

Public Housing and Community Development

FY 2016 Request For Applications (RFA)

Addendum No. 1

DATE: September 16, 2016

TO: All Prospective Applicants

FROM: Michael Liu, Director
Public Housing and Community Development

SUBJECT: FY 2016 Request For Applications (RFA) – SURTAX/SHIP

The following is in response to questions and/or comments received related to the FY 2016 Surtax/SHIP RFA published on August 30, 2016.

Cornerstone Group (CG)

Questions received on September 2, 2016

CG: Page 4: “Any funds not allocated in a category can be made available for another category.” If you could clarify within the application if that means if Homeownership funds are not allocated they can be allocated to rental activities, I would greatly appreciate it.

PHCD: Projects will be recommended for funding only up to the total amount published in the FY 2016 RFA. Any funds not allocated in a category can be made available for another category. However, such reallocation will be limited by Florida law requiring that 35% of funding (after accounting for administrative costs) be allocated to Homeownership activities.

CG: Page 5: “Bond” definition. I am not sure what a “Certificate that serves as evidence of debt and of the terms under which it is undertaken” means. A tax-exempt bond financed project does not carry a certificate, I believe. Perhaps you would want to redefine this to be “Tax-exempt bond” and eliminate the first sentence of the definition noted above.

PHCD: The new definition will read: “Bond: Any interest-bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money usually at specific intervals, and to repay the principal amount of the loan at maturity. There are many different kinds of bonds including multi-family housing revenue bonds issued to finance construction of multi-family housing projects where a specified proportion of the units will be rented to low and moderate income families.”

CG: Page 5: Credit Underwriting (CU): “An analytical process that determines the amount of financing necessary for completion of the construction and development under the direction and oversight of PHCD.” When the County instituted credit underwriting several years ago it was to be by third party credit underwriters, to create necessary checks and balance between the department awarding the funds and a third party professional underwriter. This was a critical issue. I do not believe that the County has since changed its stance on this. I think it may have to go back for BCC approval if this process has now been changed and PHCD wants to direct the credit underwriting. It may be that the language included in this definition does mean that the credit underwriter does perform its duties without intervention, so if that is the case, then not a worry.

PHCD: Credit underwriting services are still subcontracted to third party agencies.

CG: Page 5, under Developer Fees, last paragraph: “If the project receives funding from the County from multiple funding years (i.e., 2015 and 2016 funding)... “The County resolution passed two years ago was very strict that developers could not come back for more funding. The RFA cites the Resolution 345-15 on page 13 that says only in certain circumstances could a developer come back, but it has been a rule ever since that resolution passed that the RFA specifically stated that a developer could not come back for funds if they competed in prior years. Page 13 also says Resolution 345-15 “is a minimum threshold requirement.” Taken together, page 5 and 13 are confusing. My clarification request is: Is this RFA permitting developers to come back for additional funds if that project received competitive funds in prior years. Or, is an applicant who came in for prior year competitive funds for the same project not allowed to do so in this application. This is clearly a significant issue, if PHCD is now allowing applicants to come in if they have already received competitive funds, and the sentence that used to be in the application saying that an applicant could not come back for competitive funds if they had already been awarded competitive funds I think is no longer part of the RFA.

PHCD: This RFA does not permit developers to apply for funding for projects that were awarded funds in prior year’s RFAs. Amendment No 1 has been issued to address the definition for Developer Fees and this issue.

CG: Page 5, Firm Commitment: This paragraph defines firm commitment, but then at the end says that PHCD will determine if a letter is a firm commitment. PHCD must define, therefore, in the application the items required to be a firm commitment, just like the FHFC does. Otherwise, as you noted in a workshop a month ago, you directed staff to provide a letter that PHCD has determined is sufficient to meet your definition of a firm commitment. For developers who applied for Dade subsidy for twenty years and had no instance of not being scored firm, the RFA in June 2016 was the first RFA in 20+ years where staff discarded over 50% of the applications submitted, saying they were not firm, even if they were the same letters received in that cycle by applicants’ whose letters were scored firm. This is a significant issue in this application, as a subjective determination by PHCD if the letters are sufficient is not a fair application. There simply has to be objective criteria.

We would recommend that PHCD use the FHFC criteria, which is:

Each financing proposal shall contain:

- (i) Amount of the construction loan, if applicable;*
- (ii) Amount of the permanent loan, if applicable;*
- (iii) Specific reference to the Applicant as the borrower or direct recipient; and*
- (iv) Signature of all parties, including acceptance by the Applicant.*

The loan amount may be conditioned upon an appraisal or debt service coverage ratio or any other typical due diligence required during credit underwriting.

