where the goal is to preserve affordability and the projected monthly charges are significantly below market.
- Set other key benchmarks in the application process. DHCD should also establish reasonable benchmarks for the other key benchmarks in the review, loan committee review, Director sign-off on Loan Committee review, commitment letter, and application review by the DC Council. These benchmarks can help tenant groups have reasonable timeframes for expected decisions in the application process.

Enhance Access to Assistance for First Right Purchase Projects After They Have Acquired Their Building

DHCD should provide increased technical assistance and oversight to ensure that the community-controlled housing is sustainable for the long term. One way to achieve this is to expand the existing technical assistance network and/or increase the type of technical assistance that is provided.

- DHCD should regularly assess co-ops to catch problems before they become hard to fix. While many co-ops have been able to sustain, the current strength and financial health of many co-operatives is unclear because several buildings are not in compliance with DHCD paperwork filing requirements. A regular assessment, something that DHCD has had but has

only more recently started to enforce in the past few years, of completed First Right Purchase projects can help DHCD ensure that significant problems are addressed as early as possible to avoid loss of the co-op. The assessment could look at the financial strength and status of any capital improvements that need to be made and ensure that there is a plan to do so. If problems arise, DHCD could work to remedy any problems.

- **Help tenant groups access technical assistance after the tenant opportunity to purchase process is done.** There is less emphasis on technical assistance available for tenant groups after the acquisition process is complete. Yet resident groups must maintain their buildings, including renovations, and must comply with DHCD's loan reporting requirements and DC's corporate reporting and registration requirements, which can be tough to navigate. During the process of awarding or reviewing loans, DHCD should match co-operatives with technical service providers and require that the relationship is maintained while they are paying back DC funds. DC could also require co-op board members to attend training — a practice that New York City uses.

Technical assistance could help groups manage challenges that arise after the deals are complete, such as determining what are appropriate carrying charges—the monthly fees paid by residents to the co-operative to pay the mortgage, common utilities, management, maintenance, building overhead, and deposits to replacement reserves — used by the co-operative to fund capital improvements. Providers could also help co-ops ensure that they are in compliance with DHCD by filing documents in a timely manner. By providing ongoing technical assistance, providers can be the link between the co-op and DHCD and/or the private lender, helping to address problems at the onset, before they become more serious. DHCD should survey existing tenant groups that have received funds to find out what kinds of assistance or training they may need.

New York City and New York State

- **HUD Multifamily Preservation Loan Program:** This program provides low interest loans to facilitate the preservation of troubled, privately-owned properties with existing HUD mortgages, or expiring use restrictions. This program leverages other tax abatement and other loan programs.
- **Participation Loan Program (PLP):** This program offers low-interest loans to private residential building owners, for moderate-to-full rehabilitation of low- to moderate income housing. The program requires a minimum of 10% of the units to be set aside for housing the homeless. Projects receiving funding through the PLP program may be eligible for full or partial residential property tax exemption through various programs.

HUD Multifamily Program – Term Sheet
Tax Exemption Only

Program Description	<p>The HUD Multifamily Program leverages public resources and private sector financing to rehabilitate, recapitalize and preserve privately-owned HUD-assisted rental housing throughout New York City. For Program purposes, HUD-assisted is defined as properties where a majority of the units are covered by a form of project-based rental assistance including various types of Housing Assistance Payment (HAP) contracts, Moderate Rehabilitation (MOD-Rehab), Moderate Single Room Occupancy (MOD-SRO) or Rental Assistance Demonstration Phase II (RAD) contracts and/or properties that received federal subsidies through programs including the HUD 202 or 236 programs. The Program's mission is to ensure low-income households remain in affordable apartments over the long term, to promote financial and physical stability, and to promote revitalized neighborhoods, targeting buildings that are most distressed.</p> <p>The Program achieves these goals by providing tax exemptions and/or low interest loans by means of City Capital or federal HOME funds at below market interest rates. Combined with traditional bank, federally-insured or tax-exempt bond financing products, the blended financing rate is below market. Projects may be eligible to apply in HPD's competitive rounds of the Federal Low Income Housing Tax Credits (LIHTC) and utilize other sources of financing.</p>
Eligible Participants	<p>Fee simple owners must be a Housing Development Fund Company (HDFC). The HDFC may execute a nominee agreement with a limited partnership, corporation, or limited liability corporation. The development team must have a demonstrated track record of successfully developing, owning and operating comparable projects, or must form a joint venture with an entity that has such expertise. The Program is open to for-profit and non-profit participants.</p>
Real Estate Tax Benefit Terms	<p>Projects may be eligible for full or partial Article XI exemption under NYS Private Housing Finance Law; or 420-C benefits under NYS Real Property Tax Law.</p> <p>Projects with a current tax exemption are likely to continue with an exemption amount based on the higher of the current tax benefit, or 10% of gross rent (gross rent tax or "GRT").</p> <p>A new exemption is typically 10% of GRT, but will be sized based on the following factors:</p> <ul style="list-style-type: none"> • Debt Service Coverage Ratio: minimum 1.15 on all financing • Income to Expense Ratio: minimum of 1.05 • Replacement reserve: higher of 3% of residential income or \$250 per unit per year paid from cash flow. Replacement reserves must remain with the property for the full term of the HPD regulatory agreement. • Projects may be required to provide additional reserve funds for immediate and/or short term rehabilitation needs based on a green physical needs assessment. <p>Actual level of benefit may be adjusted based on numerous factors, including but not limited to debt service and income to expense ratios that exceed industry standard.</p>

