

## **Minot National Disaster Resilience Program Affordable Downtown Multi-Family Rental Housing Request for Proposal (RFP)**

The City of Minot is requesting proposals from for-profit entities for qualified affordable downtown multi-family rental housing. Proposal instructions are included in the RFP. The RFP, application and financial forms can be found on the city's website or from the City of Minot Disaster Recovery Office managed by CDM Smith, located at Arrowhead Mall, 1600 2<sup>nd</sup> Ave. SW, Suite 27, Minot, North Dakota.

**Deadline for submitting your proposal to this RFP is 4:00 p.m., on June 15, 2018.** Proposals must be received in the City Clerk's Office at the Minot City Hall, 515 2<sup>nd</sup> Avenue SW, Minot, ND 58702. If the proposal is submitted by mail the address is P.O. Box 5006, Minot, ND 58702. Sealed bid packages will be accepted prior to this deadline. Packages received after the deadline will not be accepted.

**A pre-proposal technical and educational meeting will be held April 10<sup>th</sup> from 3:00 pm to 4:30 pm in the City Council Chambers, 2<sup>nd</sup> floor, Minot City Hall.** Information about this meeting will be available on the City of Minot website and through various media outlets. City and National Disaster Resilience (NDR) staff will be present at this meeting to answer questions about the RFP. **Proposers are not required to attend the pre-proposal meeting.**

**Two proposal Question and Answer sessions will be held.** The first on **May 8<sup>th</sup> from 3:00 pm to 4:30 pm in the City Council Chambers, 2<sup>nd</sup> floor, Minot City Hall.** The second on **June 5<sup>th</sup> from 3:00 pm to 4:30 pm in the City Council Chambers, 2<sup>nd</sup> floor, Minot City Hall.** If deemed necessary, additional pre-proposal meetings may be held with date, time, and location posted on the city website and notification provided to anyone who has requested a copy of the RFP.

Once the RFP has been issued, all questions concerning this RFP, the application package, review process, or any other aspect of the RFP must be directed in writing to: John Zakian, NDR Program Director at [john.zakian@minotnd.org](mailto:john.zakian@minotnd.org) All questions regarding the RFP must be submitted within six (6) days of the proposal deadline. Questions will be addressed weekly in writing and posted on the City's website so that all potential responders can review any questions that are submitted and the responses to those questions. All updates to the RFP will be posted on the City's website as well. Potential responders are responsible for checking the website to find updates to the RFP or any RFP questions and responses.

This project is funded through CDBG-NDR funds. The successful proposal or proposals will be required to comply with all applicable federal, state, and local regulations. The proposer must ensure that employees and applicants for employment are not discriminated against because of their race, color, religion, sex or national origin.

## City of Minot Affordable Downtown Multi-Family Rental Housing Request for Proposal (RFP)

### Introduction

The City of Minot was awarded \$74.3 Million from the National Disaster Resilience Competition (NDR) to fund projects outlined in the City's NDR application and Action Plan. The City's application was developed based upon local unmet recovery needs and a vision of a resilient Minot defined by residents in over 70 public and stakeholder meetings held during the application process. The Minot NDR application, Action Plan, and a subsequent Housing Supply and Demand Analysis Update documented the need for long-term affordable multi-family rental housing for Minot's low and moderate-income households.

### Project Purpose

The City of Minot, in accordance with their NDR application, desires to expand the availability of quality affordable multifamily rental housing that will remain affordable for the long-term and support the city's community and economic resilience. The City's disaster recovery program and the NDR action plan recognize the importance of downtown Minot to the community's social cohesion and economic vitality.

The City has invested significantly in downtown to improve the infrastructure, streetscape, and success of downtown businesses. The NDR Action Plan has documented the impact from the 2011 flood to challenging the underlying factors which contribute to the sustainability of the downtown including the residential presence and balance. This RFP seeks to advance investment in the downtown to support the continued sustainable growth in the area. Downtown Minot will be generally defined as the area east of 3<sup>rd</sup> Avenue SW; north of a continuous alignment following 5<sup>th</sup> Avenue SE and SW; south of the BNSF railroad right of way near the Souris River; and west of a continuous alignment following 4<sup>th</sup> Street SE.

