



CITY OF HOUSTON

Housing & Community Development Department

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Subject: Letter of Clarification No.2
Notice of funding Availability (NOFA) – 2019
Disaster Recovery (DR-17) Multifamily Program Round- 1

Reference: Request for Proposal No.: T28910

To all Prospective Proposers:

This Letter of Clarification is issued for the following reasons:

- To answer the following questions:

1. Question: This project will also have an Application for a 9% HTC with TDHCA and it's via a to-be-formed Limited Partnership entity- is it okay to apply for CDBG funds with the same to -be-formed entity?

Answer: *Yes, it is fine to apply with a to-be-formed entity. Housing and Community Development Department (HCDD) will require all of the items on the checklist regarding the new organization at application.*
2. Question: Rehab Projects – what design documents need to be provided at Application? Other than the general rehabilitation and adding ADA units the building footprint, its structural makeup, and unit configurations will be unchanged – Application calls for several Deign Docs (Site Plan, Elevations, etc.)

Answer: *Please provide all the items on the checklist regarding design documents. We understand if plans are not 100% completed at the time of application but will require plans to be 100% complete before council approval. We will require completion of plans to be complete as soon as possible.*
3. Question: Rent Restrictions – this project has an existing HAP Contract and will continue to be operated as Section 8 property – how do you want us to respond to the required rent restrictions.

Answer: *A Section 8 contract will not impact HCDD's requirements for rent restrictions. Along with providing the application workbook that entails the unit mix, please provide how many units will be section 8 and how long the contract will last.*
4. Question: Utility Allowance – NOFA Application says that all Applicant must use the HHA UA, however as a Section 8 property with a prevailing HAP Contract we are required by HUD to calculate the utility allowance in accordance with HUD Multifamily Notice H-2015-4. Which would you like us to use for Application given that operationally we are required by HUD to use the one they provide?

Answer: *HCDD will recognize a Utility Allowance schedule approved by HUD.*

5. Question: I've been asked to prepare several appraisals for the current round of Harvey DR funding. The requirements call for a Market Study and an Appraisal "as is and as complete" Your Letter of Clarification further states: 3. Question: What are the appraisal standards, requirements, specifications, guidelines needed to be identified in the appraisal for your review and reliance? Answer: If the applicant is seeking first lien financing from a separate lender, the appraisal report may be received during the time of underwriting. HCDD requires reliance on any appraisal reports. Reports should include the existing as-is value of the property. The report should also provide the As-Stabilized Upon Completion values. The As-Stabilized values should include a sales comparable approach, income approach and cost approach. My question is what valued do you want on an "as complete" basis? As Restricted" only? "As if Unrestricted" also? Cost and Sales Comparison Approaches are not typically performed for properties on an "As-Stabilized Upon Completion" value on an "as restricted" basis, as they are not typically reliable or necessary indicators of the subject's value. Thanks for your guidance!

Answer: *HCDD will accept the unrestricted on an "as complete" basis.*

6. Question: On the "Unit Mix" tab, the spreadsheet does not allow us to add rows to provide more than one floorplan within a specific category, i.e. multiple 1-bedroom floorplans. Please update the spreadsheet to allow for multiple floorplans with a single floorplan type.

Answer: *If you have more than one floor plan for a particular bedroom, please submit the average unit's square footage and monthly rent.*

7. Question: During the pre-proposal conference it was stated that the City would accept proposals for scattered sites. Will scattered sites be scored based on the site with the greatest number of units? Also, could you please clarify whether the CDBG us a hard pay loan or soft pay 1% simple interest?

Answer: *All of the sites that are part of the development will be reviewed for criteria based in the application.*

Regarding Loan Interest, for the construction term no payments are required. During the permanent term, Borrower will be required to pay 1.00% annually on the outstanding balance of the loan until maturity. Payments will be subject to available cash flow for the property.

Interest shall be calculated utilizing a 360-day basis for the actual number of days principal.

