

# Design Your Housing RFP Process for Quality Responses

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Florida Housing Coalition

January 18, 2022



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# Presenters

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# Poll: Who's attending today?

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- Local government
- Nonprofit developer
- For profit developer
- Other

# Today's Agenda

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- Workshop focus is the housing RFP process from a local government perspective
- Purpose of RFP process (types of RFPs and RFQ's)
- Steps to Prepare RFP
- Steps to Issue, Evaluate and Select top response
- Scoring Process
- Follow up for long term compliance
- Case Example: St. Lucie County

# Steps to Prepare for the RFP Process

Understanding types of solicitations and thinking through your purpose

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# Types of Solicitations

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- Request for Proposal
- Request for Qualifications
- What's the difference...
- Focus targets
  - Incentives
  - Local funding for single family or multifamily projects
  - Local Government Contribution for FHFC RFA
  - Area of Opportunity Support for FHFC RFA
- Homeownership vs. Multifamily project approaches



# Application Procedures

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- Three Types:
  - Incentive applications or appeals- based on project
  - Local Government Contribution (FHFC and HFA) – competitive
  - Local Government Area of Opportunity RFP (FHFC and HFA)- competitive

# RFA: Local Government Contribution

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- Check each RFA- understand developer's requirement
- Amount varies by size of community
- Decide on NOFA or open applications per project
- Need not disburse until closing on award
- How much is too much?

# RFA Funding Process and Local Government Role

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- Track RFA funding timeline and prepare competitive cycle to coincide with due dates
- Understand each RFA and requirement for Local Government Contribution or Area of Opportunity
- Prepare other forms as needed:
  - Verification of Zoning and Land Use regulations
  - Verification of Infrastructure- sewer and water
  - Within 21 days of invitation to credit underwriting:
    - Verification of environmental safety Phase 1 ESA
    - Phase II ESA if required
    - Verification of infrastructure- electricity, roads

# Applications for Incentives

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- These are rolling and open
- Prepare a menu of incentives available
- Watch for needs during informal reviews
- Assist with application
  - Project ID
  - Project Location and description
  - Problem needing a solution
- Be timely
- Incentives should be administratively approved
- Check if incentives granted qualify for Local Government Contribution

# Local Government Contribution- FHFC

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- Rehab projects automatically get 5 points
- Others must demonstrate local govt support in the form of \$ grants, loans, fee deferral, or waiver of fees
- Minimum contribution is defined in RFA
- Net Present Value calc is used for loans and deferral of fees
- There are many that are NOT approved so review carefully
- **Not to be confused with Local Government Areas of Opportunity Contributions**
- There are forms for grant, fee waiver, loan or fee deferral

# Local Government Areas of Opportunity: FHFC

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- Funding goals in certain RFA's
- Higher minimum contribution required
- Same jurisdiction cannot be awarded funding under the funding goal in consecutive cycles
- Local Government may only contribute to one development per RFA
- Contributions **MUST** be in the form of a loan or grant as a permanent source of financing
- Be aware of what is **NOT** considered a LGAO Contribution (fee waivers, contributions from developer, from PHA, or donation of land)

# Key Issues for Financial Subsidies

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- Understanding the Sources (Local, State, Federal, Private)
- Optimal Uses – land, predevelopment, infrastructure, construction, permanent, purchase assistance
- Be aware of expenditure deadlines for subsidies
- Compliance and enforcement

**Support nonprofits equitably!**

# Surplus Lands

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- FL Statute 125.379 for counties & FL Statute 166.0451 for municipalities
- Every 3 years create an inventory list of real property with fee simple title appropriate for affordable housing
  - Address
  - legal description
  - vacant or improved
- Review the list at a public hearing and may revise it at the conclusion of the public hearing
- Adopt a resolution with the inventory list
- **DO NOT TRANSFER PROPERTIES WITH TITLE ISSUES**



# Prioritize Nonprofits in the Disposition of Surplus Land

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- Develop disposition program accessible to nonprofits
- Allow for land donation when development will be done by a nonprofit housing corporation
- Require permanent or long-term affordability
- Address or provide assistance in addressing
  - Marketable title
  - Environmental issues

# The Nonprofit Set-aside

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- IRC Section 42(h)(5)
- At least 10% of a state's allocation must be set aside for nonprofits (qualified low income projects)
- The state cannot override this requirement!
- A **qualified nonprofit organization** must own an interest and materially participate in the development and operation throughout the compliance period