In this RFP, funds from Minot's National Disaster Resilience (NDR) grant will be targeted to provide funding for 70 or more units of affordable multi-family rental housing in downtown Minot. Decision on units funded will be based on funds requested, the evaluation criteria included in the RFP, and viability of one or more project proposals plus assuring that sufficient funds remain for additional future RFPs. This housing must remain affordable for a minimum term of 20 years from the execution of the project development agreement. Proposals will be accepted for eligible project activities to rehabilitate existing multifamily rental housing units to substantially improve the quality of the units and ensure the housing remains affordable long-term for low and moderate income (LMI) residents

The NDR funding is in the form of a loan to assure compliance with all NDR project performance criteria including LMI affordability for a minimum of 20 years. For the full affordability period of the project, the loan will function as a zero interest, forgivable loan secured by a Deed of Trust or similar legal instrument and the responsible project owner(s) or assigns must meet all project performance requirements established in the project development agreement. However, if the responsible project owner or assigns does not meet project performance requirements (affordable rents, affordability period, acceptable maintenance and operation of the development, etc.) for the full affordability period, the NDR loan will become due and payable to the City of Minot based on the terms established in the project development agreement.

The City of Minot is seeking competitive proposals from for-profit developers. The selected project(s) must demonstrate a capacity to manage and develop affordable housing, meet all applicable NDR requirements and support the City of Minot's objectives for quality long-term affordable multi-family rental housing. The NDR funds are subject to all applicable rules and regulations of the Department of Housing and Urban Development (HUD) Community Development Block Grant program and the applicable rules and regulations set forth in the National Disaster Resilience Competition Notice of Funding Availability FR-5800-N-29A2.

Through this RFP, the City may select one or more projects to receive NDR funding. The City will issue additional RFP's over the next three years to provide NDR funding that supports other affordable housing needs. The Minot City Council will make the final project(s) selection.

NDR funding will be provided to a project or projects that meet the income and rent restrictions described in the Project Requirements section of this RFP. The City desires to optimize and leverage the NDR funding to achieve the greatest benefits for residents and the community. To allow for additional future investments in affordable housing the City will select projects based on the evaluation criteria included in this RFP. The selected project must:

- be within the city limits of Minot, within downtown Minot, as defined in the description on page 2 of the RFP
- ensure at a minimum, that at least 51% of the units will be affordable to and leased to households with incomes at or below 80% of the Ward County Area Median Income
- ensure that the affordable housing is properly managed and maintained throughout the affordability period to provide quality affordable housing for LMI residents and remains affordable for the longest period possible enforced through deed restrictions or similar instrument detailed in the project development agreement
- ensure that NDR funds are used only for project needs benefiting the LMI units and those needs must be fully documented, and

- meets all applicable HUD regulations and requirements in accordance with the City's NDR contract

## Submission of Proposals:

**Developers must complete the Affordable Housing application.** You can secure a copy of the application on the City's website or by calling 701-368-4301. Proposed projects must meet the requirements of this RFP.

**Eligible project costs include:** Costs of construction and rehabilitation of the LMI housing units; approved soft costs including reasonable and necessary costs incurred by the owner **after** project selection i.e. architectural, engineering, permits, eligible developer fees, legal fees, and closing costs. Rehabilitation activities include but not limited to structural, mechanical and electrical repairs, roof, windows, doors, required improvements to individual units, and work required based on the capital needs assessment (CAN) where the useful life is determined to be five years or less. Mitigation is required if units to be rehabilitated contain lead or asbestos.

This will impact the cost of the project. Refer to Attachment 1 for HUD's lead-based paint requirements for rehabilitation of housing. Repairs such as painting of apartments, replacing floor coverings, and trim work are only eligible when they are part of the larger rehabilitation project.

**Ineligible Project Costs include:** Refinancing of property; developer fees in excess of those allowed under North Dakota Housing Finance Agency HIF rule for 2015-2017; code violations; pre-development costs; operating and management costs; costs associated with creating market rate housing and/or commercial spaces; and costs incurred prior to funding approval except as noted in the eligible costs section above.

