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HCR Multifamily Finance 9% RFP Fall 2023

October 6, 2023

General Overview

- The HCR Multifamily Finance 9% RFP is a competitive process used to award 9% Low-Income Housing Tax Credits (LIHTC) and subsidy loan financing to sponsors proposing affordable multifamily housing projects.
- Applications are scored in accordance with the Qualified Allocation Plan (QAP). The point structure is summarized in the RFP and the full QAP is available on the RFP webpage https://hcr.ny.gov/fall-2023-multifamily-finance-9-lihtc-rfp.
- Pre-Application Technical Assistance is Mandatory within 12 months of applying. See: https://hcr.ny.gov/technical-assistance-multifamily-finance-9-lihtc-rfp-applicants
- All projects must meet at least one State Housing Goal (listed in the RFP). Similarly, available funding, set-asides and other important guidance is contained in the RFP.
- All applications are reviewed for completeness, threshold and program eligibility prior to scoring. Refer to program Term Sheets on RFP webpage.

Key Dates in the RFP

Design Waivers Due	**October 17, 2023 at 3:00 PM ET**
Deadline to request access to application dropbox	**October 20, 2023 at 3:00 PM ET**
Deadline to request TA session, Design Unit occupied rehabilitation package due, and/or LIHTC/SLIHC fee deferral	**October 18, 2023 at 3:00 PM ET**
Deadline to submit applications	**November 7, 2023 at 11:59 PM ET**
Fall 2023 Award Announcement Anticipated	**March 2024**

Submission Requirements

- Complete Submissions Will Consist Of:
  - Multifamily Finance 9% Project Detail Application (Excel workbook)
    - Complete all relevant "Exhibits" as either fillable Excel worksheets or as .pdf as directed, and
    - Upload all relevant "Attachments" individually in .pdf as directed
  - Multifamily Finance 9% Underwriting Application (Excel workbook)
- Note file naming conventions in the instructions.
- Refer to the Fall 2023 Aspera DropBox Instructions at https://hcr.ny.gov/system/files/documents/2023/09/fall-2023-aspera-dropbox-instructions.pdf to requesting dropbox access.
- Be sure to request access to the Aspera Dropbox by October 20th at 3:00 p.m. ET

What's New – Fall 2023 RFP

- New Subsidy Sources
  - LGBTQ+ Affirming Senior Housing Program (SENR)
  - New Construction Program (NCP)*
- Projects in Well-Resourced Areas (WRA), formerly known as Housing Opportunity Projects (HOP). WRA census tracts at: NYSHCR Designated Well-Resourced Areas Map
- 9% LIHTC NYS-certified Minority/Women-Owned Business Enterprise (M/WBE) and Service-Disabled Veteran-Owned Business (SDVOB) Developers Set-Aside.
- New CIF priorities – see CIF term sheet
- New Phase I Environmental Site Assessment, ASTM E 1527 Update – see slide 13

*May not be requested. To be awarded at HCR discretion.

What's New – Fall 2023 RFP (2)

- Wetlands update - see slide 14
- Environmental ("E") Exhibit updates – see slide 15
- HCR consent to transfer ownership interests:
  - Updated 9% LIHTC Regulatory Agreement templates which include consent to transfer from HCR https://hcr.ny.gov/low-income-housing-credit-program-9pctRFP
  - Investor/syndicator Letters of Interest, credit commitment letters and Partnership or Operating Agreements must include language addressing this requirement.

What's New – Fall 2023 RFP Term Sheets

- Supportive Housing Opportunity Program (SHOP)
  - New per unit limits for projects leveraging other supportive housing capital funds and NYC 15/15 rental assistance
- LGBTQ+ Affirming Senior Housing Program (SENR)
  - LGBTQ+ seniors 62+
  - Applicants should have prior experience developing, marketing, owning and managing LGBTQ+ affirming housing for low-income seniors
- Clean Energy Incentive (CEI) funds are at 0% interest

What's New – September 2023 Capital Programs Manual

- Section 4.04.02 – updated Accessibility Unit Marketing, Outreach and Tenant Selection policy
- Section 5.07 – updated Broadband Internet Costs policy
- Section 7.06.01 – updated Occupancy policy
- Section 8 – updated SRO definition
- All updates in blue text

What's New – October 2023 Capital Programs Manual published October 5, 2023

- Revised CPM published October 5, 2023
- Record of Revisions from the September 2023 CPM contained within the October 5, 2023 version
- Changes include:
  - Section 6.06 – updated submission requirements for Development Team Member Change
  - Section 6.12 – updated FHTF Cost Certification timing, see slide 26
  - Section 7.06.05 – new section Private Housing Finance Law Section 610
- All updates in blue text