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of Preservation Finance

Range of Benefits	<ul style="list-style-type: none"> For projects with project-based rental assistance receiving budget-based or OCAF increases, HPD may allow the level of benefit to remain consistent over the life of the tax exemption. For projects with project-based rental assistance eligible for periodic market rent adjustments in excess of OCAF increases during the contract period, the tax payment will increase by 25% of future rent increases above the base contract amount over the term of exemption period. Property tax liability will be capped at 17% of gross rent.
Regulatory Restrictions; Allowable Income Levels; Rent Setting	<p>Projects will be subject to a regulatory agreement with a minimum 30-year restriction period with the following requirements:</p> <ul style="list-style-type: none"> Section 8 HAP Contract: The contract must be extended to the maximum term possible prior to closing, and the owner must make good faith efforts to renew the contract upon expiration. For HAP Units: Allowable income levels and rents may be consistent with the HUD-requirements. For non-HAP units, HPD may be willing to set rents at up to 130% AMI in order to cover debt service. Units with rents set below 60% AMI can be rented to households earning up to 10% above the rent limitation. Units with rents set above 60% can be rented to households earning up to 20% above the rent limitation. Rent stabilization: All units are required to be registered with the New York State Rent Stabilization system according to NYS Housing Community and Renewal guidelines. Units that are not rent stabilized may have initial legal rents set at 120% of Section 8 / HAP contract rents in effect at construction closing. Units with upgrades completed as a result of the financing are not eligible for Individual Apartment Increases (IAIs) or Major Capital Improvement Increases (MCIs). Vacancy and Luxury Decontrol are not permitted for the duration of the HPD restriction period. Required homeless preference of 20% must be established in accordance with HPD and HUD marketing/tenant selection requirements. The source of referrals will be HPD's Homeless Referral Unit. In the event of financial hardship, HPD may reduce or waive the homeless preference if deemed necessary. HOME-funded and LIHTC units will be subject to additional restrictions and monitoring during the HOME and/or LIHTC compliance period. The Developer is required to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination.
Initial Submission Requirements Real Estate Tax Benefits	<p>No later than 120 days prior to anticipated closing date, Sponsor will submit for HPD review:</p> <ul style="list-style-type: none"> Project proposal including: location and description of the site, proposed acquisition details if applicable, independent third-party Physical Needs Assessment, proposed scope of work, proposed financing plan and evidence of eligibility for other financing sources (as applicable). Project history including a summary of ownership history with supporting documentation, any existing mortgages, use restrictions, tax exemptions and rental assistance. Evidence of HUD rental assistance, including copies of current and renewal contracts and pending applications for rent subsidy increases. Past three years of project operating budgets, historical rent rolls for 3

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of Preservation Finance

	<p>previous years, current project rent roll, and three years of audited annual financial statements.</p> <ul style="list-style-type: none"> • Description of development team including borrower, architect, contractor, and management company, with list of principals, previous experience (particularly with HPD) and recent financial statements of principal entity(ies). • For a project that is refinancing, an independent 'as is' appraisal performed within the past twelve months may be required for a project to be considered for an exemption. The independent appraisal must be in line with HPD Appraisal Guidelines and include an 'As Is' market valuation that assumes an unsubsidized project with market rate financing, unencumbered by rent restriction as applicable, applicable property taxes, market rents that consider the existing conditions, the projected cost of rehabilitation to achieve the market rents and rent stabilization, as applicable. • Disclosure: Prior to consideration for exemption, developers must disclose any pending applications before HPD, HDC, the New York City Acquisition Fund, the Department of City Planning or the City Council that may be related to the project, including but not limited to requests for other forms of financing, tax benefits or exemptions and land use actions.
Fair Housing and Accessibility Requirements	The Developer is required to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination. The Developer must also construct the project in compliance with all laws regarding accessibility for people with disabilities, including but not limited to the New York City Building Code, the federal Fair Housing Act, the Americans With Disability Act, and Section 504 of the Rehabilitation Act of 1973.
Marketing Requirements	All projects must be marketed according to HPD, HDC and/or HUD marketing guidelines. The developer must submit a marketing plan for agency review and approval. Where applicable, marketed projects will be required to use HPD's and HDC's lottery process.
HPD Contact	<p>Carolyn Williams Director, HPD/HUD Multifamily Loan Program 100 Gold Street, Room 9-Q5 New York, NY 10038 (212) 863- 8920 hpdhudmf@hpd.nyc.gov</p>

HPD, in its sole discretion, may, at any time and without prior notice, terminate the program, amend or waive compliance with any of its terms, or reject any or all proposals for funding.

NOTE: The project receiving funding under this program may be subject to Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and the implementing regulations at 24 CFR part 135. If applicable to the project, (i) to the greatest extent feasible, opportunities for training and employment arising in connection with the planning and carrying out of the project must be given to "Section 3 Residents" as such term is defined in 24 CFR 135.5; and (ii) to the greatest extent feasible, contracts for work to be performed in connection with any such project must be awarded to "Section 3 Business Concerns" as such term is defined in 24 CFR part 135.5.

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of Preservation Finance

Participation Loan Program (PLP)
Term Sheet

Program Description	<p>HPD's Participation Loan Program (PLP) provides low-interest loans and/or tax exemptions to rehabilitate housing for low- to moderate-income households. HPD provides City Capital and/or Federal HOME funds at 1% interest. Combined with bank financing from a participating private lender, the blended financing cost is below market.</p> <p>HPD subsidy is in addition to construction and permanent financing sources provided by, but not limited to: private institutional lenders; HPD's Federal Low Income Housing Tax Credit Program (LIHTC), New York City Housing Development Corporation (HDC) programs such as HDC's LAMP Preservation program, and New York State programs including Low Income Housing Tax Credit Program (SLIHC) and Low Income Housing Credit Program (LIHC), and Federal Low Income Housing Tax Credit Program (LIHTC).</p>										
Eligible Projects	A multiple dwelling with 3 or more apartments with all essential services such as, but not limited to, water supply, house sewers, and heat.										
Eligible Borrowers	Limited partnerships, corporations, joint ventures, limited liability companies, 501(c)(3) corporations, housing development corporations, and individual owners including homeowners. The program is open to for-profit and not-for-profit borrowers.										
Eligible Uses	Moderate or substantial rehabilitation of multiple dwellings including SROs. Limited acquisition costs, supported by an as-is appraisal, may also be eligible and replacement of building systems, structural improvements and modernization of apartment interiors.										
HPD Loan Amount	<p>Maximum HPD subsidy amounts are outlined below:</p> <table border="1"> <thead> <tr> <th>Average Post-Rehabilitation Affordability</th><th>Maximum Subsidy*</th></tr> </thead> <tbody> <tr> <td>Projects with 9% Low Income Housing Tax Credits (LIHTC) or projects with rents between 80% and 130% AMI</td><td>Up to \$40,000 per unit</td></tr> <tr> <td>Projects with 4% LIHTC</td><td>Up to \$60,000 per unit</td></tr> <tr> <td>Projects with rents between 60% and 80% AMI</td><td>Up to \$70,000 per unit</td></tr> <tr> <td>Projects with rents at or below 60% AMI</td><td>Up to \$90,000 per unit</td></tr> </tbody> </table> <p>Subsidy levels for other affordability proposals will be evaluated on a case by case basis. Per unit subsidies may be reduced for projects utilizing other sources or programs, including the Inclusionary Housing Program, absent broader/deeper affordability or project benefits. Overleveraged and distressed multifamily properties may be eligible for additional assistance. All projects must incorporate a homeless requirement of at least 10%, and projects that exceed the requirement may be eligible for additional subsidy.</p> <p>Preferences will be given to projects demonstrating cost containment; examples may include but will not be limited to proposals that conform with competitive criteria LIHTC basis caps, utilize efficient construction and lease-up schedules, and use of reserves.</p> <p>Subsidies may be adjusted for private site acquisition supported by an "as-is" appraisal acceptable to HPD.</p>	Average Post-Rehabilitation Affordability	Maximum Subsidy*	Projects with 9% Low Income Housing Tax Credits (LIHTC) or projects with rents between 80% and 130% AMI	Up to \$40,000 per unit	Projects with 4% LIHTC	Up to \$60,000 per unit	Projects with rents between 60% and 80% AMI	Up to \$70,000 per unit	Projects with rents at or below 60% AMI	Up to \$90,000 per unit
Average Post-Rehabilitation Affordability	Maximum Subsidy*										
Projects with 9% Low Income Housing Tax Credits (LIHTC) or projects with rents between 80% and 130% AMI	Up to \$40,000 per unit										
Projects with 4% LIHTC	Up to \$60,000 per unit										
Projects with rents between 60% and 80% AMI	Up to \$70,000 per unit										
Projects with rents at or below 60% AMI	Up to \$90,000 per unit										

