REQUEST FOR PROPOSALS

TO

PRODUCE & PRESERVE

AFFORDABLE HOUSING

CITY OF CHATTANOOGA

DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

101 E. 11TH STREET, CITY HALL, SUITE 200 • CHATTANOOGA, TN 37402 •

(423)643 - 7300

Table of Contents

City of Chattanooga Request for Proposals (RFP) to Produce and Preserve Affordable Housing

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 through production and preservation. ECD desires responses from partners that offer creative ways of improving the housing stock in the City of Chattanooga. Eligible applicants can be for-profit or non-profit entities.

ECD has established priorities for housing that include construction or rehabilitation of existing single and multifamily rental housing properties, and homeownership housing development. Housing must be for the general low/moderated income population, including 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.

No project will be funded 100% by the City. The City funds will only be provided as gap financing that is not otherwise available from other sources. **The maximum assistance provided to a project will be limited to fifty percent (50%) of the construction/renovation cost, (per unit), not to exceed $40,000 (per unit).**

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. Therefore, as 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.

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 (1) the total project costs and (2) 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, among other things, cost reasonableness, market demand, developer capacity, and the commitment of other funding.

Under this RFP, eligible proposals will be accepted and reviewed according to the following schedule:

Application Workshop	RFP Due Date	RFP(s) Reviewed & Funding Recommendations Made for Council Approval	City Council Approval
December 19, 2016	January 20, 2017	January 23 - February 3, 2017	February 21, 2017

.

How to Apply

1. REVIEW INFORMATION

Carefully review application materials, program and developer requirements. An electronic version of the application and requirements are at: http://www.chattanooga.gov/economic-community-development/community-development/requests-for-proposals; included are:

1. Project Questionnaire
2. Program Descriptions and Guidelines
3. Application
4. Excel-based Development Proposal Template
5. HUD Rents and Income Limits
6. 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 basis for the preliminary assessment. For information, or to discuss your proposal, contact Countess Jenkins: (Phone) 643-7333, (Email)Cjenkins@chattanooga.gov, Sandra Gober: (Phone) 643-7332, (Email) Sgober@chattanooga.gov, or Regina Partap; (Phone) 643-7335, (Email)Rpartap@chattanooga.gov.

4. ATTEND APPLICATION WORKSHOP

Those interested in submitting applications are strongly encouraged to attend the Application Workshop on **December 19, 2016**, 2:30 PM to 4:30 PM, 101 East 11th Street, Purchasing's Conference Room, Ground Floor, City Hall. 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 and application instructions. The information presented should not be construed as an exhaustive list of the regulations and requirements and should be taken only as a general guideline and is not a substitute for a thorough understanding of the regulations. Developers assume all risk of any predevelopment funds expended before funding is formally approved and are ultimately responsible for compliance with all applicable 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 Leverage

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. **The maximum assistance the City will provide to project is limited to fifty percent (50%) of the construction/renovation cost, (per unit), not to exceed $40,000 (per unit).**

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, in tandem with the program requirements and availability of funds.

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 (1) the total project costs and (2) the Applicant's equity/investment plus commercially available debt, other grants, tax credits, and capital contributions.

Applicants must provide a minimum of 50% match/leverage for HOME funds. Projects with greater match/leverage score higher.

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 through programs operated by non-profit housing organizations, including eligible community development housing organizations (CHDOs). Homebuyers must be identified and pre-qualified prior to construction. 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 eligible 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 (down payment assistance) or purchasing a HOME-assisted unit.

Assistance will be provided as development gap subsidy which is determined based upon the project development budget. The subsidy will be recorded as a lien against the property and released upon completion and sale to an eligible buyer. However, to ensure the property remains 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 a lien/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 nonprofit developers with documented capacity to construct/rehab and operate housing that benefit 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.

Applicants and applicants' team members must disclose any pending lawsuits, judgements and/or other orders of satisfaction which could potentially impact the proposed project, along with unpaid taxes, liens, defaults on debt, and property code violations.

