



Housing Department

NOTICE OF FUNDING AVAILABILITY

RELEASE DATE: August 31, 2018



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EXHIBITS

- A. Application Forms
- B. CSJ Underwriting Guidelines
- C. NOFA Checklist
- D. CSJ Proforma (see separate Excel spreadsheet)
- E. Housing Department Funding Sources
- F. NOFA Scoring Sheet (see separate Excel spreadsheet)

1. INVITATION

The City of San José Housing Department (CSJHD) invites qualified affordable housing developers to submit written proposals for affordable multifamily rental housing projects that will provide housing for extremely low-, very low-, and low- income individuals and families. CSJHD is providing gap financing for multifamily affordable housing including supportive housing.

2. UNDERWRITING GUIDELINES (Exhibit B)

Projects must comply with the underwriting policies, guidelines, and requirements (Underwriting Guidelines – Exhibit B) supplemented to this Notice of Funding Availability (NOFA).

3. FUNDING AVAILABILITY – ELIGIBILITY & PRIORTIZATION

3.1 Amount Available

CSJHD is making available **\$100,000,000** for gap financing for multifamily affordable housing projects that meet basic threshold criteria. Only new construction projects will be awarded funding in this NOFA. Funding will be provided in the form of a loan for construction and permanent financing (which may include refinancing of acquisition costs).

Exhibit E provides an overview of the available funding sources for affordable housing and how they may be used.

SOURCES AND AMOUNTS OF FUNDS	
Low and Moderate Income Housing Asset Fund	\$63,000,000
Multi-Source Housing Fund (Inclusionary Housing In-Lieu Fees and Affordable Housing Impact Fees)	\$30,000,000
Housing Authority Litigation Award Fund (HALA)	\$2,000,000
Home Investment Partnership Program Fund (HOME)	\$5,000,000
TOTAL AMOUNT AVAILABLE	\$100,000,000

3.2 Eligible Sponsors

Sponsors (Sponsors) may be non-profit and for-profit housing corporations, joint ventures, limited liability companies, and partnerships are eligible to apply. Sponsors must have documented experience owning and operating affordable housing projects or partner with an entity that has the required experience (See Threshold Requirement 4.8).

3.3 Managed Pipeline

CSJHD will allocate all funds available if there are sufficient projects meeting threshold requirements to use the funds. If projects request more funding than the CSJHD has available funds, then projects will be ranked based on project scoring criteria. Priority scoring is defined in (Section 5 Project Scoring of this NOFA). Projects must adhere to the timelines specified in the post initial term sheets, otherwise priority will be jeopardized and requested funding may be reallocated.

3.4 Readiness

Projects must be ready to apply to the California Tax Credit Allocation Committee (TCAC) for a round within the next 6, 12 or 18 months. Below are the three categories that define project readiness for the selected TCAC round:

- Planning Entitlements Secured
- Environmental Clearance Approved
- Funding Commitments Obtained

4. THRESHOLD REQUIREMENTS

4.1 Underwriting Guidelines

Applicants proposal must comply with the Underwriting Guidelines in Exhibit B of this NOFA and disclose areas of noncompliance, if any.

4.2 Compliance on Existing City Projects

Applicants must be in good standing with CSJHD and have complied with all their obligations, while not being subject to penalties, non-compliance or disciplinary actions, no negative financial and project management history with the City of San José within the last 24 months (e.g., sponsor has not been in monetary default on a loan from the City and has been current on all financial obligations and compliance documentation).

4.3 Site Control

Applicant must submit evidence that it possesses full site control, meaning that the Applicant has obtained an enforceable right to use the site for the proposed development prior to the submission of the proposal. This right may consist of fee title, or an executed ground lease, an executed purchase and sale agreement, or an enforceable option to purchase.

4.4 Loan Limit

CSJHD will provide low-interest loans to eligible projects. The maximum loan amount for any Project will be \$125,000 per unit. Applicants must comply with the Underwriting Guidelines in Exhibit B (Section 4 – Financing Option and Fees) of this NOFA.