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of Preservation Finance

HPD Loan Terms	<ul style="list-style-type: none"> • Maximum loan term: 30 years. • Overall Interest Rate: The long-term, monthly-compounding Applicable Federal Rate (AFR), with a minimum floor of 2.5% (compounding monthly). • Paid Interest Rate: 1% per annum (plus 0.25% servicing fee during construction). HPD may reduce the paid rate to leverage additional private financing. Any unpaid interest will defer and accrue, to be paid as a balloon at maturity. • Amortization: Balloon may be allowable. • Debt Service Coverage: 1.15 on all financing. • Contingency: 10% of hard costs; 5% of soft costs. • Letter of credit or Payment and Performance Bond: 10% of hard costs excluding contingency. • Vacancy and Collections Loss Rate: 5% for Residential and 10% for Commercial • Reserves: <ul style="list-style-type: none"> ○ Operating Reserve that is in an amount equal or great than 6 months of maintenance and operating expenses and debt service on all loans is required. ○ Replacement reserve of \$250 per unit per year, increasing at 3% annually, paid from cash flow. ○ Reserves must remain with the project for the duration of the HPD regulatory term. If senior debt is satisfied prior to HPD regulatory term, HPD will assume control of the reserves. • Appraisals must be completed according to HPD's Approved Appraisal Guidelines. • Developer's Fee: For non-LIHTC projects, greater of 3% of allowable TDC or \$1000 per unit net of cash equity for not-for-profits only. Fee must be fully deferred at construction loan closing. In addition, an incentive developer fee of up to 50% of the savings in the construction interest reserve may be released to the developer for projects that complete and convert on time. The total paid fee should be fully deferred at construction loan closing except as needed to pay consultant fees and the deferred fee and paid from cash flow during the permanent period as allowable by the QAP and IRS rules. Consultant fees must be paid from the developer fee. The eligible fee may be reduced if HPD subsidy exceeds the program maximum.
HPD Equity Requirements	<p>For-profit developers: minimum of 10% of total allowable development costs. Not-for-profit developers: minimum of 2% of total allowable development costs.</p>
Fees and Closing Costs	<ul style="list-style-type: none"> • HPD Commitment Fee of 1% of the portion of the mortgage funded by HPD, with the exception of Federal HOME funds. • HPD Closing Fee of 0.5% of the portion of the mortgage funded by HPD. • Construction signage fee per building: \$100 • Fees must be paid by borrowers and are not counted towards owner equity requirement • Excluding the signage fee, these fees are waived for not-for-profit borrowers.
Rent Setting	<ul style="list-style-type: none"> • For occupied units, rents will be projected to increase by rent stabilization allowances during the construction period. If a more significant increase is necessary to support building operations and debt service, rents may be restructured post-completion. • For vacant units, rents shall generally be set no higher than a level affordable to households earning 120% AMI, unless further restricted based

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of Preservation Finance

	on federal funding sources and/or LIHTC requirements if applicable. Rents for vacant units may be set at multiple tiers under 120% AMI.
Regulatory Restrictions	<p>Projects will be subject to a minimum of 30-year regulatory agreement with the following requirements:</p> <ul style="list-style-type: none"> • Rents for all units in a project shall be restricted in one or more regulatory tier that are determined by the existing rent distribution, amount of HPD subsidy provided, and restrictions set forth through other subsidies or regulations. However, no rents shall exceed a level affordable to households earning 120% AMI during the regulatory term. • Units with rents set up to 80% AMI can be rented to households earning up to 10% above the rent limitation. Units with rents set above 80% can be rented to households earning up to 20% above the rent limitation. Under no circumstances will there be units in projects with income limitations that exceed 130% AMI • HOME-funded and LIHTC units will be subject to additional restrictions and monitoring during the HOME and/or LIHTC compliance period. • All units must be registered with DHCR and are subject to the New York State Rent Stabilization system. Work completed as a result of the financing is not eligible for Individual Apartment Increases (IAs) or Major Capital Improvement increases (MCIs). Vacancy and luxury decontrol are not permitted for the duration of the HPD restriction period. • Projects with no previous homeless requirements shall set aside at least 10% of the total units as homeless units. All other projects shall maintain their initial requirements. All homeless unit referrals must be made by HPD's Homeless Placement Unit. In the event of financial hardship, HPD may reduce or waive the homeless requirement if deemed necessary. • HPD requires annual submission of a certified rent roll; written certification of tenant incomes on vacant units; and supporting documentation for rent and income determination pursuant to the regulatory agreement.
Real Estate Tax Benefits	Projects may be eligible for full or partial residential property tax exemption through the J-51 Program, 420-c, or Article XI. Projects with commercial space will be responsible for the payment of commercial taxes.
Design and Construction Requirements	<p>All projects must comply with HPD's Master Guide Specifications for Rehabilitation Projects and Scope of Work (July 2014): http://www1.nyc.gov/site/hpd/developers/specifications-rehabilitation/master-guide-specifications-for-rehabilitation-projects.page.</p> <p>Projects must complete a Green Physical Needs Assessment (GPNA) from a firm that has been pre-qualified by HDC: http://www.nychdc.com/Current%20RFP</p> <p>Subject to funding availability, the following can be paid through the project development budget: GPNA base cost of up to \$5,000 per project plus up to \$250 per unit for the first 20 units in a project and up to \$125 per unit for all remaining units.</p> <p>All substantial rehab projects, as determined by HPD, must achieve Green Communities Certification. The Green Communities Criteria and Certification portal is available at www.greencommunitiesonline.org.</p> <p>Projects that include all three items within their scope of work are considered a Substantial Rehab:</p> <ul style="list-style-type: none"> • Replace heating system,