8. Question: Can you please have someone fix the unit mix sheet for me. I have 3 different types of 4 bedroom units square footage wise and each has several levels so the existing format does not give me enough room for all the unit types. Additionally, The workbook cells are not correctly feeding from site and project information to the instructions page/checklist.

Answer: *In response to requests to revise the Unit Mix tab within the NOFA Workbook to increase the number of rows and account for various unit sizes, please note that HCDD requests applicants to reflect an average unit size for units in each income level. During underwriting, HCDD will review the detailed plans and unit mix to ensure ADA and Fair Housing standards are met for each unit type.*

9. Question: A) "Are any liable under any contingency agreements?" Most loans/projects have guarantees, are you considering guarantees to be contingent agreements-or is this only in reference to contingent liabilities that have been called? B) "Does organization have prior history with City "entitlement funds"? C) Are CDBG-DR funds considered "entitlement funds"?

Answer: *A) HCDD want to know if there are outstanding obligations (Including guarantees) the parties may be subject to, not only just the ones that have been called. It applies to both. B) Who has experience administering public funds. C) It applies to HOME, CDBG, TIRZ and (although not necessarily considered entitlement) CDBG-DR.*

10. Question: If a market project is rehabilitated and converted to affordable project and meets all of the accessibility standards does that meet the criteria to be eligible for the Harvey Funds (DR-17) for Multifamily?

Answer: *Converting market to affordable is allowable. HCDD will perform its own analysis for Accessibility Standards.*

11. Question: A) Will non- profits have to pay the \$75,000 closing cost? B) Can CHDOs apply? C) Is the City buying the land?

Answer: *A) Yes, all applicants are required to pay City's due diligence costs that should be included in your development budget. B) CHDO's are eligible to apply. C) Regarding your last question if the City is buying land, providing raw assets like land is not part of the NOFA. We are utilizing CDBG-DR funds for construction and rehabilitation of multifamily properties.*

12. Question: Question with regards to submittal of personal financials for guarantors. These should not be shared by anyone except the Guarantor and City of Houston reviewer, in a confidential Imanner. Is there a way to submit this confidential and sensitive information directly to the City of Houston and not included in triplicate with the application submission, which will be public record.

Page 12 of the NOFA says that awardees will go through U/W process which will evaluate the financial statements of the owner and guarantor.

However, the EXCEL file checklist on the "INSTRUCTIONS" tab for Attachment A-8 states: "Previous three years' audited and/or company prepared statements financial statements and tax returns of all principals and guarantors associated with the borrowing entity"

Please provide a way for the Principals and Guarantors to confidentially email/upload their personal financial statements/tax returns directly to COH and completely separate of the application itself. These are not items that I will have access to (nor should I) to include in either the hard copy application nor the thumb drive in soft copy. And please confirm if these are due March 29, as the workbook states, or after award, as the NOFA states.

Answer: *HCDD will accept a separate submission of guarantor financial statements. These can be mailed or overnighted to the address indicated in the NOFA. If applicable, information within the statements are treated as Personally Identifiable Information and HCDD has procedures in place to protect this information.*

However, as you noted financial statements that are submitted to a governmental body as part of a response to a request for proposals would be subject to the Texas Public Information Act. However, whenever the City receives a request for third party information, including submissions made in response to an RFP or NOFA, the City notifies all interested third parties of the request and allows them an opportunity to submit arguments to the Office of the Attorney General. There are exceptions in the Act that could require a governmental body to withhold a third party's financial information, if they are successfully argued to the AG.

13. Question: A) In our JV the local partner is receiving an upfront payment under a ground lease for the FMV of the land. Can this be counted towards the 50% of the ownership interest, cash flow and developer fee required? If so how? B) If the owner of the land is a partner in the application is a Memorandum of Understanding satisfactory to establish site control?