4.5 Environmental Assessment

Applicants must submit a Phase 1 Environmental Assessment for potential toxins or hazards and if recognized environmental conditions are listed, a follow-up Phase II with required remediation measures.

4.6 Financial Feasibility of the Project

In order to be considered under this NOFA, the applicant must submit evidence of project positive cashflow for at least a 30-year period. The project also must demonstrate that it is feasible per guidelines for the 9% or 4% Low Income Housing Tax Credit program. Applicants must submit separate NOFA applications for 9%, 4% or hybrid TCAC executions. A financing plan that demonstrates full construction and permanent sources as well as acquisition and predevelopment funds, including the cost of any required remediation must be submitted.

4.7 High-quality Cost Effective Design

Projects must reflect high quality, energy efficient, cost effective design which is appropriate for the intended occupancy.

4.8 Organizational Capacity and Experience

The applicant must have developed at least one (“Qualifying Project”) in the past five years subject to satisfactory performance review by a local government funder. A Qualifying Project for non-PSH project applicants is defined as: a restricted affordable rental housing development that includes at least 40 units. For applicants on PSH projects, a Qualifying Project is a multifamily development of at least 30 units with at least 20% of the units reserved as PSH. Anyone proposing 100% PSH must demonstrate experience with 100% PSH projects. Applicants must provide a résumé evidencing experience in the development of multifamily low-income housing.

4.9 Property Management and Experience

The applicant or the applicant’s management agent must demonstrate successful approaches to managing affordable housing developments with similar populations as those being proposed. For PSH proposals for formerly homeless households, the approaches must be effective with residents who may continue to struggle with behavioral health and medical issues. At a minimum, the applicant or applicant’s management agent must have managed at least one Qualifying Project (as defined in Section 4.8.) for at least 24 months subject to satisfactory review by a local government funder on a previously managed affordable housing project. Applicants must comply with the underwriting guidelines (Section 8 – Property Management) in Exhibit B.

4.10 Services Experience

The Applicant or the Applicant's service provider must have experience providing supportive services at a minimum of one Qualifying Project (as defined in Section 5.7.) with the target population being proposed. For PSH projects, the service provider must be on Santa Clara County Office of Supportive Housing ("OSH") approved service provider list; and, the service provider's Qualifying Project must have a comprehensive service component linked to housing to remain stable in that housing, subject to satisfactory review by a local government funder. Applicants must comply with the Underwriting Guidelines in Exhibit B (Section 13 – Supportive Housing Policy) of this NOFA.

4.11 Affordable Housing Dispersion

The Housing Department encourages affordable housing to be constructed throughout San José to achieve socio-economic integration at the neighborhood level. The Department discourages concentration of extremely low-income units in census tracts where the poverty rate in the census tract is 20% or greater.

If the proposed development is located in a census tract where the poverty rate is 20% or greater, you must demonstrate two of the three following:

1. Neighborhoods that show signs of revitalization, through indicators such as declining census tract poverty rates, low or declining violent crime rates or evidence of increased educational opportunities (educational opportunity includes adult education, vocational school, state or community college)
2. New market-rate residence have been/are being developed in the same census tract where the proposed development will be located and it is likely that those units will positively impact the poverty rate in the area
3. Neighborhoods in which there is high private and public investment in retail or commercial that is already occurring or will imminently occur in the area, as economic advancement opportunities include retail and other business offering entry-level job opportunities

4.12 Option to Purchase / Ground Lease

The City's Underwriting Guidelines call for the granting of a City option to purchase and restrict the site. Financing will be secured against the ground lease interest. The price paid by the City for the land will be negotiated as part of the underwriting process. Developers should indicate if their project seeks an exemption, the grounds for the exemption, and whether unsubordinated affordability restrictions are consistent with the project financing. An example of a request for exemption may include ownership of the land by another public agency.

5. PROJECT SCORING

5.1 Readiness

Projects must be ready to apply to the California Tax Credit Allocation Committee (CTCAC) for a round within the next 6, 12 or 18 months. The project must be ready for the applicant’s selected TCAC round. A project is “ready” for a CTCAC round when it has:

- Planning Entitlements Secured
- Environmental Clearances Approved
- Funding Commitments Obtained

The selected CTCAC round will determine the readiness category that the project is placed in for the scoring. Projects within each of the Project Readiness categories will be scored and ranked according to Sections 5.2- 5.5.