**To support resilience** and the City of Minot and HUD requirements, encourages must implement green infrastructure to the extent practicable. Tools for green infrastructure are available at the Environmental Protection Agency's water website; Indoor AirPlus website; Healthy Indoor Environment Protocols for Home Energy Upgrades website; and ENERGY STAR website: [www.epa.gov/greenbuilding](http://www.epa.gov/greenbuilding).

The City of Minot NDR Affordable Downtown Multi-Family Rental Housing RFP seeks proposals for projects that require funding to cover the difference between the total development/renovation cost and the amount of funding that the applicant secures from other sources (leverage). Other financial sources might include: Federal Home Loan Bank Board, North Dakota Housing Finance Agency, Community Development Block Grant funds from the state of North Dakota, developer debt and equity, and other private sources including foundations. Each applicant should evaluate various funding sources to determine the options that work best for their individual project.

NDR funds are provided to rehabilitate existing multifamily housing to preserve and improve the quality of affordable rental housing for qualified low and moderate income (LMI) households and ensure this affordable rental housing remains affordable to LMI households for a minimum of 20 years. If a minimum of 51 percent of the units included in this proposal will be leased to and occupied by LMI households, NDR funds may be used to cover necessary general building improvements that benefit all building residents however, for these necessary general building improvements to be included you must provide the following in your RFP response:

1. Detailed project costs must be provided. These project costs will be evaluated to determine if the costs are reasonable, only costs determined to meet cost reasonableness may be included
2. The remaining useful life of the proposed general building improvements must be reviewed in a qualified capital needs assessment and the proposed general building improvements must be within 5 years of or have reached or exceeded their expected useful life.
3. The project must be determined to be financially feasible for the entire affordability period
4. The return on the owner's equity investment will not be unreasonably high
5. NDR funds are disbursed on a pro-rate basis with other financing provided to the project

**Proposals must include the following required items:**

1. One-page cover letter containing a brief narrative description of the proposed project and amount of funds being requested, signed by the owner/applicant and dated
2. A completed application form including required financial information. Please note financial information may be subject to open records legislation
3. All requested supplemental information and exhibits with a cover page indicating each exhibit by number as described in the application form
4. Provide a minimum of three (3) verifiable references that are familiar with the applicant's housing development experience
5. A detailed description and scope of the project submitted in response to this RFP
6. Number and types of units (i.e. total number of units, number of affordable units, number of units with number of bedrooms, number of accessible units, etc.)
7. Income levels to be served based on HUD's most current Income Limits for example, low and moderate income, very low income, or extremely low income (specify the number of units at each income level). HUD's current income limits for Ward County can be found on the HUD website.

8. Why the NDR funds are requested and the impact of these funds to the overall project
9. Detailed description of the uses of NDR funds in this project. The successful proposal will be required to submit a detailed capital needs assessment (CNA) report on the building to be rehabilitated prepared by a qualified independent third party using a format acceptable to the City such as the US Dept. of Agriculture CNA format.
10. A detailed project cost estimate prepared by a qualified professional that includes all project costs, a detailed project budget, and verification of non-NDR funding commitments (to include contact information to verify funding commitments). Non- NDR funding commitments must be specific dollar amounts, type of commitment, and any conditions or requirements that come with the commitment. The successful proposer will be required to post a performance and payment bond for the project to the City of Minot.
11. Current vacancy rate in the building to be rehabilitated and information addressing the demand for the affordable units improved by this rehabilitation.
12. Statement and details of any pending litigation against the property or project partners
13. If any current tenants will be relocated as a result of the rehabilitation of the building, the proposal must provide details of any relocation of existing tenants. If the current tenants will be relocated on a temporary basis to vacant units within the building a draft temporary relocation plan must be provided. If any current tenants will be permanently relocated a relocation plan that complies with HUD regulations must be provided. Any relocations of current tenants are subject to the HUD Uniform Relocation Act (URA) and will be monitored and must be documented according to HUD requirements. The costs associated with any relocation must be shown in the project budget.
14. Applicable environmental documentation may be required to meet HUD's environmental requirements such as Asbestos assessments, a Lead Based Paint assessment, or other analysis necessary to meet HUD regulations. If asbestos or lead based paint is present in the building remediation must be completed according to all applicable environmental regulations.