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of Preservation Finance

	<ul style="list-style-type: none"> • Work in 75% of units including work within the kitchen and/or bathroom, • Work on the building envelope, such as replacement and/or addition of insulation, replacement of windows, replacement and/or addition of roof insulation, new roof, or substantial roof repair. <p>More information can be found at: http://www1.nyc.gov/site/hpd/developers/green-building.page</p> <p>Prior to closing, all projects must complete benchmarking on a whole building basis using a Benchmarking Software Provider Firm that has been pre-qualified by HDC: http://www.nychdc.com/Current%20RFP. Funded projects must benchmark throughout the loan and regulatory term.</p>
Fair Housing and Accessibility Requirements	The Developer is required to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination. The Developer must also construct the project in compliance with all laws regarding accessibility for people with disabilities, including but not limited to Chapter 11 of the 2014 New York City Building Code, the federal Fair Housing Act, the Americans With Disability Act, and Section 504 of the Rehabilitation Act of 1973.
Marketing Requirements	All projects must be marketed according to HPD and HDC marketing guidelines. The developer must submit a marketing plan for agency review and approval. Where applicable, marketed projects will be required to use HPD's and HDC's lottery process.
Application Process	Borrowers must apply to HPD and through one of the participating private lenders listed below and contact them for an application.
Participating Banks	<p>Banco Popular: (212) 417-6878 Bank of America: (212) 819-5412 BPD Bank: (212) 506-0647 Carver Federal Savings Bank: (212) 360-8887 Capital One: (646) 231-9032 Chase Community Development Group: (212) 552-4059 Citibank: (718) 248-4710 Community Preservation Corporation: (718) 522-3900 Enterprise Community Partners, Inc.: (212) 284-7181 Local Initiatives Support Corporation: (212) 455-1606 Low Income Investment Fund: (212) 509-5509 National Cooperative Bank: (202) 808-0880 Trimont Real Estate Capital NYC: (212) 895-4940</p>
HPD Contact	<p>Jeremy Hoffman, Director, Leveraged Preservation Programs (212) 863-6818 hoffmaje@hpd.nyc.gov</p>

HPD, in its sole discretion, may, at any time and without prior notice, terminate the program, amend or waive compliance with any of its terms, or reject any or all proposals for funding.

NOTE: The project receiving funding under this program may be subject to Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and the implementing regulations at 24 CFR part 135. If applicable to the project, (i) to the greatest extent feasible, opportunities for training and employment arising in connection with the planning and carrying out of the project must be given to "Section 3 Residents" as such term is defined in 24 CFR 135.5; and (ii) to the greatest extent feasible, contracts for work to be performed in connection with any such project must be awarded to "Section 3 Business Concerns" as such term is defined in 24 CFR part 135.5.

Cook County and the City of Chicago, Illinois

- **Class S Property Tax Incentive Program:** This tax incentive program is guided towards owners of HUD Project-Based Section 8 Rental Assistance contract (PBRA) properties. The program provides owners with a reduction in property taxes if they renew their rental assistance contract for 5 years. A reduction of tax expense through a reassessment of market value can incentivize owners to continue to participate in rental assistance programs such as the Section 8 PBRA.



CLASS S ELIGIBILITY BULLETIN

General Provisions and Incentive Benefits

The goal of Class S is to preserve project-based Section 8 multifamily rental housing so as to retain the stock of decent, safe and affordable housing for low- and moderate-income households in Cook County.

Qualified real estate under the incentive provided by Class S is Class 3 property which is subject to a project-based Section 8 contract that has been renewed pursuant to the provisions of the Class S Ordinance, 74-63. The Section 8 units must be retained during the five-year term of the renewed contract. The portion of the building eligible for the incentive shall be in such proportion as the number of Section 8 units bears to the total number of units. This proportion shall be applied only to property used for residential purposes, and not to portions of the property, if any, used for commercial purposes. The portion of the units that are Section 8 will be assessed at the 10% level.

Qualifying real estate will be eligible to renew the incentive when the applicant receives approval from HUD for a contract renewal. The applicant shall file an application for the incentive with the Assessor's Office along with a copy of HUD's letter approving the contract renewal and a copy of the executed renewal contract. After the Class S term expires, the assessment level will revert to the Class 3 assessment level.

Definitions

The following definitions, as set forth in Section 1 of the Cook County Real Property Assessment Classification Ordinance, pertain to the Class S incentive provision:

HUD: "The United States Department of Housing and Urban Development (HUD)."

HUD's Section 8 renewal policy guidelines means that certain handbook titled 'Section 8 Renewal Policy: Guidelines for the Renewal of Project Based Section 8 Contracts' as published from time to time by the United States Department of Housing and Urban Development Office of Multi-Family Housing, as amended from time to time, or any successor publication.

Section 8 Contract: "A contract for project-based assistance for a multifamily housing project under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f)."

Fair Market Rent: "The fair market rental established under Section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437f)."

Expiring Contract: “A project based assistance contract under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) which, under the terms of the contract, will expire.”

Mark up to market option means a contract renewal option, pursuant to Section 524(a)(4)(A) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 [MAHRA] (Title V of Public Law No. 105-65, October 27, 1997, 111 Stat. 1384ff), as amended by Section 531 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000 (Pub. L. No. 106-74, October 20, 1999, 113 Stat. 1109ff) (42 U.S.C. § 1437f) or any successor statute, for eligible properties located in strong markets, where a rent comparability study conducted by HUD has determined that comparable market rents are at or above 100 percent of the HUD Fair Market Rent, and for which HUD is authorized to approve renewal terms providing rents higher than the HUD FMR. The mark up to market option includes increasing rents from the HUD FMR to the level of an existing use restriction on a property.