Answer: *A) Based on the description provided, a upfront lease payment for consideration under a ground lease not be considered allowable to meet the 50% standard for participation in a joint venture agreement. B) The owner can provide a Memorandum of Understanding or Letter of Intent to establish site control.*

14. Question: In completing the NOFA Unit Mix schedule, it appears that there is an Error in the "Meets HCDD Requirements" cells. The formula in the application is, =IF(L45>=L46,"Yes","No"), which shows that the Restricted units are not meeting the HCDD Requirement. The required no. of Restricted units is meeting the HCDD Requirement, but the cells are populating "No". Will this be in the NOFA application? Does the no. of Restricted units have to be over the required 51%?

Answer: *During threshold review, HCDD will analyze and check the "Meets HCDD Requirement" cells. There is no requirement to be above 51% restricted.*

15. Question: The 30, 50, 60, and 80% rents are incorrect for the 4 Bedroom units in the NOFA application.

Answer: *HCDD have updated the workbook with new rents.*

16. Question: Can you please tell me if there is a particular format or template to be used to complete the HCDD CDBG funding application and the attachments defined as A-1, A-2, A-3, B-1, B-2, B-3, etc.

Answer: *The format should be 12 size font on letter size paper to fit within your binder.*

17. Question: So I understand we may be able to "augment" the application between now and the deadline. How should we handle that logistically?

Answer: *For any modification of the application, submit a revised NOFA Workbook with any due diligence directly electronically to Tywana Rhone at tywana.rhone@houstontx.gov. with three physical copies sent to Housing and Community Development Department, 2100 Travis St., 9th Floor Houston, TX 77002 Attn: Tywana Rhone.*

18. Question: A) Do you have any guidance for the timeline for a decision on the awards? B) Also, will rehab requests be given preference over new construction.

Answer: *A) Awards will be announced in June B) New construction and rehab are both eligible activity. All applications will be evaluated based on the criteria in the NOFA.*

19. Question: We submitted an application on 2/22 for the above RFP assuming a 9% award. I would like to submit a second scenario for funding to go with 4% tax credits prior to this month's deadline. Since it's the same deal, is it acceptable to simply provide revised numbers and term sheets, or will HCDD require the full submission package again?

Answer: *Please see earlier comment regarding application modifications.*

20. Question: If we submitted an early application for the Feb 25th due date and submitted the application fee of \$1,000 at that time, do we need to pay another \$1,000 application fee for the March 29th submittal?

Answer: *One-time fee of \$1,000 for each project application.*

21. Question: The property we are filling out has 5 bedroom units and the model only shows up to 4 bedrooms units. I was wondering what the best way to handle this would be? For now, since we don't have studio units, I put the information in that section to make sure I was calculating correctly.

Answer: *This will be fine. Please make a note of this for the underwriter in your application.*

22. Question:

We are planning to submit the application under the multifamily developer's name, create a joint entity (50-50% partnership) and reconcile with joint entity's name if we are granted the award. Is there any issues with an entity name change?

Answer: *HCDD don't see an issue if we had a description of your plans for a joint venture. We mainly need to know who the entity is before we start our underwriting review.*

23. Question

For the Lead Base Paint Assessment: A) What Regulatory Agency Guidelines need to be followed?
B) Can this be submitted during underwriting?

Answer: *A) Per the NOFA, an environmental review is required for all HUD- assisted projects. The City will conduct the environmental review in compliance with 24 CFR Part 58. B) The review will be done before HCDD can commit funds through City Council.*

24. Question

HCDD's underwriting review period will start on June 1, correct? We are pressed for time to execute our PSA before the March deadline and having a bit more time to compile other required documents would be greatly appreciated.

Answer: *Yes, HCDD will start underwriting when we make our selections. We usually want a minimum of 90 days to underwrite and present to Housing Committee with council approval one (1) – two (2) weeks after that closing 1-2 weeks after approval. Overall, we'd advise at least a four (4) month period after award notification to close.*

This Letter of Clarification will be considered part of the solicitation referenced on the first page of this document.

Furthermore, it is the responsibility of each PROPOSER to obtain any previous Letter(s) of Clarification associated with this solicitation.



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