



**CITY OF HOUSTON**  
Housing & Community Development Department

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April 24, 2020

**Subject:** Letter of Clarification No.1  
Notice of Funding Availability (NOFA) - 2020  
Disaster Recovery (DR-17) Small Rental Program

**Reference:** Request for Proposal No.: T29391

To all Prospective Proposers:

This Letter of Clarification is issued for the following reasons:

- To provide clarification to items presented in the NOFA
- To answer the following questions
- To **remove** the T29391 Application Form and **replace** with T29391 Application Form 2020 Marked **REVISED** and **add** Ownership Form

Eligible Activities

Acquisition for the purpose of demolition and reconstruction is an eligible activity under this program. However, it should be clear that acquisition for the purpose of rehabilitation of existing units will be not be eligible. Rehabilitation is not an eligible activity.

Site Acquisition and Choice Limiting Action

Clarification has been included within the guidelines that state purchase contracts must be structured as option contracts subject to environmental clearance by HCDD. Any contracts not structured as option agreements would be considered a choice limiting action by HUD, and therefore ineligible for funding.

Section 42 Housing Tax Credit Rents

All units in the proposed development will be restricted as outlined in the NOFA. Rents will be based on IRS Section 42 (i)(3)(A) housing tax credit rent.

## Multiple Project Development

The Department would like to clarify that while two projects may be funded for each development team, it will monitor the timelines of both projects closely to avoid any potential overlap.

1. Question: Given civic clubs and super neighborhoods are not meeting, what are the City's expectations as to community support?

Answer: *Best efforts must still be made to obtain support and notify the community of the proposed project. If letters of support are not available, all efforts must be documented and submitted in writing.*

2. Question: The Minimum Property Standards linked to in the NOFA are for multi-family properties. Given that what we and others may propose to build are single-family homes, will these be supplemented with other standards?

Answer: *The small rental program will operate under the multifamily MPS, however, requirements related to common space will not apply. Further clarification will be provided by the department within two weeks.*

3. Question: Are there limits on the developer fee?

Answer: *HCDD's program guidelines do not allow for funding to be used for developer fees. Developer fee is a CDBG eligible item of the project cost that is designed to compensate developers for the risk, time and effort to build and sell or lease the property. However, HCDD has determined developer fees are not a reasonable expense as this program will provide extremely high percentage of the project costs thus lowering the risk to applicants. In addition, owners will benefit from the cash flow generated by the property and not encumbered with senior debt.*

4. Question: What about Concerted Revitalization Areas from past administrations? If they are slightly outside of the TIRZ can they still count?

Answer: *For the small rental NOFA, projects must be located in one of the original five complete communities listed in the NOFA, or inside one of the 27 TIRZ areas.*

5. Question: Can qualified non-profits receive a variance from the performance bond requirement of 100% of the total project cost (ex. \$900,000) if it will only have \$450,000 unsecured at any one time? Can we make a request to allow bonding for each freestanding unit (duplex, triplex, etc)?

Answer: *No. Variances are not allowed per HUD regulations. General contractor must provide Payment and Performance bond for 100% of the construction contract.*

6. Question: **Clarification for Attachment (A-8)** "Previous three years' audited and/or company prepared statements, financial statements and tax returns of all principals and guarantors associated with the borrowing entity." Does the IRS Form 990-N meet the criterion given we are operating under the requirements of the IRS? Our operation is lean, and we have tenured volunteers and Board members who are dedicated to our mission.

Answer: *IRS Form 990-N is acceptable, however, it must be submitted in addition to financial statements for the organization.*

7. Question: **Clarification for Attachment (A-10)** "For non-profit organizations (NPO) participating in the Capacity Building program (1) provide a summary of the resources available to the NPO (2) verification principals . Does this apply to our organization (NPO), we are participating in the Construction of Small Rental (1-7)?"
- Answer: *This applies to all joint venture projects between a non-profit and for-profit. Summary of resources must be provided, as well as verification that there is no relation between the principals of the partner organizations. The roles of both organizations must also be clearly defined.*
8. Question: **General Clarification:** Given we are an NPO do we need to provide a "guarantor" if we are the developer, should we fill out those questions as ourselves?"
- Answer: *If there is no guarantor, only the NPOs information should be provided.*
9. Question: The proposed project(s) is in multiple phases and is ongoing. Funding will be sought for discrete phases of the project. If an early phase of our proposed project is funded separately and completed prior to an award of DR-17 Small Rental Program Funds, can a subsequent phase of our project be eligible for funding?"
- Answer: *Projects are eligible if they meet the unit size criteria, and developers are limited to a single project under construction at one time. Once an application is submitted, there can be no on-going work on the site. Any construction happening on the proposed site during the construction of the project is subject to monitoring and compliance.*
10. Question: Example 1.A): If some of the site work, including grading and subsurface utilities is completed and separately funded prior to a DR-17 Small Rental Program funding award, will the foundation, building construction and other development costs be eligible for funding?"
- Answer: *Once application is submitted, no work on the site should begin until a determination is made on award of funds. Any site work that happens after the funding award is considered an eligible activity. Certain expended soft costs (architectural, engineering) may be eligible for reimbursement.*
11. Question: Example 1.B): If a project consists of ten (10) units in small, newly constructed, single family rental houses, can two separate applications be made? One for a seven (7) unit phase and a second application for a subsequently built three (3) unit phase?"
- Answer: *Yes, two separate applications may be submitted. Please note that each application will be reviewed and scored independently. If awarded, construction will be limited to one project at a time.*
12. Question: Will a project consisting of multiple newly constructed "shotgun" or "bungalow" style two bedroom single family rental homes be considered a multifamily project for the purposes of this program?"
- Answer: *Single family buildings are eligible for this program. A Multifamily Project is defined as 1-7 units under common ownership.*

13. Question: Can the project pay for developer fee with CDBG-DR funding?

Answer: *See response to question 3.*

14. Question: If an applicant submits 2 applications and is awarded both, does the first project have to be completely finished and closed out before any work can be done on the other project?

Answer: *Two projects cannot be under construction at the same time. Certificate of occupancy must be obtained for the first project before construction can commence on second project.*

15. Question: Can an applicant purchase a large property through this NOFA and build additional units on it in the future (after the 7-unit project is completed)?

Answer: *Applicant can purchase a larger tract of land, however, HCDD funding will be limited to the portion of the property that is being used for the current phase.*

16. Question: Can 2 applications be submitted for the same property? Put another way, can a property be built in phases, with one application as phase one and the other as phase two?

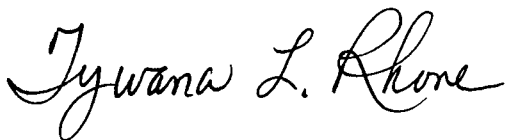
Answer: *No. Two separate applications must be submitted. Please see response for answer 15.*

17. Question: Please confirm whether HCDD's closing costs will be \$75,000.

Answer: *Closing costs will be limited to the amount of any third party expenses (attorney fees, plan and cost review, accessibility review, signage, etc.). It is recommended that a minimum of \$75,000 be budgeted for these costs.*

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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