Mark up to market option under HUD's discretionary authority means a contract renewal option, pursuant to Section 524 (a)(4)(C) or (D) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 [MAHRA] (Title V of Public Law No. 105-65, October 27, 1997, 111 Stat. 1384ff), as amended by Section 531 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000 (Pub. L. No. 106-74, October 20, 1999, 113 Stat. 1109ff) (42 U.S.C. § 1437f) or any successor statute, providing rents higher than the HUD FMR, based on the exercise of HUD's discretionary authority, for properties which do not necessarily meet the usual eligibility criteria, but do meet a special set of statutory criteria, in that a vulnerable population is affected; there is a low vacancy rate in the area, which would make tenant based assistance difficult to use, or a lack of comparable housing; or the project is a high priority for the local community, as demonstrated by a contribution of state or local funds to the property.

Section 8 contract renewal means:

1. Renewal of a Section 8 contract for an additional five years under the mark up to market option or under the mark up to market option under HUD's discretionary authority, after a determination of eligibility by HUD pursuant to its authority under Section 524(a)(4)(A), (C), or (D) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 [MAHRA] (Title V of Public Law No. 105-65, October 27, 1997, 111 Stat. 1384ff), as amended by Section 531 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000 (Pub. L. No. 106-74, October 20, 1999, 113 Stat. 1109ff) (42 U.S.C. § 1437f) or any successor statute; or
2. Renewal of a Section 8 contract by a not-for-profit corporation under any available option under HUD's renewal procedures as described in HUD's Section 8 Renewal Policy Guidelines.

Eligibility Requirements

Real estate is eligible for Class S status under the following conditions:

A. Mark Up To Market Option (MUTM).

Property qualifies if its Section 8 contract has been renewed under the Mark Up To Market option. HUD has approved renewal of the MUTM option after finding that:

1. the property has received a physical inspection score of at least 60, in an inspection by HUD's Real Estate Assessment Center confirming that the property is decent, safe, sanitary and in good repair with no uncorrected exigent health and safety (EHS) violations;
2. the property does not have a low-and-moderate-income use restriction that cannot be eliminated by unilateral action by the owner (if, however, the current rent is lower than the use restriction, HUD may use the Mark Up to Market option to increase the rents to the use restriction level, which would be a renewal qualifying for the S classification); and
3. a Rent Comparability Study conducted by HUD has demonstrated that comparable market rents are above 100% of the HUD Fair Market Rent (FMR).

B. Mark Up To Market Option Under HUD's Discretionary Authority.

Property qualifies under the discretionary authority MUTM option if:

1. a vulnerable population is affected, or
2. there is a low vacancy rate in the area, which would make tenant based assistance difficult to use, or a lack of comparable housing, or
3. the project is a high priority for the local community, as demonstrated by a contribution of State or local funds to the property.

C. Renewal by a Not-For-Profit

Property qualifies if HUD has approved renewal of a Section 8 contract for a not-for-profit corporation under any available option under HUD's renewal procedures as described in HUD's Section 8 Renewal Policy Guidelines.

D. Number of Section 8 Units

At least 20% of the living units must be Section 8 units for qualifying low- and moderate-income persons.

E. Duration

The owner(s) must agree to retain at least the existing number of Section 8 units during the five-year term of the renewed contract.

F. Affidavit

For the duration of the Class S, the applicant must file annually with the Assessor's Office, on or before a date determined by the Assessor's Office, a sworn statement verifying continuous compliance with the Class S provisions.

G. *Notification*

Applicant must agree to notify the Assessor's Office if the Section 8 contract is terminated by HUD prior to its expiration date. Applicant shall provide to the Assessor's Office a copy of any Notice of Default or Notice of Abatement received from HUD.

H. *Sale or Transfer of Property*

In the event the property is sold or transferred during the Class S term, the purchaser or transferee must comply with all of the Class S requirements. The consequences of failure to comply with the Class S requirements after a sale or transfer of property are discussed in "Termination" below.

I. *Anti-discrimination Clause*

No owner of a building with the Class S designation shall discriminate against any tenant or potential tenant on the basis of race, color, sex, age, disability, marital status, religion, national origin or ancestry, or on any other basis prohibited under federal, state, or local law.

Assessment Level

The residential portion of the property qualifying for Class S will be assessed at 10% of fair market value.

Required Information and Documentation

A. *Filing Class S Eligibility Application.*

The "Eligibility Application" shall require certain information from the applicant including, but not limited to, the following:

1. When the applicant applies to HUD for a contract renewal, the applicant shall, at the same time, notify the Assessor's Office of possible contract renewal.
2. Upon receiving approval of the contract renewal from HUD, the applicant shall file an application for the incentive with the Assessor's Office on a form provided by that office.
3. The Class S application shall be supported by a copy of HUD's letter approving the contract renewal and a copy of the executed renewal contract.

Any property which, as of the effective date of the adoption of the amendments to the Class S incentive program, has an existing Section 8 contract may apply for Class S classification for the portion of the 2006 assessment year encompassed within the contract term. The Class S classification will remain in effect for the duration of the contract. Class S may be renewed each time the contract is renewed.

B. *Acknowledgment of Receipt of Application*

The Assessor's Office will acknowledge in writing the receipt of all applications.

C. *Filing of the Appeal Form to Change the Property Classification*

The Assessor's Office's acknowledgement of the application will inform the applicant of the time for filing an appeal. If the appeal dates are not yet available, the acknowledgement will suggest a time to contact the Incentives Department at (312) 603-7529 for an appeal date. To effect a change in the subject property's classification from Class 3 to Class S, a Real Estate Valuation Appeal Form must be filed with the Assessor's Office for the assessment year in which the contract begins. This "appeal" should request "change Class 3 to Class S".

To challenge the market value placed on the property, an additional valuation appeal may be included, supported by the required additional documentation (see General Rules for Assessment Valuation Appeals).

D. *Review and Determination*

Upon the receipt of a Real Estate Valuation Appeal Form requesting a change from Class 3 to Class S, the Assessor will review the Eligibility Application, along with the documentation submitted in support of such Application, and will make a final determination as to whether the subject property complies with the requirements contained in this Bulletin and in the Real Property Assessment Classification Ordinance, as amended. If the subject property meets all the foregoing requirements, the Assessor shall reclassify the property as Class S real estate. This reclassification to Class S shall take effect in the assessment year in which the contract is effective.