# The Nonprofit Set-aside

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- Definition of a qualified nonprofit organization (3 requirements):
  - Must be an organization as described in Section 501c3 or 501c4 and tax exempt under Section 501a, AND
  - Must not be affiliated with or controlled by a for-profit company, AND
  - One of the exempt purposes of the organization includes fostering low-income housing

# Nonprofit Developers are Partners!

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- Know your developer community, nonprofit and for profit
- Understand evaluation for capacity through underwriting
  - Organization capacity
  - Project feasibility
  - Ability to proceed
- Support and Patience goes both ways!

# Intentions and Expectations of RFP Process

- What do you really want – what are you looking for – what’s the problem to be solved, what is the opportunity at hand- land, funding, task force recommendation...
- What type of respondent do you want – nonprofit, large, small, local, national, innovative, creative or regular
- What are you offering- land, money, incentives, technical assistance
- What is your timeframe- avoid absorbing funding expenditure deadlines with the RFP process and getting to contract- be efficient and expedient

# Role and Responsibility of Local Government

- Start with an informational workshop open to the public
- Solicit input on needs and capacities
- Understand current market
- Prepare final RFP based on any useful input
- Notice process – abide by funding rules and procurement rules
- Attendance may be mandatory as prerequisite to submit response to RFP

# Steps to Issuing the RFP

Understanding process, selection criteria and proposal components

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# Announcement Procedures for NOFA

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- Use Procurement process to issue **Notice of Funds Available and Request for Applications- RFA#**
- Due Date and submittal instructions (# copies, bound, etc.)
- Maximum amount
- Can be low interest loan applied to permanent financing
- Not disbursed until due diligence is completed
- Maximum amount based on maximum points or preference for Local Government Area of Opportunity Funding.



# Selection Criteria

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- Applicant experience and construction experience
- Experience of development team
- Management experience
- Financial feasibility to complete and operate
- Applicant former compliance
- Cost reasonableness
- Resident Programs
- Energy Efficiency
- Long Term affordability (50 years)
- Setaside at risk population (5%)
- Maximum economic impact
- Lift to neighborhood, revitalization
- Proximity to transportation, transit, services and employment
- Leveraging of funds
- Ability to meet FHFC requirements for contribution to be part of permanent financing

# Proposal Components

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- Detailed description of funding being offered
  - Amount (total available and per project/per unit limits)
  - Target population
  - Tenure
  - Who is eligible to apply
  - Funding timeline

# Proposal Components

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- Applicant information
  - Name of entity
  - Evidence the entity exists
    - Articles of Incorporation
    - 501c3 Letter
    - EIN
  - Mission/Vision statements
  - Job descriptions/resumes of key staff
  - Staff Organization Chart
  - List of Board Members with short description of expertise

# Proposal Components

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- Applicant Information continued
  - If joint venture or partnership
    - Ownership chart
    - MOU, Development Agreement or other formal agreements previously executed
  - Audited financial statements (at least 2 years)
  - Current profit/loss statement and balance sheet
  - List of similar projects (if applicable)

# Proposal Components

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- Development Team (include copies of agreements if signed)
  - General Contractor
  - Architect
  - Engineer
  - Property Manager (include information on prior affordable housing experience)
  - Other consultants

# Proposal Components

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- Development information
  - Address/Folio
  - Number of units and tenure
  - Development type (new construction, acquisition/rehab)
  - Target population (family, senior, special needs, etc.)
  - Planned unit mix with income levels served and rent/sales price breakdown
  - Photos of the site
  - Site plan (if available)
  - Planned on-site amenities and services

# Proposal Components

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- Financial information
  - Development Pro Forma
  - Operating Pro Forma (indicate ability to cover all anticipated debt service)
  - Commitment letters for other funding sources
- Planning/Zoning/Environmental
  - Letter from Planning/Zoning
  - Any approvals already received
  - Phase 1 evaluation
  - O&M Plans (if available and applicable)
  - Flood zone/radon zone maps

# Proposal Components

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- Other information
  - Recent market study and/or appraisal
  - Recent survey
  - Written agreements with service providers
  - Letters of support from other community stakeholders
  - If applying for FHFC multifamily funding
    - State location within SADDA, RECAP and/or QCT
    - Proximity map
    - Proximity scoring