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 financing is on a cost reimbursement basis. Disbursements during construction/rehab are limited to the reimbursement of the actual eligible costs that have been incurred.

Selection Criteria

All projects will undergo underwriting and feasibility analysis. Underwriting involves the analysis of project assumptions and risks to determine if the public investment is reasonable and the project can be expected to meet all applicable program requirements for funding and during the period of affordability. ECD will review project concept and design for suitability for the targeted populations(s) and financially sustainability over the affordability period. The underwriting and feasibility analysis also evaluates cost reasonableness, market demand, developer capacity, project timelines, the commitment of other funding, the adequacy of the funding to complete the construction or rehabilitation and, for rental projects, to sustain operations over the required period. Exceptional proposals will provide all information required for reviewers to accurately assess and score these components of the proposed project.

Applications that pass the threshold requirement will be reviewed by a panel consisting of ECD staff. The panel will score each application based on outlined categories. 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 Development Details (20 Points)
- Organizational/Developer Capacity (20 Points)
- Project Costs , Financing, Leverage/match (20 Points)
- Location Information (20 Points)
- Readiness to Proceed (20)

Project/Development Information (20 points)

Exceptional proposals will present an overall narrative and sufficient details on development for adequate feasibility analysis - location, market demand, ownership, project cost, sources and uses of funding, proposed units, demonstrated need for HOME gap financing, financial and personnel capacity of applicant, project timelines, proposed target population and long-term sustainability plan.

Proposals must include:

1. A defined scope of work, including preliminary design plans and site plans, including details on
    a. plans for Energy efficiency / sustainable practices
    b. complying with accessibility requirements and other applicable building codes
    c. use of cost-effective green building measures (if applicable)
    d. innovation or benefit through the project design, compatibility with surrounding uses, or services for targeted population(s)
    e. units and rent levels that justify the requested resources

2. Detailed cost estimates from qualified source(s) ensuring that all project costs are reasonable
3. Detailed budget - sources and uses of funds
4. Operating pro-forma covering period of affordability
5. Development timelines (realistic)
6. Site control documentation
7. Documentation/details on zoning
8. Documentation demonstrating that all property taxes are current

9. Details on proposed targeted population to be served, (MOU)/ alliances with providers of social services
10. All applicable Third-Party Reports, including but not limited to:
    a. Post construction/rehabilitation Real Estate 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

Organization/Developer Capacity & Experience (20 points)

Two elements of underwriting analysis related to the applicant/developer include: – (1) the experience and the capacity of the developer (including the entity staff and project team) to implement and complete the project and (2) the fiscal soundness of the developer to meet its financial obligations and risks of the project. Acceptable experience and financial capacity will be evaluated based on the size, scope, and complexity of the project. Viable proposals will come from development teams with the technical and managerial experience, fiscal capacity, and knowledge and skills to successfully undertake and complete the proposed development.

Experience

In assessing the experience of the applicant/developer, to determine whether the entity has the technical and managerial experience, knowledge, and skills to successfully undertake and complete the development and adhere to long-term requirements, the City will consider both prior experience and current capacity of the entity. In considering this, the City will take into account:

- The corporate or organizational experience of the development entity;
- The experience of the staff assigned to the project and overall quality of the development team;
- The prior experience of the individuals compared to their roles in the proposed project;
- The applicant's/developer's track record in the development and management of affordable/subsidized housing;
- Entity's ability to efficiently maintain the additional property/asset; and
- Entity's ability to adequately provide services to proposed target population(s) (if applicable).

For rental projects, a developer/owner needs specific skills and capacity including property management, asset management, service provision (as applicable), and special financing skills.

For homebuyer projects, the development team must demonstrate its capacity to market and sell the units. This may involve the addition of a realty professional to the team, or evidence that in-house staff have the capability to oversee the advertising, unit showing, intake, and processing of potential buyers. For CHDO projects, the City must be able to certify that the CHDO has paid staff with experience relevant to the proposed project and role of the CHDO.