Maintenance of Class S Status

The owner must file an annual affidavit provided by the Assessor's Office. The affidavit, attesting to continuous compliance with Class S requirements, must be filed before the annual deadline as set by the Assessor's Office.

The affidavit must certify the following:

1. The subject property is in substantial compliance with applicable building, safety and health codes. Attached to the affidavit must be copies of any outstanding building, safety or health code violations.
2. Attached to the affidavit must be documentation verifying a HUD contract for Section 8 housing assistance for those units that are project-based Section 8 units.
3. The number of Section 8 units, listed in the contract, has been maintained or exceeded.
4. Rents for at least 20% of the property are HUD Section 8 units.
5. The applicant is a not-for-profit in good standing, if the applicant is a not-for-profit renewing a contract under HUD's Section 8 renewal policy guidelines.

Renewal of Class S Status

A. Renewal Requirements:

1. The incentive may be renewed if the Section 8 contract is renewed and continues to meet the Class S requirements. Upon filing an application with HUD (no less than 120 days prior to termination of the contract) for renewal of the Section 8 contract, the applicant shall provide notice to the Assessor's Office. Upon receipt of notice from the applicant, the Assessor's Office will send an Application Renewal Form which the applicant must return to the Assessor's Office within forty-five days for renewal of the Class S incentive.
2. The Assessor will notify owners with Class S incentives of the scheduled expiration of the Class S classification six months prior to the expiration date.
3. In addition, the applicant shall provide notice to the Assessor's Office of HUD's approval of the contract renewal or notification of other HUD action upon receipt.

B. Acknowledgment of Receipt of Application for Renewal

The Assessor's Office will acknowledge in writing the receipt of applications for renewal.

C. Review and Determination

The Assessor's Office will review the application for renewal with its supporting documents. If the subject property meets all Class S requirements, the Class S classification of the property shall be renewed, subject to the filing of an appeal.

Termination by the Assessor

The Class S classification may be terminated immediately by the Assessor under any of the following circumstances:

- failure to comply with the Class S requirement that at least 20% of living units be designated as Section 8 units for qualifying low-and moderate income persons;
- failure to retain Section 8 units for at least 5 years after the renewal of the expired Section 8 contract;
- failure to file annually with the Assessor's Office, on or before a date determined by the Assessor's Office, a sworn statement verifying continuous compliance with Class S;
- failure to notify the Assessor's Office if the Section 8 contract is terminated prior to its expiration date.
- termination of the HUD contract.

Furthermore, in the event that the original applicant, or any successor in interest in the subject property, fails to comply with the requirements under the Class S classification, the Class S classification shall be deemed null and void from its inception as to the subject property. In such an instance, the then current owner shall be liable for and shall reimburse to the County Collector an amount equal to the difference in the amount of taxes that would have been collected had the subject property been assessed at the Class 3 assessment level and the amount of taxes collected under the Class S classification. Failure of the then current owner to make such a reimbursement shall not constitute a lien upon the subject property but shall constitute an *in personam* liability which may be enforced against the then current owner.

Class S is administered by the Assessor's Specific Properties Department. Please direct all communications to: Cook County Assessor's Office, Specific Properties Department, 118 North Clark Street, Chicago, Illinois 60602, (312) 603-7529.

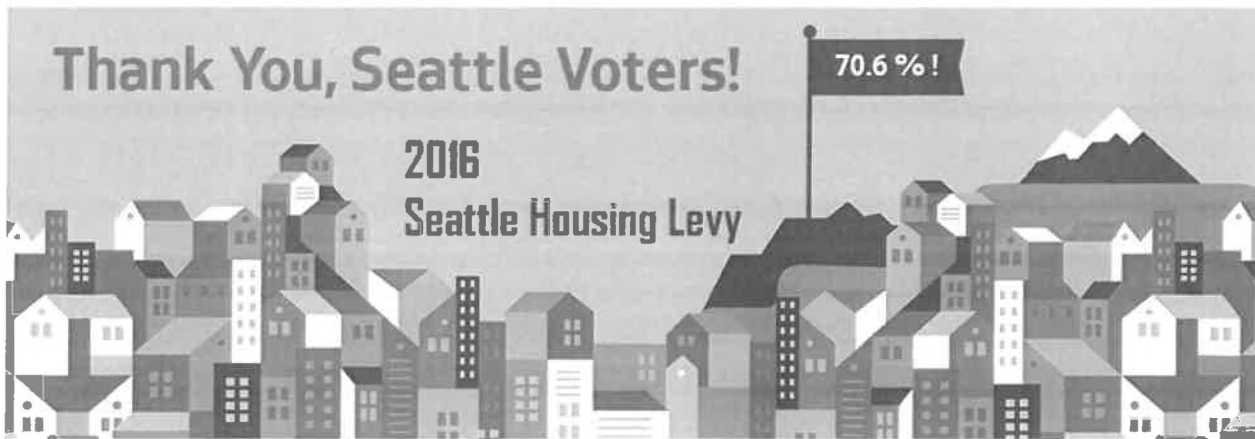
City of Seattle, Washington

- **Acquisition and Preservation Program:** This program provides short-term funding for the acquisition of low-income housing, development and preservation, through a Notice of Funding Availability (NOFA) process. Funding may be used to purchase existing affordable housing including occupied subsidized rental housing, or affordable private market rental housing buildings identified through the City of Seattle's Notice of Intent to Sell Ordinance.

Housing (housing)

Steve Walker, Director

[Home \(housing\)](#) / Seattle Housing Levy



Seattle Housing Levy, 35 years of affordable housing

SEATTLE HOUSING LEVY

Since 1981, Seattle voters have approved one bond and five levies to create affordable housing. Seattle has now funded over 13,000 affordable apartments for seniors, low- and moderate-wage workers, and formerly homeless individuals and families, plus provided homeownership assistance to more than 900 first-time low-income home buyers and emergency rental assistance to more than 6,500 households.

Learn more about the need for affordable housing and the impact of the Housing Levy in Seattle on our new webpage Under One Roof Seattle (<http://www.underoneroofseattle.com>).

