



REQUEST FOR PROPOSALS
FOR
AFFORDABLE HOUSING
PRODUCTION AND PRESERVATION

DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
101 E. 11TH STREET, CITY HALL, SUITE 200 • CHATTANOOGA, TN 37402 •
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CITY OF CHATTANOOGA REQUEST FOR PROPOSALS (RFP) TO PRODUCE AND PRESERVE AFFORDABLE HOUSING

Through this Request for Proposals (RFP) the City of Chattanooga's Department of Economic and Community Development (ECD) is seeking partners to assist in increasing the supply of decent and affordable housing for City residents. ECD desires responses from partners that offer creative ways of improving both the housing stock in the City of Chattanooga and the neighborhoods in which the housing is located. Eligible applicants can be for-profit or non-profit entities.

ECD is seeking to leverage City HOME Investment Partnership (HOME) funds with local resources to expand the availability of affordable housing through production and preservation. ECD has established priorities for housing that include reconstruction or rehabilitation of existing single and multifamily housing properties (for rental), new rental housing development and homeownership housing development. Housing may be for the general low/moderated income population or for special needs populations (homeless, seniors, veterans, disabled). All activities funded must be within the Chattanooga City limits.

Available funds are estimated to range from \$650,000 to \$1 million dollars. The level of available funds remains fluid as sources include current year federal allocations and funds reallocated from stalled projects. As a policy, the City desires to provide enough funding to each approved transaction to increase the availability of affordable units, or substantially improve the quality of existing units, without over-subsidizing (enriching) the development or increasing the risk associated with over-leveraging the development. The City reserves the right to determine award and financing terms based on the financial evaluation of the project in tandem with the program requirements and availability of funds.

Leveraging of the City funds is key to the ultimate success of these projects. By federal regulation, the City may not invest more HOME funds, alone or in combination with other governmental assistance, than is necessary to provide quality affordable housing that is financially viable through the affordability period. The City funds will only be provided as gap financing that is not otherwise available from other sources. No project will be funded 100% by the City. Applicants must demonstrate that they have or will structure projects to maximize other available financing sources thereby limiting City funding to the lowest amount necessary to assure project feasibility and demonstrate that rent proceeds or other funding sources will allow for adequate reserves to meet capital needs for the length of the affordability period for the project.

Applicants should make a specific request to the City. The request should represent the **gap** between (a) the total project costs and (b) the Applicant's equity plus commercially available debt, other grants, tax credits, and capital contributions.

ECD will underwrite all requests to ensure that each project is financially sustainable over its affordability period. The underwriting review evaluates cost reasonableness, market demand, developer capacity, and the commitment of other funding.

This RFP will be conducted as an open application cycle with the pool of responses being reviewed and considered for funding at the end of set deadline. Proposals for eligible activities may be submitted at any time and will be considered for funding as long as; funds are available; the project meets all program requirements and; the proposal achieves an acceptable score. Eligible proposals will be accepted and reviewed according to the following schedule:

Application Workshop	RFP Due Date	RFP(s) Reviewed	RFP Awards Made	Required Project Start by Date
May 16, 2016	June 15, 2016	June 17 – 24, 2016	July 12, 2016	August 15, 2016

HOW TO APPLY

1. REVIEW INFORMATION

Carefully review application materials and program requirements. An electronic version of the application and requirements are available <http://www.chattanooga.gov/communitydevelopment>. Included are:

- I. Project Questionnaire
- II. Program Descriptions and Guidelines
- III. Application
- IV. Excel-based Development Proposal Template
- V. HUD Rents and Income Limits
- VI. Utility Allowances

2. COMPLETE “IS YOUR PROJECT COMPATIBLE WITH HOME FUNDING?” QUESTIONNAIRE (Preliminary Assessment)

3. CONTACT ECD STAFF TO PRELIMINARILY DISCUSS PROPOSED PROJECT

To ensure that applicants do not waste time completing and submitting proposals for projects that cannot be considered because they are ineligible or unfeasible, ECD staff would like to provide applicants the opportunity to discuss the proposed project and provide a preliminary assessment. Information in the Project Questionnaire will provide the bases for the preliminary assessment. For information, or to discuss your proposal, contact Countess Jenkins: (Phone) 643-7333, (Email)Cjenkins@chattanooga.gov or Regina Partap: (Phone) 643-7335, (Email)Rpartap@chattanooga.gov.

4. ATTEND APPLICATION WORKSHOP

Applicants are strongly encouraged to attend the Application Workshop on May 16, 2016, 8:30 AM – 11:30 AM. The workshop will be held at 101 E. 11th Street, Veranda Room, 3rd Floor, Chattanooga, TN. Material presented in the workshop not only includes guidance on completing the application and related materials, but also covers immediate and long-term regulations and requirements associated with the federal funds.

5. SUBMIT A COMPLETED APPLICATION AND ATTACHMENTS

Complete Application (including checklist) and Development Proposal Template. Make sure that all required attachments are included with the application. Submit one (1) original hard copy and one electronic version of the complete Application, the Development Proposal Template (pro forma) and all required attachments to:

City of Chattanooga
Department of Economic & Community Development
Attn: Countess Jenkins
101 E. 11th Street, Suite 200
Chattanooga, TN 37402
Electronic version: Cjenkins@chattanooga.gov

PROGRAM DESCRIPTIONS AND GUIDELINES OVERVIEW

Through this Request for Proposals (RFP) the City of Chattanooga's Department of Economic and Community Development (ECD) is seeking partners to assist in increasing the supply of decent and affordable housing for City residents. ECD desires responses from partners that offer creative ways of improving both the housing stock in the City of Chattanooga and the neighborhoods in which the housing is located.