Financing proposals may be conditioned upon the Applicant receiving the funding from the Corporation for which it is applying.

PHCD: For purposes of this RFA, evidence of a firm commitment include the following:

- Award letter or invitation to underwriting from FHFC
- Board approved allocation
- Documented evidence of funding ability from an industry recognized financial institution
- Documented evidence of initial underwriting by a lender or from a financial source

CG: Page 13 and Page 9, TDC: Please confirm that page 9 TDCs govern, as they are different than the TDCs set forth in the April 2015 resolution that was required to be renewed annually with updated TDCs.

PHCD: For purposes of this RFA, maximums for Total Development Costs can be found on page 9.

CG: Page 15: “There shall be no developments ranked beyond those that are recommended for funding.” That is contrary to all PHCD RFAs issued prior to June 2016. Every project needs to be ranked, so if a ranked project falls out of funding, cannot close or doesn’t get through credit underwriting, the county can immediately use those funds for the next ranked project that had not been able to be funded. The FHFC does the same. Otherwise, we will end up in the situation of last June’s RFA, which was the first PHCD RFA in 20+ years that did not utilize all of its RFA funds. The taxpayers who approved Surtax want to know that they are spent when they are available, not held back another year.

PHCD: Only projects meeting minimum threshold requirements will be scored. Only scored applications will be ranked. Applications that do not meet minimum threshold requirements will not be scored and therefore will not be ranked.

CG: Page 15: Leveraging: Leveraging is a defined term, and has always been defined in the PHCD RFAs as subsidy/unit. This RFA now says leveraging is total subsidy requested. This new definition is not leveraging of a project, at all. A project could be requiring more funding per unit, but less total funding than the next project, and it will win on the leveraging tiebreaker. The Leveraging definition needs to be revised to reflect what leveraging has always been defined as, which is subsidy/unit. Projects otherwise will be penalized because they are larger (more economically efficient, more amenities and services, and more financially viable in the long-term). I.e., a 30 unit project needs less PHCD funds than does a 100 unit project, so then the 30 unit project would win on leveraging, but those smaller projects are difficult to manage for the long-term and don’t offer any amenities, by and large, to its residents.

PHCD: For purposes of this RFA, leveraging is outlined on page 15, (i.e., projects that require less total County funding per unit.)

CG: Page 15: Loan Closing Costs: Loan Closing Costs is new to the RFA and is not defined as to what they will be. And, these costs were never discussed when Loan Terms were approved in the PHCD loan terms workshop, where everyone agreed on what would work for interest rate, amortization, etc. Loan Closing Costs is a loan term, and should have been therefore discussed in that workshop, which had been required by the Mayor’s office so that PHCD and the developers could have defined loan terms applied consistently to all applicants. If you could define what the Loan Closing Costs will be, that would be very much appreciated.

PHCD: Loan closing costs are those costs associated with real estate loan closings, including but not limited to financial and legal fees, etc.

CG: Page 26: “Proposed Developments using FHFC resources must include the following Green Building features;” This section has two items that the FHFC does not require. Specifically, the low-flow toilets are 1.5 gallons/flush or less on the FHFC application, rather than 1.28 gallons. And, the Energy Star washing machine is not a required feature, unless it is in an on-site laundry room. Therefore, it is recommended that page 26 be amended to have the toilets be 1.5 gallons/flush and Energy Star qualified washing machines in the on-site laundry rooms, as applicable. The Energy Star washing machines are actually larger than the typical machines, also, so for projects that are ready to proceed (which are the projects that PHCD wants to have submitted in this cycle, that are ready to move forward but for gap funds from PHCD), it is not possible to re-design those units now. And, again, the FHFC is not requiring Energy Star washers in the apartments, but rather in the on-site laundry rooms, as applicable.

PHCD: Applicants must adhere to compliance guidelines pursuant to Ordinance No. 07-65 implementing sustainable development practices and measures into a building(s) owned, financed, and/or operated by Miami-Dade County. Applicants with proposed developments that **include** Florida Housing Finance Corporation (FHFC) resources must **also** comply with FHFC Green

Building requirements.

CG: Page 32: Site control: The application has always had a requirement that purchase and sale agreement must have site control through X date. For example, this year, the FHFC's X date is April 30, 2017. This RFA says that the purchase and sale contract be "dated through financial closing of deal." There is no definition of financial closing of deal, as that does not have a defined date yet for any deal. Staff needs to provide an actual date in the RFA, as they have in all prior RFAs. Otherwise, it is impossible for the applicant to know, nor for a PHCD scorer to know what "financial closing of the deal" is.