5.2 City Owned Sites

Projects on City owned sites will be give first priority within the appropriate readiness categorization.

5.3 Supportive Housing Provision (Permanent Supportive Housing & Rapid Rehousing Housing)

Supportive Housing is an evidence-based housing intervention that combines supportive services and housing that is affordable to families and individuals who are experiencing or have experienced homelessness. This includes both Permanent Supportive Housing (PSH) and Transition In Place (TIP) units (sometimes referred to as Rapid Re-housing units). Applicants must comply with the Underwriting Guidelines in Exhibit B (Section 13 – Supportive Housing Policy) of this NOFA.

Projects will be given 1 point for each percent of Supportive Housing units being provided for homeless or formerly homeless households. Points will only be given for Supportive Housing units up to 30% of the total units; an additional 5 points will be given for 100% PSH projects.

SUPPORTIVE HOUSING SCORING EXAMPLE	
Total Number of Units	70
Total Number of Supportive Housing Units	15
Percent of Supportive Housing Units	21%
TOTAL POINTS FOR SUPPORTIVE HOUSING UNITS	21

It is expected that PSH units will be supported by ongoing case management services paid for outside the project budget (e.g., through Measure A services funding). It is expected that rapid



rehousing (RRH) units will have some measure of supportive services possibly limited in amount and in duration funded outside the project budget (e.g., the City’s Transition in Place program).

5.4 Cost Effectiveness

Projects will be given 1 point for each \$2,500 below \$525,000 in total per unit development costs. This cost should be exclusive of supportive service costs or any commercial use costs. These costs must be segregated and financed through sources other than CSJ housing funds.

Projects will be given 1 negative point for each \$2,500 over \$550,000 in total per unit development costs.

To encourage the building of a diverse range of unit sizes the number of bedrooms produced will be given additional points. The percentage of the total units with more than one bedroom will receive .5 points for each additional bedroom in the percentage mix (e.g., if 10% of the units have 2 bedrooms, the project would receive 10 additional points; if 10% of the units have 3 bedrooms, the project would receive 15 additional points).

COST EFFECTIVNESS BEDROOM PRODUCTION POINTS	POINTS PER BEDROOM
Studio (SRO)	0 PTS
1 Bedroom	.25 PTS
2 Bedroom	.50 PTS
3 Bedroom	.75 PTS

5.5 Leveraging

Additional sources other than senior debt, CSJ debt and standard 4% or 9% tax credit executions will be given 1 point for each percent of additional percent of the capital stack of the project those additional sources provide to the project (e.g., if the additional source(s) provide 25% of the capital funds required by the project, the project will receive 25 points).

Projects seeking Affordable Housing and Sustainable Communities Program (AHSC) funds will be given 10 additional points (in addition to) in recognition of the additional infrastructure funds brought to the City through the AHSC program.

Projects that combine 9% tax credits and 4% tax credits (hybrid or blended transactions) will have the additional 4% funds considered as additional leverage and receive 1 point for each percent of the capital stack represented by the 4% funds.

Projects will be given 1 point for each \$1,000 per unit that its loan request from the City is less than the \$125,000 loan maximum.

Projects within each of the Project Readiness categories will be scored and ranked according to these points awards. Projects seeking Affordable Housing and Sustainable Communities

Program (AHSC) funds will be given a 6-month Project Readiness credit thereby advancing their category placement. This is in recognition of the greater lead time needed for additional off site project components.

6. POST SELECTION PROCESS

6.1 Term Sheet

The City will provide awardees with an initial term sheet which reflects the requirements for funding including the project underwriting, features and timing as advanced in the application. The City will submit the Managed Pipeline selections to the City Council for approval. The selected project will provide monthly updates to the City on the progress of the project.

In the event the project is unable to maintain the required progress timeline in the term sheet, the term sheet will expire and the City will reserve the right to rescind or modify the project selection.