## Project Requirements

To be considered for NDR funding, the applicant must show that the proposed development will comply with all applicable HUD requirements and regulations. Applications that do not meet/adhere to the following requirements cannot be considered for NDR funding.

1. The project must be inside the City of Minot outside of the new FEMA 100-year flood plain and in the designated downtown area described on page 2 of this RFP

2. The applicant must submit a complete project application form pages 1-14 and provide all requested supplement materials.
3. The City of Minot will verify that the development team members are not on the U.S. Department of Housing and Urban Development (HUD) “debarred” contractor’s list
4. The application must provide evidence of the project’s readiness to proceed including: documentation of property ownership/control, proper zoning, environmental documents, evidence of non-NDR leverage, and evidence of construction and permanent financing. A detailed project milestone schedule must be submitted in the application
5. NDR-funded projects must provide non-NDR financial resources that support the total project cost especially covering common area work that benefits non-LMI units as well as LMI units
6. The application must include documentation stating the amount, terms, and conditions of all funding committed to the project. The applicant must provide the name, organization, address, telephone number, and email address for verification of funding commitments
7. Prior to committing NDR funds the City’s NDR program manager will conduct a subsidy layering analysis to ensure that the City does not invest more funding than necessary for the proposed affordable housing. The City may conduct additional analysis of proposed project costs, financial feasibility, and related project reviews to ensure the NDR funding is necessary and the project is feasibility
8. The project must create rehabilitated rent restricted affordable housing units that will be affordable long-term. (Rent restricted unit is defined as a housing unit that is subject to income, rent, and other applicable restrictions enforced through the development agreement for the affordability period and annual audits to document the project’s performance on these restrictions)
9. The project must comply with all applicable federal regulations depending upon the funding sources including but not limited to Fair Housing, Uniform Relocation Act (URA), Davis Bacon, Section 3, Lead Based Paint and Environmental Review requirements.
10. Displacement of tenants is discouraged and is prohibited unless the developer follows all applicable HUD and federal URA regulations and the cost of the relocation is fully captured in the total development costs.
11. At a minimum ten percent (10%) of the LMI units must be accessible
12. A minimum of fifty-one percent (51%) of the units must be affordable to low and moderate-income tenants and must remain affordable for a minimum of 20 years to meet long-term affordability requirements established for this application. HUD defines affordable housing based on the household paying no more than thirty percent (30%) of

household income for gross housing costs including utilities. Affordability for Long-term Affordable Multi-Family Rental Housing will be based on the most current area median income (AMI) for Ward County as established by HUD. Proposers are responsible for securing the most current household income limits for Ward County, ND which can be found on the HUD website.

The selected project will be subject to an annual monitoring to determine project performance on affordability of rents, compliance with the affordability period, maintenance of the property, and other performance requirement established in the Development Agreement. The annual project monitoring will be based on the most current HUD data. An annual monitoring fee will be assessed for monitoring during the entire period of affordability. The annual monitor fee will be \$1,000 and will be conducted by the Minot Housing Authority.

13. The City of Minot will require the selected proposer to post a performance and payment bond for the project.
14. Projects must meet all applicable state and local codes, ordinances, and requirements including FHA minimum property standards and applicable HUD property standards.
15. Any conflict of interest requirements for the City of Minot, State of North Dakota, and the US Department of Housing and Urban Development must be adhered to.

### **Required Financial Documentation**

Proposers are required to submit detailed financial statements, sources and uses statement for the project, a detailed project operating budget, a 20-year pro forma for the project, and an income and expense statement. Additional financial documentation may be required.

Applicants will use a seven percent (7%) vacancy rate in financial documentation. In addition:

1. The applicant must demonstrate in their financial documentation that the project would not be financially feasible without the financial assistance from NDR. The application must provide information on the short and long term financial feasibility of the project.
2. Rehabilitation projects require a minimum NDR rehabilitation per unit of \$15,000 and may not exceed an NDR investment of \$65,000 per unit for eligible rehabilitation expenses. The proposed project rehabilitation must preserve and improve the quality of long-term affordable housing in Minot and meet local and state housing standards and codes.



