HCR Multifamily Finance 9% RFP – Fall 2020

Questions and Answers #2

RFP:

Q1: Per the new RFP, the Fall 2020 Round highly encourages inclusion of enhanced access to broadband services for all residents and should include a price quote from the provider and associated costs in the development budget and operating expenses. Can HCR clarify if this means enhanced access to broadband services in the building common areas, or does it mean that broadband internet should be included to every unit in the building?

A: The RFP encourages projects to "provide broadband internet connection in building dwelling units **and or** in common areas." While not required in this RFP, the preference is to ensure that all residents have access to internet services within the dwelling units.

Q2: If broadband should be provided to every unit, should the building pay for these costs (i.e. include them in the maintenance and operating budget) or would HCR expect the tenants to pay for the internet to their individual units?

A: The RFP is not prescriptive as to the approach and allows for applicants to develop innovative methods of providing internet access, including "bulk" or centralized solutions, to control costs. The RFP does not preclude inclusion of a reasonable operational cost of providing broadband internet in the maintenance and operating budget or the rental charge.

Q3: We plan to have common area computers for use by residents, which will have internet access. We also plan to provide free wi-fi for residents/others in the building's community room, but do NOT plan to provide free wi-fi all throughout the building. Is this sufficient to be given "priority consideration" in the scoring process?

A: See previous response. While access to wi-fi in common areas is encouraged, it would not be considered as favorably as providing wi-fi within dwelling units.

Q4: HCR has a new benchmarking requirement for projects over 25,000 SF located outside of New York City. This project has a total square footage over 50,000 SF and no individual building is over 18,000 SF, with most under 5,000. Would this project be required to participate?

A: Yes, any projects with an aggregate area of more than 25,000 sf and located outside of New York City that have received funds through the 9% Multifamily Finance RFP shall comply with HCR's new benchmarking requirement. For information on additional criteria for benchmarking, including requirements for projects located in New York City, please visit: https://hcr.ny.gov/steps-hcr-benchmarking-program.

Q5: Is a proposal from an approved benchmarking firm a required component of the application in order to demonstrate compliance or is it sufficient to show the compliance cost in the maintenance and operating budget?

A: The most efficient and accurate method of complying with the benchmarking requirement for submitting energy usage is to contract with a service provider that collects the data directly from the local utility company. Should an applicant contract with a service provider to comply with the benchmarking requirements, the cost for the provider must be shown in the maintenance and operating budget and the price quote must be included in Attachment F-3, Operating Expenses Documentation. HCR does not maintain a list of approved benchmarking firms.

Q6: The QAP states that to be eligible Supportive Housing that the applicant must have a firm commitment for capital financing, which may include long term debt service financing, from a governmental agency serving the proposed target population. Does this mean that an applicant has to apply for SHOP for example, even if they have an ESSHI award as ESSHI is only operating capital?

A: Projects with an ESSHI award are eligible to apply for SHOP funds, provided at least 30% of the project units are new supportive units (25% for projects with OPWDD units). Please see the SHOP term sheet for additional requirements.

<u>Application:</u>

Q1: We are planning to submit an application in the third consecutive round. The Phase I Environmental Assessment from the first application is dated December 2019. Will we need to have a new Phase 1 completed for this application? Also, the original appraisal was completed in December 2019, with an Appraisal Update Letter from August 2020. Will this be sufficient for the appraisal, or will a new appraisal, or revised letter be necessary?

A: The Phase I ESA must be dated within a year of the application. A December 2019 Phase I ESA would not be sufficient for a January 2021 application. HCR will not accept an appraisal which was prepared more than one year prior to the date of application. Please see the Capital Programs Manual, Section 5.0 for more information.

Q2: Would HCR review and consider approval of the formation of a Housing Development Fund Corporation (HDFC) by a prospective Fall 2020 project applicant seeking to secure a local PILOT agreement prior to application submission?

A: An applicant seeking to incorporate an HDFC in an effort to secure a local tax abatement or exemption for their project may submit an HDFC incorporation package, prior to application submission, pursuant to the HCR guidance located at https://hcr.ny.gov/housing-development-fund-corporation-hdfc.