ECD has established priorities for housing that include reconstruction or rehabilitation of existing single and multifamily housing properties (for rental), new rental housing development and homeownership housing development. Housing may be for the general low/moderated income population or for special needs populations (homeless, seniors, veterans, disabled). All funded activities must be within the Chattanooga City limits.

This RFP contains the basic program guidelines for the City's HOME funded projects. The purpose of the information is to introduce you to the program, insure you understand the requirements of the program, and instruct you on how to apply for and administer funding. Please note that the information presented in these pages should not be construed as an exhaustive list of the regulations and requirements governing City of Chattanooga financing for these programs. Developers assume all risk of any predevelopment funds expended before funding is formally approved and are ultimately responsible for compliance with all applicable regulations. This information should be taken only as a general guideline and is not a substitute for a thorough understanding of the regulations. The City of Chattanooga will make every effort in assisting developers and sub recipients with program compliance issues.

AVAILABLE FUNDING

Available funds are estimated to range from \$650,000 to \$1 million dollars. The amount of available funds remains fluid as sources include current year federal allocations and funds reallocated from stalled projects.

FUNDING LIMITS AND MATCH

The City funds will only be provided as gap financing that is not otherwise available from other sources. The City desires to provide enough funding to each approved transaction to increase the availability of affordable units, or substantially improve the quality of existing units, without over-subsidizing (enriching) the development or increasing the risk associated with over leveraging the development (too much debt for the restricted rents to support). The City reserves the right to determine award and financing terms based on the financial evaluation of the transaction in tandem with the program requirements and availability of funds.

No project will be funded 100% by the City. Applicants must demonstrate that they have or will structure projects to maximize other available financing sources thereby limiting City funding to the lowest amount necessary to assure project feasibility and demonstrate that rent proceeds or other funding sources will allow for adequate reserves to meet capital needs for the length of the affordability period for the project.

Applicants should make a specific request to the City. The request should represent the **gap** between (a) the total project costs and (b) the Applicant's equity plus commercially available debt, other grants, tax credits, and capital contributions.

Applicants must provide a minimum of 25% match for HOME funds. Projects with greater Match (leverage) score higher.

Applicant must show “Match” funds—owner investment contributions in the form of cash, donated time, goods, or services—in addition to any commercially borrowed funds.

ELIGIBLE ACTIVITIES/PROJECTS

Eligible activities include rehab and new construction of units. All funded activities will be within the boundaries of Chattanooga City Limits. The City generally requires HOME funds be used for the hard costs of rehabilitation/construction. Applicants who wish to use HOME funds for any other purpose will negotiate this during the underwriting process. Allowable uses will be identified in contracts and project agreements. Eligible costs include **gap** financing for:

- a. Rehabilitation or reconstruction of existing rental housing –multi-family units.
- b. Development of multi-unit rental housing
- c. New construction for special needs populations for which open market financing is unavailable or infeasible without public or private foundation support. This category includes senior citizens, persons with disabilities, homeless (both transitional and permanent housing) homeless and chronically homeless veterans, and single room occupancy (SRO’s) facilities serving those with special needs.
- d. Acquisition of properties (improved or vacant) for the development of affordable housing units
- e. Project-related soft costs may be awarded on a limited basis and will be at the recommendation of staff and based on need as determined during the underwriting review.
- f. LIHTC projects
- g. New construction of housing for homeownership for pre-identified and pre-approved buyers. Speculative building is not eligible.

DEVELOPMENT OF RENTAL UNITS

HOME funds may be requested as gap financing for rental development (renovations or new construction) for projects. Gap financing can be provided to cover eligible renovation/construction costs. To ensure the property remains affordable to qualified tenants for varying lengths of time depending upon the amount of HOME funds provided, the City is required to ensure the property is secured by a lien/restrictive covenants coinciding with the HOME period of affordability. All assisted units must be leased to households earning sixty percent (60%) or less of AMI. For projects containing five or more units, at least twenty percent (20%) of the HOME-assisted units must be leased to households at fifty percent (50%) or below the AMI. Through to the end of the affordability, unit rents cannot exceed established HOME rents.

DEVELOPMENT FOR HOMEOWNERSHIP

Only entities that have pre-approved, pre-qualified buyers for identified units may submit proposals to develop affordable housing for homeownership under this RFP. Speculative building is prohibited. Homeownership units must be sold to households earning incomes at or below 80% of Area Median Income (AMI). Applicants must have established underwriting guidelines to determine the appropriate amount of assistance necessary to assist the low-income buyer; assessment of a buyer’s ability to purchase and remain in the home (e.g., housing and consumer debt ratios, anticipated income, and available assets); and anti-predatory lending and subordination policies. Homebuyers must receive housing counseling before receiving HOME assistance (downpayment assistance) or purchasing a HOME-assisted unit.

Assistance will be provided as Development Gap Subsidy which is determined based upon the project pro forma. The subsidy will be recorded as lien against the property and released upon completion and sale to an eligible buyer. However, to ensure the property remain affordable to qualified purchasers for varying lengths of time depending upon the amount of HOME funds provided, Applicant is required to ensure the property is secured by alien/restrictive covenants coinciding with the HOME period of affordability. A homebuyer must have a ratified sales contract within nine months of construction completion, or the unit must either be converted to a HOME rental unit or full HOME investment be repaid.

ELIGIBLE APPLICANTS

ECD will accept proposals from public agencies, for-profit, and non-profit developers with documented capacity to construct/rehab and operate housing that benefits low-income families.

Applicants must be either the current owner of the property or, at the time of application, have a binding contract to purchase the property.