Financial Capacity

The City must also examine whether the applicant/developer has the financial capacity necessary to complete the proposed project. The City will review information submitted to determine whether the applicant/developer has:

- Adequate financial management systems and practices; and
- Sufficient financial resources to carry the project to completion or through initial lease-up, as the case may be.

When determining whether the developer has the financial capacity to undertake the project, the City will examine financial statements and audits to determine the developer's net worth, portfolio risk, pre-development funding, and liquidity. Applicants/developers with limited financial resources may only be considered for projects where cash needs will not exceed the developer's net or liquid assets.

Capacity assessment varies by project size, scope, complexity and type of development entity. Developer capacity and fiscal soundness will be evaluated on information demonstrating, but not restricted to:

1. Applicant's prior experience with development of properties similar to proposed project, including such details as acquisition of real property, rehabilitation, marketing, leasing and maintaining affordable/subsidized rental housing.
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).
4. Demonstration of entities ongoing financial viability
5. Ability to manage additional projects if other developments are in progress.
6. History of partnership with support service providers if proposal is serving specific target populations. The organization's experience serving that population must be clearly stated.

Potential Scoring

1. Development experience (acquisition, rehabilitation, construction) of properties, at minimum, similar in size, scope, complexity and type to proposed project - 6 points
2. Fiscal capacity - 6 points
3. Staff capacity - 4 points
4. Marketing, leasing of units to qualified tenants - 2 points
5. Maintaining affordable/subsidized rental housing - 2 points

Location Information (20 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 stores, 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

Neighborhood Market Assessment

Before committing funds to a project, the City is required to assess the current market demand in the neighborhood in which the project will be located, addressing two key issues: pricing and absorption. This process requires the City to review 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 helps in proving a legitimate need for the development. The market analysis will:

- Evaluate general demographic, economic, and housing conditions in the community.
- Delineate the market area by identifying the geographic area from which the majority of a project's tenants or buyers are likely to come. This may or may not coincide with census tract or neighborhood boundaries.
- Quantify the pool of eligible tenants or buyers in terms of household size, age, income, tenure (homeowner or renter), and other relevant factors. Not all residents of the market area are potential or likely tenants or buyers of any given project.
- Analyze the competition by evaluating other housing opportunities with an emphasis on other affordable rental developments or sales opportunities in the market area, including those financed through either the HOME program or other federal programs.
- Assess the market for the planned units and determine if there is sufficient demand to sell the HOME-assisted housing within nine months of construction completion or to rent the HOME-assisted housing within 18 months of project completion.
- Evaluate the effective demand and the capture rate, usually expressed as a percentage (the project's units divided by the applicant pool). The capture rate is the percentage of likely eligible and interested households living nearby who will need to rent units in the proposed project in order to fully occupy it. The lower this rate, the more likely a project is to succeed.

- Estimate the absorption period. Plan how many units can be successfully leased or sold each month and how long it will take to achieve initial occupancy/sale of the HOME units and stabilized occupancy for the project as a whole.

In some cases, other funders may require independent market studies. The City may accept the independent market study prepared for another funder if the study meets the requirements of the City. However, the City must review any market studies or assessments and make its own conclusions about the likelihood of project success. The City may not simply accept the conclusion of another source as its sole evidence of market demand.

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, 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.

Readiness to Proceed (20 points)

A realistic/detailed project timeline must be included with proposal. 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 signing a contractual agreement with the City. At minimum, all other financial commitments will be in place, property will be properly zoned, property will be under control/ownership of applicant, and environmental review will be completed prior to the City preparing an agreement for the funds. 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.