In August 2016, voters in Seattle approved a new \$290 million levy by over 70%. Learn more on the 2016 Seattle Housing Levy Fact Sheet > ([Documents/Departments/Housing/Footer Pages/2016HousingLevy_FactSheet.pdf](#))

Implementing the 2016 Housing Levy Administrative & Financial Plan

The Seattle City Council recently passed the new Administrative and Financial Plan for the 2016 Housing Levy. The A&F Plan, and the attached Housing Funding Policies, guide the use of Housing Levy funds as well as other fund sources administered by the Office of Housing. Questions may be sent to Maureen.Kostyack@seattle.gov (<mailto:Maureen.Kostyack@seattle.gov>). View the approved A&F Plan ([Documents/Departments/Housing/Footer Pages/HousingLevy_A-F-Plan_2017-18.pdf](#)).

Seattle Housing Levy History

Levy Oversight Committee

Administrative and Financial Plan

2016 Housing Levy Materials

- 2016 Housing Levy Fact Sheet ([Documents/Departments/Housing/Footer Pages/2016HousingLevy_FactSheet.pdf](#))
- 2016 Levy A&F Plan ([Documents/Departments/Housing/Footer Pages/HousingLevy_A-F-Plan_2017-18.pdf](#))

2009 Levy Materials

- 2009 Housing Levy Fact Sheet ([Documents/Departments/Housing/Footer Pages/2009_Levy_Fact_Sheet.pdf](#))
- Under One Roof booklet ([Documents/Departments/Housing/Footer Pages/UnderOneRoof_booklet.pdf](#))
- Under One Roof website (<http://www.underoneroofseattle.com/>)
- Housing Levy Annual Report, 2016 ([Documents/Departments/Housing/Footer Pages/Levy-Annual-Report_2016.pdf](#))
- Housing Levy Annual Report, 2015 ([Documents/Departments/Housing/Footer Pages/Levy-Annual-Report_2015.pdf](#))
- Housing Levy Annual Report, 2014 ([Documents/Departments/Housing/Footer Pages/Levy-Annual-Report_2014.pdf](#))
- Housing Levy Annual Report, 2013 ([Documents/Departments/Housing/Footer Pages/Levy-Annual-Report_2013.pdf](#))
- Housing Levy Annual Report, 2012 ([Documents/Departments/Housing/Footer Pages/Levy-Annual-Report_2012.pdf](#))
- Housing Levy Annual Report, 2011 ([Documents/Departments/Housing/Footer Pages/Levy-Annual-Report_2011.pdf](#))
- Housing Levy Annual Report, 2010 ([Documents/Departments/Housing/Footer Pages/Levy-Annual-Report_2010.pdf](#))



2016 SEATTLE HOUSING LEVY

Rental Housing

Produce and preserve 2,150 affordable apartments

Reinvest in 350 affordable apartments

Support operations for 510 affordable apartments

The primary focus of the Housing Levy is to fund affordable rental housing for low-income Seattle residents. The housing serves people with disabilities, seniors, families with children, formerly homeless individuals and families, and people working in low-wage jobs who might otherwise live far from the city. Levy funds can be used throughout the city for new construction of affordable housing or for preservation and improvements to existing buildings.

The Levy also reinvests in affordable housing to make critical capital improvements, thus extending the useful life of the building and the term of affordability.

Levy operating funds help fill the gap between rental income and building expenses. Along with rent assistance vouchers contributed by the Seattle Housing Authority, these funds enable Levy-funded housing to serve those with the highest needs and fewest resources, and also help secure federally funded homeless services and other supports for residents.

Preserve Affordable Housing

Provide loans for acquisition & rental rehabilitation

The Housing Levy provides short-term loans for strategic purchases of rental housing to preserve affordable rents for residents and also of land to be used for future housing projects. The loans will temporarily use funds from other Levy programs until those funds are needed. Levy loans can also help housing owners make critical repairs and then keep rents affordable for residents.

Homeownership

Assist 280 low-income homeowners

Levy funding assists low-income first-time home buyers purchasing in Seattle through down payment assistance loans that will be repaid to assist future borrowers, or investment in homes that will be held as affordable in perpetuity. Funds can also help stabilize existing low-income homeowners through emergency home repair grants or one-time loans to prevent foreclosure.

Homelessness Prevention

Assist 4,500 individuals & families

The Housing Levy provides short-term rent assistance and stability services for families who are at imminent risk of eviction and homelessness due to illness, loss of work, or other family emergency. People can get help to stay in their housing or move to a more stable and affordable home.

August 2nd Ballot

\$290 Million

Spanning 7 years

Median cost to Seattle homeowners:

\$122/year or \$10.17/month

(based on assessed value of \$480,000)

History

Since 1981, Seattle has voted five times to produce and preserve affordable housing. Each levy has exceeded its goals.

Seattle has now funded over 12,500 affordable homes throughout the city, provided loans to help over 900 households purchase their first home, and provided emergency rental assistance to 6,500 households at risk of eviction and homelessness. Levy-funded housing provides affordable rents for 50 years or more.



Seattle

More information: Seattle.gov/housing/levy





2016 SEATTLE HOUSING LEVY

Programs & Goals*

Rental Production and Preservation Program \$201,000,000

2,150 units produced or preserved

350 units reinvested

- Rental housing for low-income households, including people with disabilities, the elderly, homeless individuals and families, low-wage working people, and families with children.
- Reinvestment in existing affordable housing to make critical capital improvements.
- Rehabilitation of existing multifamily housing with affordability requirements imposed.
- Acquisition of affordable subsidized and market-rate buildings for long-term affordable rental housing.
- Program funds support housing that will serve families and individuals with incomes at or below 60% of median income.
- At least 60% of the sum of Program funds and Operating and Maintenance Program funds supports housing with rents affordable to individuals and families at or below 30% of median income. Housing will primarily serve households at or below 30% of median income; in limited cases housing may serve households up to 40% of median income.

Operating and Maintenance Program \$42,000,000

510 units supported

- Operating support for Levy-funded buildings, supplementing rent paid by residents at or below 30% of median income, including formerly homeless and other residents with supportive service needs.

Homelessness Prevention and Housing Stability Services \$11,500,000

4,500 households assisted

- Rent assistance and stability services for individuals and families at or below 50% of median income, to prevent eviction and address homelessness.

Homeownership Program \$9,500,000

280 households assisted

- Emergency home repair grants for homeowners at or below 50% of median income to assist with maintaining stable housing.
- Foreclosure prevention assistance for homeowners at or below 80% of median income who are at risk of losing their homes through foreclosure.
- Assistance to first-time home buyers at or below 80% of median income through home purchase loans, including models that create long-term affordability of ownership housing.
- Acquisition of affordable subsidized and market-rate buildings for alternative homeownership opportunities for households at or below 80% of median income.