Applicants must demonstrate financial and organizational capacity to undertake and complete project and adhere to long-term rental management and compliance and/or affordable homeownership programs. Capacity assessment varies by project size, scope, complexity and type of development entity.

Applicants and applicants' team members must be in good standing with ECD on all previous grants. Any applicant, developer, or general contractor with outstanding management or compliance issues with the City/ECD, other public agencies, or is on the federal, state, county or city debarment list will not be allowed to participate.

FORMS OF ASSISTANCE & TERMS

Assistance may be provided in the form of grants, fully repayable interest bearing loans or performance based (0% interest) grants repayable only upon sale of the asset or another capital event. In return for the City's assistance, participants agree to certain long term (5 - 20 years) rent and occupancy restrictions. Restrictive Covenants will be used to ensure the long-term affordability and other program requirements.

Interest Rate: If gap financing is provided in the form of a loan, interest rates will vary based on the level and type of investment made by the City and the program funding. Determination will occur during the underwriting review.

Grant Position: In most cases the City grant position will be junior to senior debt; however the City reserves the right to have a position senior to other sources of financing. Restrictive covenants will be recorded in higher priority than any first lien to ensure the long-term affordability and other requirements.

HOME is a cost reimbursement program, disbursements during construction/rehab are limited to the reimbursement of the actual eligible costs that have been incurred.

SUBMITTAL DEADLINES

Proposals for eligible activities may be submitted at any time and will be considered for funding as long as funds are available, the project meets all program requirements and the proposal achieves an acceptable score. Eligible proposals will be accepted and reviewed based on the following schedule:

Application Workshop	RFP Due Date	RFP(s) Reviewed	RFP Awards Made	Required Project Start by Date
May 16, 2016	June 15, 2016	June 17 – 24, 2016	July 12, 2016	August 15, 2016

SELECTION CRITERIA

Applications that pass the threshold requirement will be reviewed by a panel consisting of ECD staff. The panel will score each application for each category. Ranks will then be reviewed. All applications must meet a **minimum total score of 70 points** to be considered for funding. Should applications meeting this minimum score threshold exceed available funding, eligible applications will be retained for subsequent RFP releases (if desired by applicant). Applicant may be required to provide updated information.

Maximum Total Score = 100 Points:

- Project Information/Feasibility (15 Points)
- Readiness to Proceed (15 Points)
- Organizational/Developer Capacity (15 Points)
- Project/Development Information (15 Points)
- Match/Leverage Percentage of Total Costs (15 Points)
- Location Information (15 Points)
- Third Party Reports (10 Points)

PROJECT INFORMATION/FEASIBILITY(15 POINTS)

All projects will undergo a feasibility analysis and underwriting. ECD will review project concept and design for suitability for the targeted populations(s) and financially sustainable over its affordability period. The underwriting review evaluates cost reasonableness, market demand, developer capacity, and the commitment of other funding. The sources and uses of funds related to each project will be reviewed to determine the adequacy of the funding to complete the construction or rehabilitation and to sustain operations over a required period for rental projects. Exceptional proposal will demonstrate a significant commitment of leveraging and other resources at the time of application. Sources and uses information must match. Applicant's proposal should sufficiently detail:

1. All funding sources
2. Project budget
3. Pro forma over the life of the project
4. Capital reserve fund

5. Contingencies
6. All sources of debt and anticipated debt
7. Level of profit/return to owner/developer for size, type, complexity of project

The project feasibility evaluation will also include evaluating the ownership structure, property operations, the financial statements of the owner and guarantor (if applicable), along with the following indicators:

1. Information is adequate to demonstrate that the development is feasible in terms of costs, sources and uses, and financial thresholds.
2. Construction Cost per unit and Total Cost per unit relative to similar properties submitted under this RFP and in the marketplace.
3. HOME request per unit relative to similar properties submitted under this RFP.
4. Sources of Leverage - proof provided
5. Minimum Match Funds \geq 25%
6. Pro forma income and expenses appear reasonable; debt coverage is equal to or above 1.20
7. All loans/debt plus City investment less than 95% of "as proposed" value
8. Developer Rate of Return on Investment - reasonable rate of return based on comparable, current market rates.

Proposals must provide a complete financial pro forma. A successful proposal will demonstrate that at least 25% of total project costs are non-federal leveraged funds, and other funding sources can be committed prior to receiving the HOME award. The pro forma must show financial stability throughout the entire affordability period. Projects that can demonstrate commitment of all funding by award date will be prioritized.

The City must ensure that project costs are reasonable. For new construction projects, applicants must provide a detailed construction budget. For all rehabilitation or reconstruction projects, a detailed breakdown of anticipated costs based on estimates (write-ups) prepared by a qualified, licensed or certified third party building inspector, general contractor, architect, structural engineer, or other qualified individuals. Applicants must comply with all applicable federal, state and city procurement statutes, regulations and ordinances. Applicants are required to guarantee the development. Funding is provided on a reimbursement basis.

READINESS TO PROCEED (15 POINTS)

Evaluation of Application, support information and timeline indicate that work can commence promptly upon receipt of award and issuance of Notice to Proceed and can reasonably be expected to be completed within indicated timeframe. Applicants are expected to be prepared to begin construction/rehab **immediately** upon receiving funding awards. Realistic/detail project timeline must be included with proposal. Funding awarded to projects that do not adhere to the construction start date will be reallocated to projects/activities that are ready to start. NOTE: Projects cannot proceed until the environmental review has been completed by ECD staff.