The project's entitlements and CEQA clearance must be received by the project two months prior to TCAC application for the round selected by the applicant. Upon completion of the entitlement process and receipt of CEQA clearance, the City will bring project to City Council for final approval and commitment to fund.

7. APPLICATION PROCESS

7.1 How to Obtain This NOFA/RFP

This NOFA/RFP may be downloaded from the BidSync solicitation posting system. Proposers must register with BidSync at www.BidSync.com. If you have a problem registering online, contact BidSync directly toll-free at (800) 990-9339 or by email at www.BidSync.com.

All addenda and notices related to this procurement will be posted by the City on BidSync. In the event that this RFP is obtained through any means other than BidSync, the City will not be responsible for the completeness, accuracy, or timeliness of the final NOFA/RFP document.

7.2 Application Process & Initial Review

The NOFA packets are available for download beginning **Friday, August 31, 2018**. To download the NOFA packets and all addendums, Applicants must register at <https://www.bidsync.com/>.

Upon receipt of applications, staff will conduct an initial review to determine whether the project is eligible and that the application is complete. The Applicant will be notified in writing if the initial review determines the application is either ineligible or incomplete.

Application Completeness Notices and Requests for Clarification will be sent to applicants via electronic mail **Friday, September 14, 2018**, as deemed necessary. Responses to Requests for



Clarification will be due by **Friday, September 28, 2018**, via electronic mail.

7.3 Submission Format-Electronic Application Submittal

Applications (application forms and all required additional documentation) must be submitted through BidSync at <https://www.bidsync.com/>. All applications must be submitted and received electronically no later than the submittal deadline stated in BidSync or in any ensuing addendum. Applicants may submit any number of applications for consideration under this NOFA/RFP (joint applications with another developer/owner count as an application for each entity). Applicants may not submit additional materials after the submittal deadline, and incomplete applications will not be considered.

7.4 Pre-application Conference (not mandatory)

Applicants and service providers are encouraged, but not required, to attend the pre-application conference on Friday, September 14, 2018. The details of the pre-application conference will be published in BidSync.

The purpose of this conference is to assist prospective applicants to gain a full understanding of the solicitation requirements and service options. At the conference, CSJHD staff will conduct a brief overview of the solicitation requirements, including any documents. All questions and answers will be summarized and published as addenda on BidSync. Attendees are encouraged to bring a copy of the solicitation documents to this conference as the CSJHD is not responsible for providing paper copies.

7.5 Application Due Date

The applications for this NOFA are due **Wednesday, October 31, 2018 at 4:00 PM**. Applications submitted after the deadline indicated above, will not be accepted. Delays in methods of delivery will not excuse late application delivery. Late applications will not be opened.

7.6 Important Dates

EVENT	DATE
NOFA Issue Date	8/31/2018
Pre-application Conference (not mandatory)	9/14/2018
Deadline for Submission of Questions	9/28/2018
Answers to Submitted Questions Posted	10/8/2018
Deadline for Applications to be Considered	10/31/2018
Recommendation/Notification of NOFA Funding	11/30/2018

7.7 Evaluation Panel

All responses to this NOFA will be reviewed by an Evaluation Panel (“Panel”) composed of outside consultants and representatives of the City of San José’s Housing Department. The Panel will perform a preliminary review of all applications. It is the responsibility of the Panel

to ensure that each application contains all the information and documents required to verify that the application is appropriate for funding. The Panel will evaluate the content of the applications and determine:

- Whether the proposed project appropriately addresses the identified needs;
- Whether the proposed project complies with existing state, county and city laws, ordinances, regulations, and policies;
- Whether the project sponsor has the technical expertise and financial capacity to complete the proposed project;
- Feasibility of timely implementation of the project including meeting environmental review requirements; and
- Whether cost estimates appear to be accurate.