Acquisition and Preservation Program Up to \$30,000,000

No additional funding; loans will be made with Levy funds not yet needed for other Levy programs.

- Short-term acquisition loans for cost-effective purchases of buildings or land for rental or homeownership development that will then be used to serve households at or below 80% of median income. This program will prioritize the acquisition of occupied buildings.

Administration \$26,000,000

9% of total funds.

* Anticipated Levy Programs as listed in Exhibit 1 of Ordinance #125028.

City of Boston, Massachusetts

- **Acquisition Opportunity Program (AOP):** This program partners with two community development financial Institutions (CDFIs) to enable affordable housing developers to be competitive when acquiring development sites. The program pre-qualifies developers for property acquisition, and allows them to hold existing buildings or vacant land for development.



CITY of BOSTON

Mayor Martin J. Walsh



PUBLIC NOTICES

PAY AND APPLY

FE

HOME DEPARTMENTS NEIGHBORHOOD DEVELOPMENT ACQUISITION OPPORTUNITY PROPERTY PROGRAM

ACQUISITION OPPORTUNITY PROPERTY PROGRAM

Have questions? Contact t

NEIGHBORHOOD DEVELOPMENT



617-635-3880



NEIGHBORHOOD
DND@CITYOFBO

*A program to increase the share of Boston's rental
housing stock protected from market forces*

Through our Acquisition Opportunity Program, we provide loans to help responsible

Mass Hou Stab Fnd.pdf

SKM_C554e17081....pdf

Pub Ass Hou Prespdf

SKM_C554e17081....pdf



Accounting and Finance

This document was sent to
Documents: Acquisition Opportun
Printer: MAIN_HOPTS_KMC554 o
Time: 8:43:28 AM 8/14/2017
Total pages: 4



ACQUISITION OPPORTUNITY PROPERTY PROGRAM

A program to increase the share of Boston's rental housing stock protected from market forces

Through our Acquisition Opportunity Program, we provide loans to help responsible investor-owners buy occupied, multi-family rental properties.

Benefits to Residents

The Acquisition Opportunity Program seeks to protect more of Boston's rental housing stock from market forces.

The goal is to

- create affordable housing for Boston residents who cannot afford market rate rents.

- give funding preference to developments that have more restricted units or have units restricted to lower incomes.

- prevent displacement of tenants threatened by the forces of gentrification by ensuring that their apartments will not become unaffordable over the long term.

Benefits to Developers

In talks with the community, affordable housing developers, and nonprofits, we found affordable housing developers can fall behind private investors in the housing market. Private investors often have access to capital and cash that may not be as readily available to affordable housing developers.

qualification will enable potential buyers to be more nimble and competitive in Boston's fast-moving real estate market.

Development teams will pre-qualify for the program by demonstrating they have the experience and financial capacity to undertake an Acquisition Opportunity project, and have the management experience to operate the properties long-term.

Requirements

The property owners in our program must

- maintain the tenancies of residents in good standing

- maintain affordable rent levels for the units in the property for at least 50 years.

- agree to set aside at least 40 percent of the units for low- and moderate-income families.

- Have investor-owned rental properties that are fully or partially occupied

- agree that no tenant in good standing will be displaced from their unit.

How to apply

Through a competitive RFP process, development teams will be selected. [View the RFP page \(/dnd/rfps\).](#)

They will receive certification from the City for the requested amount of their loan.

Once pre-qualified, teams can begin looking for properties.

Program History

On May 24, 2016, Mayor Martin J. Walsh announced the City of Boston has earmarked \$7.5 million of Inclusionary Development funds to support the acquisition of occupied rental housing.

“Boston is committed to making our city a home for everyone, no matter their age, background or financial status. This \$7.5 million investment is another leap towards creating affordable housing for all our residents,” said Mayor Walsh. “We are committed to growing our affordable housing stock, and programs like the Acquisition Opportunity Program ensures Boston residents will not be priced out of their homes and neighborhoods.”

Have questions? Contact us:

NEIGHBORHOOD DEVELOPMENT (/DEPARTMENTS/NEIGHBORHOOD-DEVELOPMENT)



617-635-3880 (TEL:617-635-3880)



NEIGHBORHOODDEVELOPMENT.DND@CITYOFBOSTON.GOV
(MAILTO:NEIGHBORHOODDEVELOPMENT.DND@CITYOFBOSTON.GOV)

Vacant Site Acquisition Fund

Overview

The City of Boston, CEDAC and LISC will capitalize a new acquisition fund. The goal is simple: create a loan fund to help qualified nonprofit affordable housing development partners compete in today's real estate market. This fund will be used to acquire substantially vacant and underutilized parcels of land and buildings for future development as mixed-income and affordable housing. The funding will target Boston neighborhoods that are at risk of gentrification with potential displacement of long term residents.

Fund Highlights

Streamlined Application & Approval Process

- CEDAC will administer the fund, and approvals from LISC or other participating lenders will happen “behind the scenes” during underwriting. Lenders will strive to make funding decisions within 30 days of receiving a full application.

Predictable and Favorable Loan Terms

- Streamlined application and approval process
- Access to separate funding to help with site control deposits and carrying costs
- Below-market interest rates
- 3-year term, with options to extend for two additional years
- Affordability obligations that ensure future developments will meet Inclusionary Development Policy requirements, with at least 40% of units affordable to households with incomes up to 70% AMI for rental developments, with a stated preference for deeper or additional affordability.
- Acquisition loan amounts up to 100% LTV.

Other Features Include:

- The City of Boston's Department of Neighborhood Development will provide information to nonprofit developers looking at prospective sites, including ownership status, liens, availability for purchase, tax title, etc. DND will work with other City and State agencies to identify parcels and obtain relevant information on behalf of nonprofit developers whenever possible.
- The Vacant Site Acquisition Fund will provide borrowers with “One Stop Shopping” for funding to secure site control, acquire the property, and defray carrying costs of the vacant land or building.
- Independent appraisals will help to establish fair market values and ensure Borrowers do not overpay. Information regarding likely variances, as well as re-zoning efforts underway that could have an impact on the current value of the property, will be provided to the appraiser.
- Borrowers may access additional resources to pay for site control deposits and carrying costs, as well as utilize CEDAC's other lending products to assist with pre-development expenses.
- DND will work with the owner and the Assessor's office to ensure that current valuations of sites take long-term affordability into consideration.