Notice to Proceed can be issued within ten (10) days of award – 15 Points

Notice to Proceed can be issued within fifteen (15) days of award – 10 Points

Notice to Proceed can be issued within thirty (30) days of award – 5 Points

It will be more than thirty (30) days after award before work will commence - 0 Points

ORGANIZATION/DEVELOPER CAPACITY (15 POINTS)

Exceptional proposals will come from development teams with an outstanding track record in the development and management of affordable housing, adequately provide services to proposed target population(s) and ability to efficiently maintain the additional property/asset.

Proposals must demonstrate that the development team and/or lead organization has experience in serving the targeted population(s) and with the proposed form of development. Applicants will be expected to show ability to manage additional projects if other development is in progress. The developer must demonstrate that their organization is financially viable.

Capacity assessment varies by project size, scope, complexity and type of development entity. Developer capacity and fiscal soundness will be evaluated on information demonstrating experience and skills and financial ability to implement, complete and maintain the project. This includes, but not restricted to:

1. Applicants' prior experience with development of properties similar to proposed project, including such details as acquisition of real property, rehabilitation, marketing, leasing of affordable rental housing, and history of partnership with support service providers. If proposal is serving specific target populations, the organization's experience serving that population must be stated.
2. Qualifications and experience of proposed staff and strength of the development team. The City reserves the right to refuse funding a project if prior experience with the City was unfavorable.
3. Sufficiency of financial resources. The applicant's overall financial condition and its ability to fund cost overruns or other costs not included in the ECD grant amount (liquidity/net worth).

PROJECT/DEVELOPMENT INFORMATION (15 POINTS)

The proposal's per unit overall cost, HOME subsidy level, and total subsidy level will be evaluated.

Exceptional proposals will demonstrate that the project will result in greater affordability levels, number of total units or residents served, and number of HOME units based on the requested resources. Acceptable proposals will:

- a) present a well-developed design that is suitable for the targeted population(s) and project location;
- b) comply with the applicable building codes;
- c) demonstrate use of cost-effective green building measures (if applicable).
- d) demonstrate a significant innovation or benefit through the project design, compatibility with surrounding uses, or services for targeted population(s).
- e) provide units and rent levels that justify the requested resources;
- f) leverage other resources to meet the HOME match requirements; and
- g) meet minimum affordability period requirements.

Proposals must include:

1. A defined scope of work including preliminary design plans and site plans.
2. Energy efficiency / sustainable practices
3. Site control documentation
4. Detailed cost estimates and source of estimates
5. Details on social services relevant to population served / alliances with providers of social services

MATCH/LEVERAGE (15 POINTS)

Leveraging of the City funds is key to the ultimate success of these projects. By federal regulation, the City may not invest more HOME funds, alone or in combination with other governmental assistance, than is necessary to provide quality affordable housing that is financially viable through the affordability period. The City funds will only be provided as gap financing that is not otherwise available from other sources. No project will be funded 100% by the City. Applicants must demonstrate that they have or will structure projects to maximize other available financing sources thereby limiting City funding to the lowest amount necessary to assure project feasibility and demonstrate that rent proceeds or other funding sources will allow for adequate reserves to meet capital needs for the length of the affordability period for the project.

Applicants are required to provide a minimum of 25% match for HOME funds. For the HOME Program, the applicant must show "Match" funds—owner investment contributions in the form of cash, donated time, goods, or services—in addition to any commercially borrowed funds. Documentation of the Applicant's ability to meet this requirement must be presented in the Application in the form of a commitment letter from the organization or institution providing the Match. The Match funds must be non-federal, leveraged funds, and the funds must be able to be obtained prior to receiving a HOME award. Preference will be given to organizations applicants showing the greatest Match (leverage).

LOCATION INFORMATION (15 POINTS)

Acceptable proposals must demonstrate that the designated project site is suitable for affordable housing and the targeted population(s). The applicant must have site control or an option to purchase at the time of application. Acceptable sites are free of adverse environmental conditions, have appropriate zoning for the type of development proposed and must be in such condition that acquisition is possible within reasonable date of application. If a site has an adverse environmental condition, it must be possible to mitigate the condition through reasonable measures. Acceptable proposals must demonstrate that the development will not create undue concentrations of poverty. Exceptional proposals are near schools, parks, commercial areas, public transportation, services, and jobs. Proposal information will provide details on:

1. Accessibility to local transit.
2. Proximity to grocery store(s), pharmacies, and other amenities
3. Proximity to general medical services.
4. Proximity to employment opportunities
5. Public/private revitalization efforts in the area
6. Whether project is located outside of the 100-year flood plain

THIRD PARTY REPORTS (10 POINTS)

The following reports must support the proposed project:

- a. Appraisal
- b. Phase I Environmental report (Phase II if needed)
- c. Property Condition Report (rehab only)
- d. Market Study
- e. Lead Based Paint Assessment (rehab only)
- f. Asbestos Study
- g. Land Survey

ZONING

Proposed project/site must be properly zoned for the development/project at time funding is provided. Applicant is required to verify zoning prior to application submission.

ENVIRONMENTAL IMPACT

The entire project must be in compliance with all federal environmental regulations and requires an environmental review that is conducted by ECD. The review process takes approximately 30 to 90 days. Neither the Applicant nor any participant in the development process, including public or private nonprofit or for-profit entities or any of their contractors, may commit or expend any funds, including non-HUD funds, or undertake any activities during the review period.

FLOODPLAIN/FLOODWAY

Applicants are advised to check the property address against the most recent flood maps which can be accessed at [msc.fema.org](https://www.msc.fema.org). HUD funds will not be available for development of projects located within the floodplain. Multifamily development in the floodway is prohibited under all circumstances.

PROPERTY STANDARDS AND CODE COMPLIANCE

The City requires adherence to standards that will sustain quality assisted housing for at least the affordability period. Upon completion, rehabilitated or newly constructed properties must comply with all State and local codes, ordinances, and zoning requirements and local residential building codes.