3. A cost reasonableness review will be conducted to evaluate proposed development costs comparing application costs to similar developments, based on construction type.

### **Capital Needs Assessment**

The selected proposal must submit a Capital Needs Assessment (CNA) prepared by a qualified independent third party using a CNA format that is acceptable to the City. The assessment will include an opinion on the proposed project budget for recommended improvements and identify critical building systems and/or components that are within 5 years of reaching their expected useful life or have reached or exceeded their expected useful life. The CNA must identify the remaining useful life of major systems.

If the remaining useful life is less than the affordability period, a replacement reserve as well as a replacement schedule is required to ensure the items can be adequately maintained and addressed throughout the affordability period. The final selection and commitment will not be made until the CNA is reviewed and it is determined that the project and project budget are consistent with the findings in the CNA. If the CNA does not support the project and project budget as submitted, the proposal will be rejected and other submitted applications will be considered.

### **Appraisal**

The successful proposal may be required to submit an appraisal of the building prepared by a qualified North Dakota appraiser that is licensed and meets the requirements established by the North Dakota Real Estate Appraiser Qualifications and Ethics Board.

### **Developer and Development Team Documentation**

The knowledge and experience of those who will develop, own, and operate the long-term affordable housing funding is very important to the success of the project. The applicant must demonstrate the expertise, ability, and financial capacity, of their team to undertake and manage the project. The application must include information about the applicant's experience and capacity. This information will include:

Description of the applicant's expertise in developing/rehabilitating and operating housing developments; applicant's track record with similar projects; development teams housing and development experience; property management experience; commitment to affirmatively furthering fair housing, and compliance with HUD requirements.

**Developer Fee Policy** – Developer fees are capped at the same rate as those allowed by the North Dakota Housing Finance Agency for similar affordable multifamily rental projects.

**Evidence of Site Control** - The developer must provide evidence of site control as a condition of submitting the project proposal.

**Preliminary Plans** - If the proposer has preliminary conceptual plans this information should be submitted in the proposal. Any architectural and engineering costs incurred prior to the execution of the development agreement and environmental documents are not eligible costs.

## **CDBG-NDR Resilience and Energy Efficiency Requirements**

NDR projects must reflect the resilient features identified by the community during the NDR proposal meetings: walkability, accessible to services, design quality and construction, safe neighborhoods and play areas, environmental quality, well maintained, proximity to transit and community amenities, reflect smart growth principles, quality landscaping, and common open space.

The City of Minot selected the ENERGY STAR standards to meet the energy efficient requirements for NDR projects. The applicant will ensure that all construction meets the ENERGY STAR industry-recognized standard selected by the City of Minot

For rehabilitation applicants must follow the guidelines specified in the HUD CPD Green Building Retrofit Checklist, available on the CPD Disaster Recovery website ([portal.hud.gov/hudportal/documents/huddoc?id=drsi\\_retrofit.xls](http://portal.hud.gov/hudportal/documents/huddoc?id=drsi_retrofit.xls)). Applicants must apply these guidelines to the extent applicable to the rehabilitation work undertaken on this project including the use of mold resistant products when replacing surfaces such as drywall. When older or obsolete products are replaced as part of the rehabilitation work, rehabilitation is required to use ENERGY STAR-labeled, WaterSense-labeled, or Federal Energy Management Program (FEMP)-designated products and appliances.

### **Application Document**

Five (5) hard copies of the proposal should be delivered unbound in an 8 ½" by 11" format each copy secured by a clip at the top in a sealed manila envelope with the words "**Minot NDR Affordable Multifamily Housing RFP**" written in bold text on the outside of the envelope.

Please use a labeled paper exhibit separator (i.e., colored paper with the name of each exhibit section typed in bold text on the paper, not a tab sheet) as the submittals will be scanned and copied for the review teams. An electronic copy of the proposal on a jump drive or similar must be included in the sealed package.