# Evaluating Submissions

How to approach evaluating the proposer and the proposed development to select a quality proposal

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# Evaluation of Key Organizational Capacity Areas

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- Staff Capacity
  - Key staff has qualifications needed to carry out the project
  - Organizational chart indicates additional staff and report chain for key contacts
- Board Capacity
  - Expertise of Board fills or augments knowledge and skills of staff
  - Are there any conflicts of interest?
- Financial Capacity
  - Audited Financial Statements indicate stable finances with strong internal controls
  - Current finances and balance sheet in good shape
  - Ability to guarantee financing

# Key Organizational Capacity Areas

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- Property Management
  - In-house or business partner?
  - Are properties fully leased?
  - Does income cover all expenses?
  - Are properties in good physical condition?
- Services
  - Do programs and services meet the needs of residents?
  - Are programs and services easily accessible?
  - Do programs and services support the mission?

# Other Key Aspects of Evaluating Capacity

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- If partnership or joint venture
  - Split in ownership and/or division of responsibilities will facilitate effective execution of project
- Track Record
  - Has applicant completed a similar project before
  - Status of previously funded projects

# Evaluating the Applicant

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- Does the applicant meet minimum threshold requirements for local funding (i.e. nonprofit in existence for at least two years with affordable housing as part of its mission)
- Does the applicant meet minimum threshold requirements for other proposed funding sources?

# Evaluating the Applicant

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- Financial Capacity
  - Audited Financial Statements indicate stable finances with strong internal controls
  - Current finances and balance sheet in good shape
  - Ability to guarantee financing
- Track Record
  - Has applicant completed a similar project before
  - Status of previously funded projects

# Evaluating the Site

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- Readiness to Proceed
- Site Control- evidenced by deed, contract, long term lease
- Ground leases need to be for period of affordability
- Utilities
- Environmental
- Zoning and Land Use
- Neighborhood Considerations

# Site Evaluation: Housing, Economic Development and Social Services

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- Location of proposed development
  - Desirability of neighborhood
    - Jobs
    - Transportation
    - Schools
    - Shopping
    - Healthcare
    - Access to other service providers
  - Location within geography for local initiatives
- Location in relation to similar developments



# Site Evaluation: Planning and Building

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- Is the site currently zoned for intended use?
  - If not, steps and timing to obtain
- Are there adequate utilities to support the development
- Other anticipated infrastructure needs
- Permits required and timing to obtain
  - Site Plan
  - Environmental
  - Final Building
- Anticipated Impact fees and all other planning/zoning costs

# Site Evaluation: Environmental

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- Previous and current use
- Existing buildings/structures on site
  - Age/type
  - Will they be demolished or incorporated?
- Are there any environmental constraints (known at the time)
  - Wetlands
  - Endangered species
  - Brownfields
  - Hazardous materials

# Site Evaluation: Legal

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- Confirm adequate site control
  - Review purchase and sales contract(s)
- Confirm no issues with land ownership
  - Trace title history
  - Known easements
  - Any known encumbrances
- Confirm legal use is proposed (additional cross check of land use and zoning)

# How the project benefits the community

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- Target market served
  - Is it an underserved market
  - Is this population a community priority
- Does it promote stated goals in planning documents
  - Housing Element of comprehensive plan
  - Land Use
  - Consolidated Plan/Assessment of Fair Housing

# How the project benefits the community

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- Does the project promote economic development goals
  - Job creation
  - Focus of other public investments
  - Geographic area of opportunity
- Are there agreements with service providers
- Is there general community support

# Feasibility: Market Analysis

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- Occupancy of similar developments
- Current condition and trajectory of neighborhood
- How proposed development compares to like developments
- Key items in Market Study
  - Anticipated absorption rate
  - Rents or sales prices

# Feasibility: Financial Analysis (Uses of Funds)

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- Acquisition/Land Costs
- Hard (construction) costs and contingencies
- Architectural design and supervision
- Financing costs
- Permitting and zoning
- Insurance
- Relocation (if acquisition/rehab)
- Reserves
- Developer Fees

# Feasibility: Financial Analysis (Sources of Funds)

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- Are anticipated sources adequate to cover costs
- What percentage of costs will funding cover
- Are anticipated sources reasonable or probable
- Are there commitments for other sources