Applicant must identify and plan for major systems repairs. For rental projects with 26+ units, this must be done via a capital needs assessment. The scope of rehabilitation work and replacement reserves deposits must be sufficient to ensure the useful life of essential building components throughout the period of affordability. For homeownership housing, major systems must have a useful life of at least five years upon completion.

ACCESSIBILITY

Section 504 - All properties receiving City funds must be in compliance with Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C Sec 794). HUD has established rules explaining Section 504 as it applies to housing. This pertains to new construction containing five or more units and for the rehabilitation of fifteen or more units. Section 504 requires that 5% of the units (or at least one unit) must be accessible to persons with physical disabilities. An additional 2% of units (at least one) must be accessible to persons with visual or hearing disabilities. These costs must be reflected in the Development Budget.

Covered multifamily dwellings, as defined at 24 CFR Sec 100.201 as well as common use facilities in developments with covered dwellings must meet the design and construction requirements of CFR Sec 100.205, which implement the Fair

Housing Act (42 U.S.C. Sec 3601-3619). Additionally the project must comply with the Architectural Barriers Act of 1968 (42 U.S.C. Sec. 4151 et seq.), including use of telecommunications device of deaf persons (TDD) or equally effective communication system.

Notwithstanding the general requirement of 5% accessibility and 2% visually and hearing impaired, the Department may waive this requirement for rehabilitation projects where the cost of rehabilitation is less than 75% of replacement costs. However, if this requirement is waived, the work done with any grant dollars must be made handicap accessible.

Source:

<http://www.hud.gov/offices/fheo/disabilities/sect504faq.cfm>

NEIGHBORHOOD MARKET ASSESSMENT

The City is required to conduct an assessment and determine current neighborhood and market need for each project, including reviewing neighborhood market data before approving a project and entering into legally binding agreements. The market assessment will include an analysis of all available comparable housing in the target area of development, an explanation of why the current available stock is not suitable and thus justification/need for the proposed development. In addition, a description of the target neighborhood and the available amenities (schools, transportation, recreation, medical, retail, etc) will be assessed. The applicant is encouraged to provide any other information that they feel will establish a legitimate need for the development.

SITE AND NEIGHBORHOOD STANDARDS

New construction of rental projects are subject to Site and Neighborhood Standards requirements demonstrating (*not* a complete list):

- Adequacy of site; size, contour; street, utilities, etc.;
- Project is suitable to further compliance with Title VI of the Civil Rights Act of 1964, the Fair Housing Act Executive Order, and HUD regulations
- Project is not in an area of minority concentration;
- Project, if in racially mixed area, will not significantly increase the proportion of minorities;
- Site promotes greater choice of housing opportunities and avoids undue concentration of assisted persons;
- Project affords access to a broad range of services and facilities;
- Travel time or cost to access places of employment, must is not excessive;

If project is a mix-income project, the Developer must use its best efforts to distribute units reserved for Low Income Families, Very Low Income Families, and Extremely Low Income Families among unit sizes in proportion to the distribution of unit sizes in the property and to avoid concentration of Low Income Families, Very Low Income Families, and Extremely Low Income Families in any area or areas of the property.

HOME PROGRAM RESTRICTIONS

The HOME Program has limits on rents, sale prices, occupant income, and amount of per-unit assistance as well as procedural and long-term affordability requirements. HOME funds must be repaid if the project cannot be completed or maintain affordability over the required period.

OCCUPANCY RESTRICTIONS

The HOME program restricts occupancy of HOME-assisted housing to low-income and very low-income households and have controlled rents. In rental projects containing five or more units, 20% must be occupied by households at 50% or below AMI with the balance being occupied by households at 60% or below AMI. Units in projects containing less than units five units must be leased to households at 60% or below AMI. Homeowner units must be occupied by households at 80% or below AMI.

Rents charged in assisted units may not exceed rents established by the HOME Program. HUD establishes HOME rents by unit size and metropolitan area on an annual basis. Tenant incomes and rents (which will be reduced by the utility allowance) for 2015 are shown below and are available on the department's website.

	0 BR	1 BR	2 BR	3 BR	4 BR	
FMR	\$476	\$574	\$714	\$971	\$1,094	
High HOME	\$484	\$584	\$714	\$953	\$1,044	1-4 Units (HOME)
Low HOME	\$484	\$547	\$656	\$758	\$846	5 or More Units

Family Size	Low Income		Very Low Income
	80% of AMI	60% of AMI	50% of AMI
1 Person	\$32,700	\$24,540	\$20,450
2 Person	\$37,350	\$28,020	\$23,350
3 Person	\$42,000	\$31,500	\$26,250
4 Person	\$46,650	\$34,980	\$29,150
5 Person	\$50,400	\$37,800	\$31,500
6 Person	\$54,150	\$40,620	\$33,850
7 Person	\$57,850	\$43,380	\$36,150
8 Person	\$61,600	\$46,200	\$38,500

PERIOD OF AFFORDABILITY

HOME-assisted housing must remain affordable for some period of time beyond the initial occupancy. HOME-assisted units must meet affordability requirements for not less than the applicable period specified in the following tables, beginning after project completion and occupancy. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. If HOME-assisted housing fails to meet the affordability requirement for the specified period, the HOME funds are to be repaid.