What’s New – Fall 2023 9% Project Detail Application

- Exhibit A-5: non-profits can now include housing-related programs in the primary market area or county in which the proposed project is located (new Question #6)
- Attachment C-2: updated Neighborhood-Specific Revitalization Plan instructions
- Attachment C-3: updated contact information for NYC projects choosing to pursue a Public Housing Linkage Agreement
- Exhibit D-3: updated
- Exhibit E-7: new, see slide 15
- Attachment I-2: updated Omnibus language

Reminders Fall 2023 RFP

- Benchmarking required. Costs limited to $495 per building per year. See https://hcr.ny.gov/benchmarking.
- Subsidy Sources
  - The.5% interest is now expressed as .25% interest and .25% servicing fee in the term sheets. No change has occurred in the way in which the interest is charged and collected. Therefore, it should be presented as .5% interest in the Underwriting Model.
- Applicants may only submit a single consistent plan of financing, inclusive of all other funding requests and/or pending funding applications, for the proposed project to other funding agencies. Applications that propose multiple financing scenarios will be deemed ineligible and will not be subject to further review.

Project Based Voucher (PBV) RFP

- HCR has released a separate RFP for Section 8 Project-Based Vouchers (PBVs): https://hcr.ny.gov/fall-2023-section-8-project-based-vouchers-and-rural-rental-assistance-program-nofa
- 9% LIHTC Applicants interested in applying for HCR PBV's must reflect the HCR PBV's in the Fall 2023 Underwriting Application and apply through the HCR PBV RFP.
- Income targeting requirements for projects utilizing HCR PBV's: Very Low (50% AMI) and Extremely Low (30% AMI).

New ESA Phase 1 Standard

Until February 13, 2024, both ASTM E 1527-13 and ASTM E 1527-21 are acceptable. After February 13, 2024, only ASTM E1527-21 is acceptable.

At application, all project sponsors must submit a Phase I Environmental Site Assessment (ESA) report which shall meet, at a minimum, the American Society for Testing and Materials standard for site assessment. The ESA must be dated within one year prior to the application for funding. Any project receiving HUD Federal Funding must have an updated Phase I ESA dated within six months of the environmental review.

Please note: Phase I ESAs must provide recommendations for all identified environmental concerns and must include a vapor statement.

Wetlands

- Recent court decisions have modified federal permitting jurisdiction of wetlands under the Clean Water Act.
- However, these changes do not extend to Executive Order and regulatory restrictions on federal (HUD) funding of projects in areas containing wetland habitat.
- Accordingly, projects seeking federal funding may still require a wetland habitat delineation and/or be prohibited. For more information on the definition of wetland habitat in HUD programs see: https://www.hudexchange.info/programs/environmental-review/wetlands-protection/

Environmental Updates
FHTF

- For applications that include a request for Federal Housing Trust Fund (FHTF), applicants must complete new Application Attachment E-7 FHTF Property Standards and Limitations.

- Attachment E-7 will be used to ensure that the project meets all site standards as described in the FHTF regulation and summarized on the FHTF term sheet.

- A project that is barred by any one of the site standards in Attachment E-7 will fail threshold and not undergo scoring review.

- Note that wetlands are defined by habitat, not Federal jurisdiction, see 24 CFR 93.301.

Environmental Reminders

<u>Follow all directions.</u>

- For Attachment E-6 this means (including but not limited to):
  1. Copy and paste questions into a document and address each question and subpart. If a question is inapplicable indicate N/A, with a brief explanation of why.
  2. Include a map of search radius marking the project site. If a project consists of scattered sites, provide a map with a central location identified, or multiple radius maps as needed.
  3. A written identification and accompanying map(s) of uses (i-v).
  4. If site is in a zone that allows industrial uses, an area that historically allowed industrial uses and remains predominantly industrial uses, or was granted a variance but is otherwise within an area allowing industrial uses there is a presumption the site is not suitable. A thorough analysis with local support will be necessary to overcome that presumption along with a showing that industrial uses will not be located near the project site in the future.
  5. If site is in an area with high noise or air emissions (including from traffic) ensure mitigation is proposed.
  6. Include a statement as to why/how the project site does not create a disproportionate environmental impact on occupants.

Environmental Reminders (2)

- For Attachment E-5: Smartgrowth, this means (including but not limited to):
  - Consider all aspects of the total project that are open or used by non-tenants.
  - Ensure criterion 11 includes an analysis of impacts per the indicated DEC guidance.

- For Attachment E-4: SHPO, this means a project review must be initiated. If SHPO has indicated a Letter of Resolution or Memorandum of Agreement is needed, HCR will not proceed with that process unless or until an award is made. Note that the need for an agreement will impact the project score.