1. Notice to Proceed can be issued within fifteen (15) days of award – 20 Points
2. Notice to Proceed can be issued within thirty (30) days of award – 10 Points
3. It will be more than thirty (30) days after award before work will commence - 0 Points

Project Feasibility, Costs & Financing (Sources & Uses of Funds) (20 points)

This is one of the most critical sections of the RFP. Applicants/developers should review carefully and provide required information/documentation, as requested. Before committing HOME funds, the City will evaluate the proposed project to ensure that funds are invested such that the project is likely to succeed over time. To verify this, the City will assess all of the assistance that has been, or is expected to be, made available to the project.

The City will take into account all the factors relevant to project feasibility, which may include, but are not limited to: total development costs and available funds; impacts of HOME restrictions such as eligible costs, maximum subsidy limits, cost allocation, and rent/utility allowance limitations; rates of return to owners, developers, sponsors, or investors; resale or recapture limitations for homebuyer projects; and the long-term needs of rental projects and tenants.

The two types of documents the City must receive and review in order to assess and underwrite a project include:

- A sources and uses statement (development budget); and
- An operating pro-forma. For homebuyer development projects, the pro-forma will take the form of a sales and revenue plan.

SOURCES AND USES STATEMENT

Applicants/developers must complete and submit a project budget with support documentation to verify the sources and uses indicated. The project budget must show:

A. All Sources (both private and public) of funds with dollar amounts) and timing of availability for each source, and
B. All Uses of funds (for example acquisition costs, site preparation and infrastructure costs, rehabilitation/or construction costs, financing costs, professional fees, developer fees and other soft costs) associated with the project.

Sources of Funding

Prior to committing funds to a project the City must ensure that all financing sources are in place. Consequently, the following is required to be submitted for all project sources:

- Firm commitment letters with all terms and conditions for all mortgages, grants, bridge (interim) loans and investment tax credits (historical, low-income, if applicable);
- If the applicant is a partnership or limited liability corporation, a copy of the partnership agreement or operating agreement, which will indicate the cash contributions by the partner(s) or member(s); and

- If equity is committed by the developer or owner(s), evidence of available equity funds.

The project sources review includes the City determining that the total amount of HOME assistance is reasonable and necessary. The questions used in assessing proposed sources include:

1. *Are total funding sources adequate and timely in their availability to cover development costs at all phases of the development – acquisition, construction/rehabilitation, and permanent loan?* Before committing HOME funds, the City must determine that all necessary financing is available to cover reasonable costs of development. This includes reviewing any conditions the developer must meet in order to draw funds and the schedule upon which funds will be available. The availability of sources should match the project's timeline and allow the City to anticipate when and for which items it will disburse HOME funds. The City will also review the commitment and availability of permanent funding sources, the repayment terms of which need to be incorporated in the long term operating projections.

2. *Are the other funding sources compatible with HOME, or do they contain different requirements that affect the structure of the project, including unit mix, and are these differences accommodated in the project plan?* In its review of written commitments for other funding sources, the City must determine whether there are provisions that: (a) conflict with HOME requirements; or (b) are not reflected in the project plan. The availability of sources should match the project's timeline and allow the City to anticipate when and for which items it will disburse HOME funds.

3. *Are the funding sources firmly committed?* The City will assess all financial commitments to ensure that they are in fact firm commitments that are consistent with the project. Firm commitments must be non-speculative sources identified and secured in the amount necessary to complete the project. It is not necessary that financing sources have "closed" or been disbursed. Documentation of firm financing can include award letters, offer letters, final term sheets, or other commitments which are conditioned upon the receipt of HOME funds. But, these may not include automatic self-expiring clauses or highly conditioned language and must have all substantial terms tied to a specific project. In the case of projects with LIHTC, the project must have received a reservation from the Housing Credit Allocator (e.g., State Housing Finance Agency) and be able to provide a good faith offer of equity investment from an investor prior to the issuance of a HOME commitment.

As, gap financing, The City's maximum assistance provided to project will be fifty percent (50%) of eligible construction cost (per unit), up to a maximum of $40,000 (per unit).