A. **RENTAL HOUSING ACTIVITIES** – Minimum period of affordability in years rehabilitation or acquisition of existing housing per unit amount of HOME funds:

Under \$15,000	7 Years
15,000 – 40,000	10 Years
Over \$40,000	15 Years
New construction or acquisition of newly Constructed rental housing	20 Years

B. **HOMEOWNERSHIP HOUSING ACTIVITIES** - Minimum period of Homeownership assistance HOME amount per-unit affordability in years:

Under \$15,000	7 Years
\$15,000 – 40,000	10 Years
Over \$40,000	15 Years

AFFORDABILITY COVENANTS

Compliance with required periods of affordability will be imposed by restrictive covenants. **These covenants must be in a lien position superior to all other debt, including existing debt, and will require the existing lender to subordinate to the rent restrictions for rental projects.** The covenants will be recorded in higher priority than any first lien made by a commercial lender and will remain in force throughout the affordability period despite bankruptcy, sale, or other event transferring title. The covenants will be insured with title insurance provided by the developer.

OTHER REQUIREMENTS

Applicants must comply with other pertinent federal regulations such as listed below. These regulations include, but are not limited to:

- HOME Investment Partnership Program “2013 Final Rule,” (24 CFR Part 92)
- Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794) (24 CFR Parts 8-9)
- Section 3 Requirements
- Davis-Bacon and Related Acts and Copeland Anti-Kickback Act
- Fair Labor Standards Act (29 CFR Part 5)
- Fair Housing (24 CFR Parts 100-115)

- Conflict of Interest Requirements (24 CFR 92.356(f))
- Lead Safe Housing Rule (24 CFR Part 35)
- Uniform Relocation Act (49 CFR Part 24)
- Economic Opportunities for Low and Very Low Income Persons Section 3 (24 CFR Part 135)
- Environmental Review for HUD funded projects (24 CFR Part 58)
- 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

UNIFORM RELOCATION ACT

If families are required to move as a result of the improvements made with federal funding, applicants must comply with the Uniform Relocation Act and Real Property Acquisition Policies Act of 1970 (URA) as amended, as well as the Housing and Community Development Policy and Procedure Manual for Relocation. The URA requires that the owner of the property receiving federal funding provide notices and assistance to tenants impacted by acquisition, demolition, and/or rehabilitation/reconstruction. Applicants must inform ECD of occupancy status on proposed rehabilitation/re-construction projects. Tenants must not be displaced by applicants proposing to respond to this RFP.

AFFIRMATIVE MARKETING

Documentation of compliance with the Affirmative Marketing requirements in the Fair Housing Act is required. Applicants receiving funds must create an affirmative marketing plan in furtherance of the City's commitment to non-discrimination and equal opportunity in housing. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons into the available housing without regard to race, color, national origin, gender, religion, familial status, disability, gender identity or sexual orientation. Records and documentation of actions taken to affirmatively market units must be maintained. The City will assess the results of these actions.

MODEL ENERGY CODE

The Developer must ensure that all new construction of multifamily housing units must meet the current edition of the Model Energy Code (MEC), published and maintained by the International Code Council (ICC) as the "International Energy Conservation Code" (IECC) as of 1998, contains energy efficiency criteria for new residential and commercial buildings and additions to existing buildings. It covers the building's ceilings, walls, and floors/ foundations; and the mechanical, lighting, and power systems. MEC information can be found on the following site:

www.enrgycodes.gov/implement/pdfs/modelcode.pdf.

DAVIS-BACON AND RELATED ACTS/LABOR STANDARDS PROVISIONS

Developments containing 12 or more units will require compliance with the Davis- Bacon Labor standards. Applicants should take this into consideration when preparing the budget. Davis-Bacon and related acts require that prevailing wage rates be paid to all construction laborers. Under most conditions, this will mean weekly payment and submission of weekly payrolls of all contractors, and lower tier-subcontractors. Prior to the bid phase for the proposed units, successful applicants will contact the ECD to obtain the most recent Davis Bacon Wage Determination for Hamilton County to be issued to contractors.

LEAD-BASED PAINT

Applicants must agree to comply with the Lead Based Paint Poisoning Prevention Act's prohibition against the use of lead-based paint in residential structures and to comply with regulations with regard to the notification of the hazards of lead-based paint poisoning and the elimination of lead-based paint hazards.

MINORITY BUSINESS ENTERPRISES/SMALL BUSINESS ENTERPRISES

Entities receiving federal funds are strongly encouraged to use businesses that are registered with the State of Tennessee's as Minority and Women Owned Businesses.

SECTION 3

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968 that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 program requires that recipients of certain HUD financial assistance provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods. Before construction may commence, the developer must complete a Section 3 Utilization Plan and submit it to the City for approval. The City will make available to Developers Contractors the Section 3 Utilization Plan format. The plan must include specific information including plans for hiring Section 3 eligible residents, engaging Section 3 certified businesses, a commitment to include the Utilization plan as part of all bids, and a commitment to aggressively outreach to Section 3 residents and firms.

ONE FOR ONE REPLACEMENT

If the owner proposes to demolish units that are assisted with either HOME or CDBG funds, these units must be replaced at the development site or within the assisted housing stock of the City of Chattanooga at another site. Demolition and reconstruction with a greater number of units requires additional site approval. ECD will provide technical assistance to developers who may plan to reduce density.

OTHER FUNDING

All other funding, which is sourced from other than HOME and CDBG and is made available through ECD, may adopt definitions of federal income restrictions and federal rent limits. The final determination of rent restrictions and limits will be at the discretion of the Department after the underwriting review and in tandem with Department housing goals.

DEBARMENT & SUSPENSION STATUS

The U.S. Department of Housing and Urban Development requires verification status of all contractors and non-profit agencies via the online System for Award Management (SAM) <https://www.sam.gov>. Any parties listed by SAM as debarred or suspended are not eligible to apply for CDBG funding.