Design & Sustainability Requirements

- 2023 HCR Design Guidelines are applicable to all projects
  - Requests to waive any specific design criteria of the 2023 HCR Design Guidelines should be submitted via the Design Waiver Request Form and can be submitted to:

    Upstate requests - Taegyun Woo (taegyun.woo@hcr.ny.gov)

    Downstate requests – Kristy Whitcher (kristy.whitcher@hcr.ny.gov)

- 2023 HCR Sustainability Guidelines are applicable to all projects
  - Requests to waive any specific design criteria of the 2023 HCR Sustainability Guidelines should be submitted via the Design Waiver Request Form and can be submitted to:

    HCR Sustainability Team (hcr.Sustainability@hcr.ny.gov) NOTE new email address.

- ***New*** *Waivers are applicable for 18 months from date of issuance. If a project does not submit a formal financing application to HCR within 18 months, a new waiver must be submitted to HCR for review and approval against HCR's latest guidelines and standards.*

- *All waivers granted for all-electric requirements will need to be resubmitted for review to the HCR Sustainability Unit, regardless of when they were approved. Previously granted waivers for gas appliances or HVAC equipment may not be granted again if the project is able to feasibly convert to an all-electric project within the last year.*

- Please see the RFP Q&A for clarification on commonly asked questions on Sustainability Guidelines requirements.

Design & Sustainability General Guidance & Reminders

- Design Guideline Clarifications to Updates
  - *All changes should be read in context.* The update highlighted below is a part of the paragraph that allows for reduction of common W/D when hook-ups are provided in all dwelling units. It is not a requirement unless the project is looking to reduce the number of common W/D by providing in-unit hookups for W/D appliances. In previous versions of the Design Guidelines, all washer and dryer hookups needed to be side-by-side in order to qualify for this allowable reduction in common W/D appliances. In the 2023 Design Guidelines, we are now permitting the space for hookups to accommodate a stacked W/D in any typical dwelling units where it is permitted by code. In senior projects and accessible units, we are still requiring that the hook-up space accommodate side-by-side appliances. Again, this is only required if the project is planning to reduce the number of common resident appliances.

b. Minimum appliance requirements:

- The lesser of:
  - One washer and one dryer for every twenty bedrooms.
  - One washer and one dryer for every ten dwelling units.
- The total number of appliances may be reduced by one half where all dwelling units are provided with laundry hook-ups. All dwelling units in Senior projects and all units that are Fully Accessible and Adapted, Move-in Ready for mobility impaired residents shall provide space for laundry hook-ups in a side-by-side arrangement.
- See HCR Sustainability Guidelines for appliance requirements.
- 5% shall be front loading appliances meeting Accessibility criteria unless there are no Accessible/Adaptable dwelling units in the project.

Design & Sustainability
General Guidance & Reminders

- New Construction and Adaptive Reuse projects must be all-electric

  Note that all waivers granted for all-electric requirements will need to be resubmitted for review to the HCR Sustainability Unit, regardless of when they were approved. Previously granted waivers for gas appliances or equipment may not be granted again if the project is able to feasibly convert to an all-electric project within the last year.

- IPNAs are required for all Moderate Rehab projects (Levels 1 and 2)
  - IPNAs shall utilize the template format available at https://hcr.ny.gov/sustainability-guidelines and must be completed *within the last two years by an approved provider*.
  - IPNA submissions should include a written report in PDF format and the completed IPNA excel file.
  - Site visits will be required to verify the site conditions against the IPNA and proposed scope of work. See TA guidance for additional information.

- "Optional Green Building Program Participation" scoring now referred to as Green Building/Stretch Sustainability Goals. All scoring criteria is outlined in Section IV of the RFP and will be verified through information submitted in Attachment D-6 of the application.

Design & Sustainability
General Guidance & Reminders

- Clean Energy Initiative (CEI)
  - Financing is available for projects able to meet the requirements outlined in the CEI term sheets. Projects pursuing this funding should be designed to CEI terms and requirement at application.
  - CEI application materials are incorporated into the 9% Project Detail Application Exhibit D3 and Attachment D6.
  - CEI funds are sourced from utility System Benefit Charges (“SBC”). As a result, New Construction and Adaptive Reuse projects must be in a territory served by a utility that pays into SBC.
  - Existing Buildings located outside of a territory served by a utility that pays into Systems Benefit Charge (SBC) may apply for CEI funds if able to meet all requirements outlined in the CEI Existing Building Term Sheet. Non-SBC funding is available for Substantial and Moderate Rehabs ONLY.