Uses of Funding

Uses are the project costs that are budgeted to be paid during the development phase. The City must review all costs of the project because the determination of the amount of HOME assistance needed is based on the gap between uses and other sources. Even costs not being paid with HOME funds must be necessary and reasonable, as the inclusion of excessive costs inflates the apparent need for public subsidy in a project.

In the review of the sources and uses statement, the City will assess the detailed breakdown of costs, including all hard and soft costs of the project, and review documentation or explanations of the basis of the calculation. Applicants must provide project budgets in sufficient itemized detail to evaluate not only the sufficiency of the budget but also to evaluate whether project costs are reasonable both on a line item basis and in the aggregate.

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), or deny the project HOME funding. Note that for projects with tax credits to be sold, the proceeds from the sale of these credits must be identified as a source of funding.

Applicants must provide documentation for all line item costs in the budget, including:

- Acquisition documentation, such as purchase agreement, option or closing statement and appraisal or other documentation of value;
- Construction cost estimate, construction contract or preliminary bid(s);
- Contracts, quotes or other agreements substantiating key professional costs and the basis for estimating other soft costs and working capital items, including capitalized reserves;
- Agreements governing the various reserves which are capitalized at closing (to verify that the reserves cannot be withdrawn later as fees or distributions);
- A third-party appraisal (to substantiate the value of the land and the value of the property after rehabilitation or the structure being built);
- If LIHTC are utilized, documentation on the syndication costs (legal, accounting, tax opinion, etc.) from the organization/individual who will syndicate and sell the offering to ensure that the project can support the fees necessary to syndicate/fund the project.
- Note that for homebuyer projects, some of the costs – such as realtor fees, closing costs and some of the developer fees – will not be incurred until the closing and might be paid out of closing proceeds. Also, since in the development phase loans such as construction loans are repaid at time of sale from sales proceeds, the estimation of the period to sell and close on the units is an essential part of the analysis. Again, this is affected by the ready presence of buyers under agreement or in the counseling/screening pipeline. The developer must have projected interim financing interest and carrying costs to reflect the expected project absorption.

The questions used in assessing proposed uses include:

1. *Are all of the proposed costs of development "necessary and reasonable"* in compliance with federal requirements, costs are considered "necessary" if they are required to implement the project in full compliance with all program standards. A cost is reasonable if it "does not

exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost." The determination of reasonable cost include the following factors:

- Costs of comparable projects in the same geographical area
- The qualifications of the costs estimators for the various budget line items
- Comparable costs published by recognized industry cost index services.

2. *Are the proposed costs sufficient to achieve all program requirements, including property standards, to provide quality housing for at least the affordability period?* The applicant must ensure that the project budget is adequate to meet and maintain the property standards and all other HOME and cross-cutting federal requirements that apply to the development. The completion of a capital needs assessment or estimate of the property's useful life is essential to this analysis in rehabilitation projects.
3. *Are the costs proposed to be paid with HOME funds eligible under the HOME rule?*

OPERATING PRO FORMA

Applicants proposing rental projects must furnish an operating pro forma (project income and expense statement), projected for the HOME period of affordability, at a minimum. The **Excel-based Development Proposal Template,** which is part of the application, must be completed and submitted with other application documents.

The City will evaluate the reasonableness of the financial assumptions of the project to establish minimum total per unit operating costs. The sufficiency of both specific line item and total operating costs will be evaluated. The long-term operating projections over the period of affordability should be based on reasonable assumptions and demonstrate that project can cover expenses and debt service throughout the affordability period.

The pro forma will be scrutinized to ensure the cash flow projections are realistic in light of economic conditions. The cash flow projections should be neither unduly conservative nor overly optimistic. It is the City's role to balance the need for public subsidy to make the project viable while safeguarding the investment of HOME funds in the project by ensuring that projected income and expenses are reasonable, and provide resources that are sufficient for the property's upkeep and planned capital repairs during the affordability period. Long-term operating projections should also be based on reasonable assumptions about how revenues and operating costs are expected to change over time, and demonstrate the project is expected to operate within normal operating parameters throughout the affordability period.