DEVELOPMENT

SOURCES AND USES

ECD will underwrite all requests to ensure that each project is financially sustainable over its affordability period. The underwriting review evaluates cost reasonableness, market demand, developer capacity, and the commitment of other funding. Sources and uses information must match. Applicant's proposal should sufficiently detail:

1. All funding sources
2. Project budget
3. Pro forma over the life of the project
4. Capital reserve fund
5. Contingencies
6. All sources of debt and anticipated debt

Applicants are required to submit commitments letters with all terms and conditions for all mortgages, grants, subordination agreements, bridge (interim) loans, etc., involving the project.

Applicants must submit the following, along with supporting documentation for all other costs in the Sources/Uses of Funds statement. If the documentation is not adequate and does not support the costs as stated, the City will request additional documentation, a second opinion and or reference from the appropriate source (i.e. another construction cost estimator, another architect or lawyer).

ECD must review and approve written cost estimates for construction and determine that costs are reasonable. Construction contract(s) and construction documents must describe the work to be undertaken in adequate detail so that cost reasonableness can be determined and inspections can be conducted. ECD, or its representative, will conduct progress and final inspections of construction to ensure that work is done in accordance with applicable codes, the construction contract, and construction documents.

Project work write-ups must be in sufficient detail to determine the required rehabilitation work including materials. Major systems which include structural support, roofing, cladding and weatherproofing (windows, doors, siding, gutters); plumbing, electrical; and heating, ventilation and air conditioning must be evaluated for estimated remaining useful life upon project completion. Replacement reserves must be established and monthly payments made to the reserve that are adequate to repair or replace systems as needed during period of affordability. For multi-family housing projects of 26 units or more, the assessment must be done through a capital needs assessments of the project.

For all rehabilitation or construction projects, a detailed breakdown of anticipated costs based on estimates (write-ups) and construction budget, prepared by a qualified, licensed or certified third party building inspector, general contractor, architect, structural engineer, or other qualified individuals must be provided. This report must show that the planned improvements will bring the property into compliance with all building codes as well as the Department's Minimum Property Standards for Rehabilitation. The report must be dated no more than six months prior to application. The Department may utilize its own vendor or employees to verify information presented in order to establish cost-reasonableness.

The construction of rehabilitated properties must generally extend the useful life of the property by 20 years (or through the period of affordability). For new construction projects, the useful life of the property must be a minimum of 60 years.

DEVELOPMENT PROPOSAL TEMPLATE

The Development Proposal Template serves to provide summary information on the project, the development budget, the operating budget, and 20-year cash flow projection. This will be supplemented with information required in the Application. Information included in the Development Proposal Template (pro formas and other projections) will be examined for reasonableness and comparability to industry standards. The Development Proposal Template is an Excel workbook and includes the following tabs:

1. Instruction/Informational Guide
2. Cover Page/Funding Sources Summary Sheet
3. Property Information
4. Development Budget
5. Operating Budget (rental housing only)
6. 20-Year Cash Flow Projection (rental housing only)

All applicable information must be completed. ECD will review the underlying proposed debt and operating pro-forma of the property to determine the development's feasibility during the affordability period (i.e. demonstration of an acceptable debt service coverage ratio indicating income adequate to cover operating expenses and all applicable debt service). For those properties, such as those for special needs population, which demonstrate that they cannot carry any debt service, income must exceed expenses. A commitment of the ownership entity to cover the losses will be required in the event of losses. All Proposed figures will be reviewed to assure that the City's contribution is not "over-enriching" the property owner.

DEVELOPER CAPACITY

The applicant must provide evidence of financial ability to implement, complete and maintain the project. Applicants are required to provide proof of commitments from other funding sources, current financial statements and proof of sufficient reserves or a line of credit available, if necessary, to complete the project and demonstrated capacity to maintain the property through the period of affordability. Capacity assessment varies by project size, scope, complexity and type of development entity. Assessing developer's capacity and fiscal soundness include:

- Experience
- Current staff capacity
- Sufficiency of financial resources
 - Liquidity
 - Net worth

BIDDING PROCESS AND CAPTIVE GENERAL CONTRACTOR

Applicants must comply with all applicable federal, state and city procurement statutes, regulations and ordinances. The City of Chattanooga is charged with making efforts to determine that project costs are reasonable, and has two methods which we approve:

- a. Bidding Process - The Borrower may choose to go through an open bidding process for selection of the General Contractor. This involves a) compiling plans, specs and a list of required qualifications, bonding requirements, etc. for the prospective contractor, b) conduct a pre-bid meeting with prospective bidders, c) advertise the bid

process for two consecutive weeks, d) review, evaluate and tabulate bids, and e) obtain clearance from ECD to proceed with the selected contractor. A more complete explanation of the process will be provided by Compliance & Monitoring. Please note: General contractor must have a valid State of Tennessee Contractor's License.

- b. Captive General Contractor - If the owner has the capacity to complete the construction work through a related entity as a captive general contractor, the City will pay for actual hard costs but will not pay for general contractor conditions, profit and overhead. If the construction costs are partially funded by a different federal or state program or other financing source for which general conditions, profit and overhead are eligible expenses, these costs may be paid out of the other program funds.

All subcontracts must be bid and tabulated. If the lowest responsive bidder is not selected, an explanation must be provided to substantiate the decision not to select the absolute lowest bidder. The City will not fund any construction cost savings.

Please note, regardless of the method of selection of a General Contractor, prior to award of contract, the recipient must secure approval from the ECD to ensure that the proposed contractor is cleared and eligible to perform work on any project funded by federal grants.

COMPLETION GUARANTEE AND PROTECTION

BONDS AND INSURANCE

Applicants/grantees/subrecipients must demonstrate not only the ability to undertake and complete the proposed project and fund cost overruns, but to ensure that the City's interest (awarded funds) is adequately protected and the City is safeguarded against any claims resulting from damage to property and or injury to persons caused by applicant/grantee/subrecipient/vendor.