8. APPLICATION REQUIREMENTS

8.1 Development Budget Proforma and Project Information

Applicants must complete and submit to CSJHD the [City of San José Proforma](#) with Sources and Uses demonstrating project feasibility and financing plan validating the Developer's financing strategy. Applicants must provide the following:

- A narrative description of the project's physical design features explaining how it meets the needs of the intended resident population, how it maximizes sustainability, and how the project is cost effectively designed.
- Photos evidencing property illustration that coincides with the narrative description of the project.
- A narrative description of the project cost and financing plan, including total project cost, all committed sources, all anticipated sources and the status.
- Prior to the final funding commitment, projects must be assessed in accordance with the California Environmental Quality ACT (CEQA). If the proposed project is being financed with federal funds, the project must also be assessed in accordance with the National Environmental Policy act of 1960 (NEPA). NEPA review should be coordinated with CEQA review to the extent possible.
- Letters of other financial commitment (or conditional commitments), if available.
- A list of utilities paid by tenant vs. provided by the owner. Prior to the final funding commitment, projects must be assessed in accordance with the California Environmental Quality ACT (CEQA). If the proposed project is being financed with federal funds, the project must also be assessed in accordance with the National Environmental Policy act of 1960 (NEPA). NEPA review should be coordinated with CEQA review to the extent possible.
- A project timeline on the City's form identifying the timing of major milestones for the

project.

8.2 Developer Financial Strength

Applicants must provide audited Financial Statements of (two years) signed by Applicant or certified by CPA (Partnerships: please include for general partner), with needed explanations. Applicants will need to explain any findings or concerns cited in the Applicant's prior two years' Audited Financial Statements or accompanying management letter.

8.3 Property Management

Applicants must provide information about the management agent and a brief description of how the property will be managed. A résumé with the number of properties currently managed must be listed, along with addresses and the number of "restricted" and market rate units in each property. In addition, the number of years the organization has been involved in property management must be identified. Applicants must submit supporting documentation consistent Underwriting Guidelines in Exhibit B (Section 8 – Property Management) of this NOFA.

8.4 Resident Services Plan and Budget

Applicants must provide a resident and services plan and budget. For Permanent Supportive Services Housing (PSH), a supportive services plan and budget shall be submitted consistent with UW Guidelines in Exhibit B (Section 13.6.2 – Supportive Services Plan and Budget) if this NOFA.

8.5 Food Services Plan

A food services plan for meeting the food needs of residents earning less than 50% of AMI must be submitted for approval.

8.6 Preliminary Title Report

Applicants must submit a preliminary title report (no older than three months from the application date) to demonstrate a connection to the submitted site control document and to ensure that the subject parcels are not encumbered with liens, delinquent taxes, trust deeds, and/or utility easements.

8.7 Site Control

At the time of the application, the developer must have control of the proposed development site by means of an enforceable purchase and sale agreement, option to purchase, land sales contract or an recorded grant deed.

8.8 Purchase Price

The proposed site purchase price for the land must be reasonable in comparison to other sites in the area and a comparison to other affordable housing sites throughout the County. Prior to any disbursement of funds for acquisition, an appraisal supportive of the acquisition cost will be required.

8.9 Appraisals

Prior to closing any City loan, the City may commission its own appraisal to confirm property value.

8.10 Environmental Review (CEQA/NEPA)

Applicant should submit CEQA and NEPA clearances, or if the clearances are not obtained, a timeline for obtaining those clearances. Prior to the final funding commitment, projects must be assessed in accordance with the California Environmental Quality ACT (CEQA). If the proposed project is being financed with federal funds, the project must also be assessed in accordance with the National Environmental Policy act of 1960 (NEPA). NEPA review should be coordinated with CEQA review to the extent possible.

8.11 General Plan Land Use Designation/Zoning

Applicant must either 1) Submit evidence that the proposed project is currently permitted by the General Plan and Zoning at the time of the proposed submission; or, 2) submit information as to how the project proposes to obtain any needed approvals from the Planning Commission and/or City Council with a timeline.

8.12 Planning Entitlements

Prior to the final funding commitment, Applicant must provide evidence that the project has obtained planning entitlements.

8.13 Outreach Plan

If entitlements are in place for the project, provide a description of the community outreach efforts. If the entitlements are not yet in place, include a copy of the plan for community outreach.