Projected Income

Operating revenues must be based on achievable rent levels, reasonable vacancy and collection loss, and conservative estimates of non-residential sources of incomes. In the Development Proposal Template, the City uses 2.25% for annual income increases 3.00% for expenses 5% as the vacancy rate, and $500 for replacement reserve. If developer uses other estimates supporting explanations must be provided.

- In most projects, non-residential revenue from fees/late charges, commercial income, interest, laundry/vending, or other similar sources likely will be modest, therefore should be projected conservatively.
- Vacancy projections should reflect local market conditions and account for both physical vacancy and collections loss.
- The rate of projected growth for rental income, other revenues, expenses, and vacancy rates should be appropriate to the local market and regulatory limits.
- Net Operating Income (gross revenue minus operating expenses) should be sufficient to cover debt service obligations and mandatory replacement reserve funding and generate reasonable but not excessive Cash Flow throughout the period of affordability. If deficits are projected, the HOME subsidy may be increased to reduce amortizing debt and the deficit reserves might be funded from other sources.

Projected Expenses

All operating costs must be in sufficient detail to compare line items against properties that are similar in physical type and size, so that the City may determine whether the planned expenditures are sufficient and reasonable. The operating budget should include any general management expenses, maintenance and operating costs, any project paid utilities, taxes, insurance premiums, and adequate deposits to replacement reserves. In most cases, evaluation of total operating costs should be summarized in "per unit per year" amounts rather than as a percentage of projected revenue.

- Most operating costs (e.g. water/sewer rates or lawn mowing) do not vary based on how much tenants are paying in rent. Whenever possible, the PJ should compare against other projects in the property manager's portfolio or the neighborhood.
- Management and other fees to the owner should be reasonable in the local market.
- The identity of interest (also referred to as related party) relationships with contracted property management, repair/rehabilitation contractors, or other project vendors must be disclosed.
- Minimum replacement reserve deposits should be specified based on the characteristics of each project. Reserve needs may vary based on the type of physical product, the target population, and whether the building is newly constructed or rehabilitated.
- Any debt service or other funding/reserve requirements related to 'secondary' financing in mixed financed deals, if applicable.
- Cash flow will be evaluated both as a "debt coverage ratio" and as a percentage of operating costs and debt service. The City will use information provided Worksheet "**B. Property Information"**, to evaluate these.

Sales Plan - Homebuyer Projects

In lieu of an operating pro-forma, homebuyer developers must provide a sales plan, which will be evaluated as a component of the market assessment. This plan includes the developer's anticipated cash flow and timing of when and how units will be sold. The City is only accepting applications from eligible entities that have pre-approved, pre-qualified buyers for identified units. Speculative building is prohibited. Eligible entities include non-profit housing organizations, including eligible community development housing organizations (CHDOs).

The HOME regulations require that any profit or return on the owner's or developer's investment will not exceed the City's established standards. The profit or return must be analyzed and determined to be reasonable. This analysis includes profit that is projected to flow to the developer as operating cash flow from rental projects, sales proceeds from homebuyer units (if not considered as program income by the City) and any other professional fees being paid to the developer or related entities. Developers and owners may financially benefit from HOME-assisted projects in several ways:

Developer Fees: These are fees charged by the developer as a part of the project cost to compensate for the risk, time and effort to build and sell or lease the property. Developer fees are allowed under the HOME program, but the City must review these fees and determine that they are reasonable. The City may set limits on the developer fee that differ from other funding sources (e.g. LIHTC underwriting standards).

The City will review developer fee schedules or ranges based on the local market and take the following into consideration:

- The scope and complexity of the project being developed;
- The size of the project;
- The relative risk the developer is taking;

The costs a developer will incur from the fee as compared to those being charged as project costs;
The fees that are regularly and customarily allowed in similar programs and projects; and,
Other fees the project is generating for the developer and its related entities

Sales Revenues: Developers of for-sale properties may keep some or all of the sales proceeds, as deemed reasonable by the City.