PHCD: For purposes of this RFA a fully executed contract for purchase and sale of the subject property must be dated through March 31, 2017.

CG: Page 32, 38, 49, Developer Experience: The past applications have always requested that the developer show for scoring it has certificates of occupancy for at least 1,000 units and photos of those same at least 1,000 units. The developer also included in the application a chart showing all of the units it has built over the years. This new RFA added three new items:

Page 32: #18, Historical Data on Previous Completed Items: Do you want a list of all the projects we have built in this section. Or, do you want what page 38 requests, which is information on what the principals have built over the past 10 years for Historical Data. Page 38: Page 38 says the developer must provide photographs for all completed units. I think this sentence got caught up with the changes in the RFA, and should be photographs for the 1,000 units required for developer experience on the scoring chart. Please confirm. If not, for those developers who have built 60+ affordable housing properties over the years, we would be having to add 50+ pages to the application, one original and 6 copies for each application. The binders would get bigger and we would be "killing trees" with all of those pictures.

PHCD: Developers are asked to provide documentation of prior projects within the past 10 years. For purposes of scoring, to receive the maximum number of points for developer experience, you must provide proof of 1,000 units, which include a certificate(s) of occupancy.

CG: Page 49: Developer experience has always been 15 points for approximately 1,000 units. This final RFA, unlike all of the previous draft RFAs that PHCD has sent out over the past month or so, now has split the experience into two: (a) 13 points for showing evidence of 1,000 or more units built, including the certificates of occupancy, (b) 2 points for projects completed "within the past 4 years (based on units counted above)" (bold print included in the PHA RFA). The question is that we provide the 1,000 unit or more of certificates of occupancy and then state which projects have been completed within the past four years. And, to get the 2 points, "51% or more of the number of units" included in that list of certificates of occupancy have to have been built in the past 4 years, it appears. If you can confirm that my understanding of the new 2 point section is accurate, I would greatly appreciate it.

PHCD: For purposes of scoring, to receive the maximum number of points for developer experience, you must provide proof of 1,000 units, including a certificate of occupancy. If a developer can demonstrate "**recent experience**," i.e., proof of completing units within the last 4 years, additional points will be awarded.

Questions received on September 7, 2016

The uses page on the RFA has for years been missing the following FHFC Fees, so we have to instead show them under "other" and then provide detail. I think the underwriter probably needs to see these in the S&U, as they do for the FHFC:

- FHFC Admin. Fee
- FHFC Underwriting Fee
- FHFC Compliance Fees

And since you all now have your own credit underwriting fees, those fees can either have their own line item, or just change the preceding FHFC Underwriting Fee to FHFC & local subsidy/bonds underwriting fee.

The uses is also missing the payment & performance bond line item.

The FHFC app fees line is also missing.

PHCD: When completing the sources and uses statement, please include all appropriate fees in your application.

Questions received after deadline

CG: As an FYI: The developer experience section this year is requiring in our application close to 150 pages of certificates of occupancy and pictures. In prior years, prior to RFA 2016, the RFA allowed the applicant to submit a spreadsheet with the list of certificates of occupancy for each project. That alone would save around 100 pages. For developers who only build high rises, there is only 1 CO per project. For developers who build lower density product, there are many certificates of occupancy for the units.

CG: Also, the application is requiring pictures of everything built in the past 10 years. I am not sure why that is being requested, as pictures are not a scoring item. The pictures are adding 40 pages to the application. My recommendation would be to allow the spreadsheets with the certificate of occupancy #s, as was done in prior RFA, and to not require the above-noted pictures. These binders are going to be very large this year because of these issues and making these changes will allow PHCD to have reduced storage issues.

PHCD: The RFA requires Certificates of Occupancy and pictures. The applicant is not limited in its formatting and can maximize space accordingly. All information provided must be legible.

CG: Please confirm that the red (Rapid Transit Corridors), blue (Metrorail) and hatched green lines (Express bus routes) are the SMART lines for the page 50 bonus points.

PHCD: Yes, the SMART Plan includes all the above.

CG: On the bonus point page, it now says a project must be only “approximately” 1 mile from recreation and health facilities, as opposed to in the prior draft of the application and on last year’s application when this bonus point was added, the application said that a site had to be within one mile of recreation and health facilities. Can you also explain what you all mean by “approximately?”

PHCD: We will accept proximities that are slightly over 1 mile.