Q3: What is the procedure for the signatures on the Excel tabs, for example, Exhibit D-3? Do the Exhibits need to be physically signed and scanned to a pdf for submittal?

A: Exhibits requiring signatures can be printed, physically signed and submitted as a pdf, or the Exhibits can be signed electronically.

Q4: Do referral agreements need to be dated within a certain timeframe before the date of application (i.e. 6 months, 1 year, etc.)?

A: For Housing Services Agreements, a full executed Housing/Service Agreement must be included in the application. The commencement date indicated under H/S Agreement #1 can be a future date based on the estimated date of Notice of Intent to Begin Marketing, or the applicant can indicate “180 days prior to date of occupancy” instead of adding a specific date. For referral agreements for fully adapted/accessible units, HCR does not prescribe a format for Referral Agreement and the H/S Agreement should not be used for this purpose; however, FEHO will require the Owner to market the fully adapted units to all agencies who service persons with mobility impairments and persons with hearing and visions impairments in the primary market area. The Marketing efforts will begin with the “Notice of Intent to Begin Marketing” so any and all Referral Agreements should commence on or before the date marketing activities begin. Please also refer to the instructions contained in Exhibit D-7 for more information.

<u>Design:</u>

Q1: In an effort to meet sustainability goals while also meeting affordability goals, we are considering a mixed-energy program, including Tier 3/Net Zero for some buildings, 2 buildings at Passive House, and the 2 rehabs at Tier 2. Would such an approach be acceptable to HCR or would HCR require all buildings to meet the same standard? Would the scoring be based on the tier the majority of the project achieved or the minimum?

A: Applicants may propose different standards for projects with multiple buildings. The RFP states that “projects” may qualify for points under a specific Green Building Program, therefore, applicants proposing multiple buildings using different standards will be scored for compliance with the standards with the least amount of points.

Q2: This project originally intended to pursue HPD funding and was designed per the HPD design standards. The project has now decided to pursue funding through HCR’s Multifamily Finance 9% RFP and is in the late stages of design and construction documentation. Will revisions be required to bring the project into compliance with the 2020 HCR Design Guideline?

A: Applicants must submit an HCR Waiver Request Form which details any design requirements which are not compliant with the 2020 HCR Design Guidelines. In situations where HPD funding, which dictated the original design, is no longer being pursued, please provide a brief description of the background of the original intent to seek funding from HPD and how far along the design has come since then.

Underwriting:

Q1: Can HCR clarify if any additional funds need to be committed or what the process is if other applications are pending/overlapping with other State agencies?

A: Please see Application Exhibit I-3, Threshold Review Checklist. Letter(s) of interest from a private lender(s) are included, dated no earlier than 45 days from the date of submission. LOI's from government agencies are not required, but preferred, if those sources are included in budget proposals (this will be taken into consideration when scoring).

Q2: The RFP states that "HCR is requiring project applicants to set rents for Fall 2020 projects at the lesser of the 2019 or 2020 HUD-designated Area Median Incomes". Does this mean the AMI level for tenant eligibility or the actual rent amount, i.e. use 2019 rents if less than 2020 rents?

A: In setting rents for the AMI targets, applicants must base the affordability of the units on the lesser of the 2019 or 2020 AMI. The UW model uses the current 2020 AMIs in calculating affordability. For projects using the 2019 AMIs to set rents, the UW model will show a deeper affordability based on the 2020 AMIs used in the model.

Q3: Are HCR's capitalized operating reserve requirements a maximum, or may a higher number of months of operating expenses and hard debt service be included in the project's development budget?

A: They are the both the minimum amount of reserve that HCR requires, and they are also the maximum amount that HCR will recognize as a project cost in determining funding amounts. Anything over the HCR requirement must be paid for with deferred developer fee or a developer equity contribution.

Term Sheets:

Q1: The SLIHC term sheet states "SLIHC may not be used to finance senior units serving households above 60% AMI". Can SLIHC be used to finance senior units below 60% AMI?

A: Yes.