The project proposal must be delivered to: Kelly Matalka, in the City Clerk's Office, Minot City Hall, 515 2<sup>nd</sup> Avenue SW, Minot, North Dakota, 58702; or submit by mail by the deadline to Attn. Kelly Matalka, City of Minot, P. O. Box 5006, Minot, ND 58702. **Project Proposals must be received by June 15, 2018 at 4:00 p.m. in the office of the City Clerk at 515 2<sup>nd</sup> Avenue SW, Minot, ND.**

## Review Process

All proposals will be reviewed by the NDR Technical Review Committee. The Technical Review Committee will review the proposal based on the evaluation criteria in this RFP and provide a project selection recommendation to City Council. The Minot City Council will select the project(s) that will receive NDR funding in this RFP.

The City reserves the right to reject any and all proposals and to negotiate the terms of the contract including the award amount, with the selected developer prior to entering into a written agreement.

## Project Development Agreement

NDR funding will be subject to a Project Development Agreement. Funds will be disbursed only at the time all conditions of the award have been met by the applicant and upon execution of the Project Development Agreement. An environmental review will be completed by the City for any project that will receive federal NDR funds prior to the commitment of funds.

## Affordable Multi-Family Rental Housing Evaluation Criteria

Each proposal submitted in response to this Request for Proposal (RFP) will be evaluated based on the required information included in this proposal and the evaluation criteria that follows. Applicants must achieve a minimum score of 55 points to be considered for funding.

### Evaluation Criteria

Each proposal will be evaluated using the following evaluation criteria. Representations made by applicants for which points are given will be binding and will be monitored through the annual compliance review process throughout the affordability period. Complete proposals submitted to the City will be evaluated based on the following criteria:

1. Period of Affordability
  - 30 + years..... 20 points
  - 20 – 29.9 years..... 10 points
  - Less than 20 years..... 0 points
2. Number of affordable rent restricted, affordable units within the Development
  - 51% to 59%..... 5 Points
  - 60% - 65%.....10 Points
  - 66% - 80%.....15 Points

3. Number of handicapped accessible units provided within the Development

- 11% - 15%.....10 points
- 10%.....10 points

4. Non-NDR Financial Resources - Direct financial resources from non-NDR or other city funds that will be invested in the project to cover eligible project costs. Example: Total documented eligible project cost is \$8 million, requested NDR funds \$1.5 M = 18.7% leverage earning 20 points

NDR program funding divided by documented total project cost equals:

- 29.9% or less..... 25 points
- 30% - 39.9%.....20 points
- 40% - 59.9%.....15 points
- 60% - 69.9%.....10 points
- 70% - 80% .....5 points

5. Proximity to Resilient Housing/Neighborhood Features

Proposed development is located within ½ mile of resilient features including: full service grocery store, transit, medical facilities (pharmacy, hospital/clinic), walking/biking trail, and public park/recreation area) as measured by Minot GIS Resilient Site tool

- Within proximity to transit or full-service grocery store..... 2 points
- Within proximity to 2 resilient features.....2 points
- Within proximity to 3 resilient features.....4 points
- Within proximity to 4 resilient features.....6 points

**Development Team Experience**

The knowledge and experience of those who will develop, own, and operate the long-term affordable housing is very important to the success of the project.

1. Development Team Experience in Affordable Multi-Family Rental Housing

- No experience..... 0 points
- Experience with up to 5 similar development projects..... 2 points
- Experience with more than 5 similar development projects..... 4 points

2. Property Management Experience in Affordable Multi-Family Rental Housing

- No experience managing income-restricted housing..... 0 points
- Designated Property Management Entity has a documented track record of successful property management experience, has not managed an income-restricted property..... 2 points
- Designated Property Management Entity has a documented track record of success managing income-restricted properties, and has the capacity to take on management of the proposed project.....4 points

**Financial Strength**

1. Sources and Uses of Funds

- All sources and uses of funds are clearly indicated and provide sufficient evidence of funding availability and/or commitment are included..... 10 points
- All sources and uses of funds are clearly indicated, but evidence of funding availability or commitments are incomplete..... 0 points

2. Debt Coverage Ratio (DCR)

The debt coverage ratio is based on “hard debt” (debt services contractually obligated to be repaid). The net operating income over the debt service determines debt coverage ratio.

- DCR between 1.21 – 1.24.....15 points
- DCR between 1.15 - 1.20..... 10 points
- DCR less than 1.15..... 0 points