Cash-Flow: Assuming that the rental property is properly structured and financed, successfully attracts residents, and is effectively managed; the project likely will have net cash-flow after the payment of debt service. Cash-flow is distributed to the owner and/or investors as a return on their original investment.

Tax Benefits: Rental owners and/or investors can also benefit from tax savings—a reduction in the income taxes they owe due to tax losses or tax credits.

Equity Appreciation: Over time, the value of the rental project sponsor/owner's ownership share in the project will increase as debt financing is paid down (due to the portion of debt service that is applied to the loan principal), and depending on market conditions, the property appreciates in value.

Identity of Interest (IOI) Roles: Some developers may also own construction companies and if this company is used for the HOME project, the construction firm may earn reasonable profit and overhead as a component of the development budget. If the rental property owner also operates a property management company contracted to service the property, the developer may earn fees from those activities. These and other IOI contracts require additional review and they must be clearly disclosed, priced at arm's-length rates, and subject to cancellation if the IOI contractor does not provide acceptable service.

The City's standard for determining a limit for overall returns and cash flow distributions to ensure that owners do not receive excessive gains/profits from the project as a result of HOME and other public subsidies will be based on the project.

Overall Evaluation

The following will be used in conjunction the project ownership structure, property operations, the financial statements of the owner and guarantor (if applicable), to evaluate project feasibility:

1. Whether information is adequate to demonstrate that the development is feasible in terms of costs, sources and uses, and financial thresholds:
    a. Debt coverage is equal to or above 1.20
    b. All loans/debt plus City investment less than 95% of "as proposed" value
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 request of City's assistance <= 50% per unit construction/renovation cost
6. Whether pro-forma income and expenses appear reasonable
7. Developer Rate of Return on Investment - reasonable rate of return based on comparable, current market rates

For thorough and adequate evaluations, applicant's proposal should sufficiently detail:

1. Project budget
2. All funding sources supported with letters of credit/commitment - Projects that can demonstrate/document commitments for all funding needs by award date will be prioritized
3. All sources of debt and anticipated debt with details on terms
4. Pro forma over the life of the project
5. Post construction/rehabilitation real estate appraisal
6. Level of expected profit/return to owner/developer for size, type, complexity of project (Other information/documentation may be requested by the City.)

Project Development Requirements

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, and 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.

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. GIS zoning is not always current, please call 423-643-5902 to verify zoning.

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.](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.

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. Developer must provide the City with all contracts between the developer and all contractors/sub-contractors on a project.

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.

Liability and Property Damage 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/endorse 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 noncompletion 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. 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 and vendor 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 Project in order to remain in compliance with the Contract and to be 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.

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 (TDDS) 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

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 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) are shown are available on the department's website at: http://www.chattanooga.gov/communitydevelopment

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 recorded on the property. **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.energycodes.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 or HOME funding.

Documentation of Agreement

This RFP is a framework upon which requests may be submitted. A Project Agreement and other documents will be signed by the developer/subrecipient after a resolution has been approved by City Council. Among other requirements outlined in this RFP by signing the application, applicants assert that they agree/understand:

- 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 project and all due diligence determined by the Department to be prudent and necessary to meet and to secure the interests of the City of Chattanooga.
- Certified Financial Statements - Prior to signing of the project agreement, applicant must submit signed and certified financial statements and tax returns for the past 2 years.
- Other liens – After closing, applicant 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 the City of Chattanooga.
- HOME Recapture/Resale Provisions state that if a housing project is sold, prior to period of affordability being satisfied, either voluntarily or involuntarily, the City will recapture 100% of the HOME funds invested in the project.
- Upon submitting an application, you acknowledge that once the HOME funds have 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.