# Feasibility: Financial Analysis (Operating Budget)

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- Are rents in line with SHIP or other funding source requirements
- Are there other sources of income
- Are operating expenses reasonable (refer to market analysis, appraisal, knowledge of other developments)
- Is net operating income sufficient to meet debt service coverage requirements

# The Scoring Process and Right-Sizing the Subsidy

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# Review Procedures

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- Threshold Criteria
  - Location
  - Site control
  - Income targeting set-asides
  - Evidence of zoning and ability to proceed
  - Commit to long term affordability – minimum 50 years
  - Resident services 50 years (match to affordability period)
- Eliminate non-threshold or incomplete applications

# The Selection Process

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- Establish criteria
- Draft scoring rubric
- Appoint scoring committee
- Draft scoring instructions

# Scoring

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- Transparent proceeding
- Scoring team- experience, confidentiality, thorough review
- Division of labor within sections – qualifications, numbers, site characteristics
- Scores- are there outliers?
- How to reconcile outlying results

# The Interview Process

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- Interviewers
- Public process
- Develop list of follow-up questions from interviews and receive responses

# Making the Final Selections

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- Complete final review
  - Written Proposal
  - Interview and follow-up questions
  - Scores from Review Committee
- Provide preliminary awards on conditions of:
  - BOCC/Council Approval (if required)
  - Firm commitment of other funding
  - Provision of any necessary information not provided in original application

# Right-Sizing the Subsidy

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- Why is this important?
  - Fiscal responsibility
  - Ability to produce more units with limited sources
- Thoroughly review sources and uses, and operating budget
- Understand timing and terms of all sources
- Consider utilizing a third-party reviewer (similar to role of credit underwriters for FHFC)



# Final Approval and Long-Term Compliance

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# Final Approval and Closing

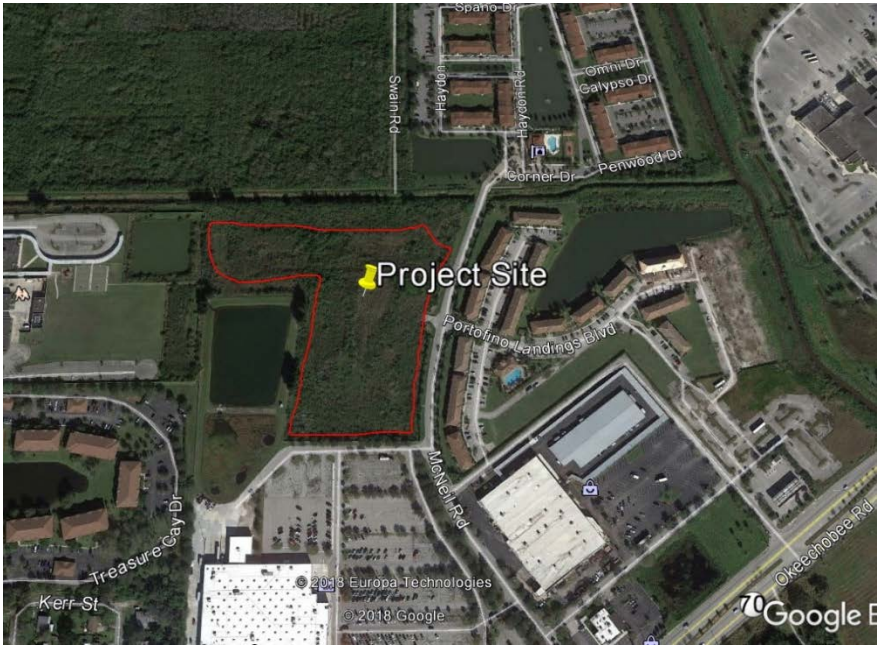
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- Draw up closing documents with Legal Department
  - Should incorporate requirements of RFP
  - Should incorporate special elements of development such as services/amenities
  - Should include all reporting forms
- If seeking FHFC funding
  - Receive credit underwriting report
  - Participate in closing calls

# Monitoring and Compliance

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- Understand payment schedule
- Receive and review construction draw documents, reason
  - Approving your own construction payments
  - Monitoring construction progress
- Engage compliance monitor
  - If also receiving FHFC funding, engage same compliance monitor



A Best Practice:  
St. Lucie County  
Blue Sky Landing  
[Jennifer Hance](#)

# Questions?

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