Insurance is required to safeguard the City from any claims resulting from damage to property and/or injury to persons caused by the actions of applicants/grantees/subrecipients/vendors. The applicants/grantees/subrecipients/vendors, at his own cost, must secure insurance policies that name the City of Chattanooga as an "additional insured" party.

Each project will be evaluated (based on project size, complexity, HOME award, applicant's assets, i.e.) to determine the need/type of bond(s) required to protect the City's interest. If required, bonds must be secured by the applicant at his/her own cost. Generally bonds may be classified as follows:

Performance Bond - This bond is a surety instrument guaranteeing that the applicant and/or contractor will perform according to the terms of the contract, and is generally in an amount of 100% of the bid for construction/renovation. This bond affords protection from nonperformance and/ or non-completion of major contracts, the efforts of which could result in considerable injury to the City. Should the contractor default, the bond is cashed and the City may then utilize the funds to complete the contract with another vendor. Performance bonds are submitted upon award of the contract.

Payment Bond - This bond guarantees payment of subcontractors and suppliers providing goods and services to the general contractor, who is under contract to the City or applicant. The payment bond relieves the City of financial liens against a project should the general contractor fail to pay his/her suppliers and subcontractors. These creditors will look to the bond for payment. Payment bonds are submitted upon award of the contract.

Labor and Material Bond - Same requirements as the Payment Bond. The bond guaranty may, at the discretion of the City, be in the form of a cashier's check, bank money order, bank draft of any national or State bank, certified check, or surety bond, payable to the City. The surety on any bid bond shall be a company recognized to execute bid bonds for contracts of the Federal Government.

Letter of Credit - Preferred in the case of certain construction projects or multiyear contracts. Must be irrevocable.

CONSTRUCTION DRAWS AND INSPECTIONS

During construction, ECD will perform periodic inspections and confirm work is progressing in place. Borrowers will certify that each draw request is for actual costs expended and must provide documentation to support such costs, including original invoices for materials and supplies, payroll for laborers and sub-contractor invoices. The City will only pay for completed work and reimburse for eligible project costs. Reimbursement or draw request must include documentation that proves you have expended these funds, for example, cancelled checks and credit card receipts.

Expenditures must be allowable and reasonable in accordance with federal, state, and local rules and regulations. The Department shall determine the reasonableness of each expenditure requested. Any change in scope during the construction process must be approved in advance by ECD. The Department may request that the Developer make modifications to the disbursement request and is authorized to modify the disbursement procedures set forth herein and to establish such additional requirements for payment of funds to Development Owner as may be necessary or advisable for compliance with all program requirements.

The final request for disbursement must be submitted to the Department with support documentation no later than thirty (30) days after the completion date of the Contract in order to remain in compliance with Contract and eligible for future funding. The Department shall not be obligated to pay for costs incurred or performances rendered after the termination date of a Contract.

MATERIAL CHANGES

Any material changes to the project during underwriting or construction must be reported in writing to the Department. Failure to do so may result in a Default under the grant.

DOCUMENTATION OF AGREEMENT

This RFP is a framework upon which requests may be submitted. The Grant Agreement will be signed by the developer/sub recipient after a resolution has been approved by City Council.

- Commitment of grant funds will be conditioned upon the occurrence of closing with any superior lien holders or any other sources of funds determined to be necessary for the long-term financial feasibility of the Development and all due diligence determined by the Department to be prudent and necessary to meet and to secure the interests of the Department and of the City of Chattanooga.
- Certified Financial Statements - Prior to signing of the Grant Agreement, the Borrower and Guarantor must submit signed and certified financial statements and tax returns for the past 2 years.

- Other liens – After closing, Borrower will NOT be permitted to place subsequent liens against the subject property either in priority or subordinate to City’s lien. No additional debt is allowed without prior written approval by the Manager of ECD. The City’s lien (debt) position can be junior to an existing lender, but the restrictive covenants must be superior to all other debt and liens including existing debt, and will require the existing lender to subordinate to the rent restrictions. Refinancing of senior debt will be allowed only with approval of the City.
- Insurance - Title Insurance (including restrictive covenants coverage), Property Insurance, Flood Insurance (if applicable), Builder’s Risk Insurance, and Worker’s Compensation will be required throughout period of affordability. Other insurance requirements apply and are more fully described in the grant documents.
- Applicants may not transfer ownership of the asset or refinance its debt throughout the affordability period except with the express consent of ECD Director.
- Upon submitting an application, you acknowledge that once the grant has been accepted, you are subject to any changes in rules and regulations or policies concerning this program, together with any adverse effects upon you and any resulting costs thereof.

APPLICATION SUBMITTAL AND REVIEW

The Economic and Community Development Department will accept Applications from 8 a.m. to 4:00 p.m. each business day, excluding federal and state holidays from the date this RFP is published on the Department’s website. One original hard copy, and an electronic copy of the complete application, Development Proposal Template and all attachments must be submitted. Hard copies of applications should be addressed as follows:

City of Chattanooga
 Department of Economic and Community Development
 ATTN: Countess Jenkins
 City Hall, Suite 200
 101 East 11th Street
 Chattanooga, TN 37402

All Applications submitted under this RFP must be received on or before June 15, 2016 by 4:00 p.m. as indicated in the schedule below.

Application Workshop	RFP Due Date	RFP(s) Reviewed	RFP Awards Made	Required Project Start by Date
May 16, 2016	June 15, 2016	June 17 – 24, 2016	July 12, 2016	August 15, 2016