Construction Cost Estimates
General Guidance & Reminders

- REMINDER: Per the requirements of the Capital Programs Manual (CPM), applicants with a pre-selected builder at application must provide a guaranteed price for the total development costs of the project based on the anticipated start date. Any construction cost overruns incurred during the development and construction phases of the project shall be borne by the owner/applicant and shall be paid for from the developer's fee amount, unless a request is made pursuant to Section 6.03. With construction inflation rates stabilizing in the past year, it is expected that accurate construction cost estimates are submitted at application and the requirements of the CPM are adhered to.
- General Conditions and General Requirements shall be adequately detailed and broken down by line item in Exhibit D-4 Construction Cost Estimate. All shall align with the definitions of General Conditions and General Requirements found in the Section 8.0 of the Capital Programs Manual.
- All required remediation work shall be properly identified in Exhibit D-3 Outline Specifications and included as line items in Exhibit D-4 Construction Cost Estimate.
- As part of Exhibit D-3 in the application, the Development Team is asked to verify that all existing conditions have been investigated to the greatest extent feasible and have been verified as accurate within the last 12 months. The proposed scope of work shall reflect all current conditions of the existing building(s).

Clean Energy Incentive (CEI) Program

- CEI applicants should indicate scope and intent within the baseline application
- Design the building to meet the CEI term sheet requirements.
- CEI application material elements are incorporated into the 9% Project Detail Application Exhibit D3 and Attachment D6.
- Make sure any CEI scope of work is clearly defined in the appropriate sections on Exhibit D-3 (HVAC, DHW, Envelope, Equipment etc.).
- Term sheets reference the Sustainability Guidelines via the Stretch Sustainability Goals.
- CEI funds are disbursed as other HCR 9% LIHTC RFP subsidies.
- Projects will still be reviewed for eligibility and compliance with CEI term sheet.
- Reminder: CEI funds will be offered at 0% interest this round.

Middle Income Housing Program (MIHP)

- MIHP must be the ONLY HCR financing in a unit.
- MIHP units must be self-supporting, i.e., income from MIHP units must cover the debt service and operating costs for MIHP units.
- At least 10% but no more than 30% of units within the project.
- Pay attention to the required AMI's based on the other HCR financing in the project. For example, a project outside of NYC requesting 9% LIHTC/SLIHC/HTF/MIHP **MUST** show MIHP units **OVER** 90% AMI. MIHP units targeted at 90% are not eligible.
- Review Exhibit I-4 MIHP eligibility for ALL requested HCR programs to ensure MIHP requirements are met.
- No term sheet for MIHP. MIHP is included within other HCR term sheets.

Community Investment Fund (CIF)

- CIF only available for non-residential uses
- See CIF Term Sheet for additional priorities
- See Underwriting slides 4 and 5 for Common Mixed-Use Project Issues

Federal Funds (HOME vs FHTF)

- Uniform Relocation Act: **<u>REQUIRED</u>** for any occupied property, residential or non-residential. Know the rules and what documents must be included in the application to ensure compliance with the Uniform Relocation Act.
  - No 104(d) for FHTF
- Different Environmental Requirements:
  - HOME: Part 58 NEPA
  - FHTF: no Part 58 NEPA, Environmental laws included in property standards. See FHTF Term Sheet for specific environmental requirements and prohibitions. See also Environmental slide 15 for specific FHTF information and new Application Attachment E7 FHTF Property Standards and Limitations.
- Final Cost Certification required to be submitted with the FHTF permanent loan closing package (see October 2023 CPM Section 6.12 blue text)
- Davis Bacon:
  - Applicable for 12 or more HOME assisted units
  - Not applicable for FHTF
- If requesting federal funds, **<u>BE AWARE</u>** of **<u>ALL</u>** federal requirements.

Underwriting Issues

Common LIHTC/SLIHC Equity Issues

Due Diligence Fees

- Investor/Syndicator due diligence costs being paid from equity installments cannot be included in the development budget as a project expense. The LIHTC/SLIHC equity shown in the budget must show the equity NET of the fees payable. The fees need to be listed on line 9 in the Tax Credit Work Sheet in the Underwriting Application. Make sure the fees are consistent with what is stated in the Letter of Interest (LOI).

<u>Example</u>

$9,500,000 is the gross LIHTC equity reflected in the syndicator’s LOI. $50,000 in due diligence fees will be paid out of the first equity installment. Budget should not include those $50k in expenses, and the LIHTC equity shown as a source should be $9,450,000.

Equity Available During Construction

- Do not show tax credit equity that is to be advance at 100% construction completion as being available during construction, when indicating the equity available as construction financing in the development budget.

Underwriting Issues (2)

Common HTF Rent Affordability Requirement Issues

- Units funded by any HTFC subsidy source, other than MIHP, must comply with HTFC affordability requirements.
- Units are to be leased to households paying a minimum of 30% of annual income to gross rent up to a maximum of 48%. Setting rents at an affordability level much lower than the intended maximum AMI target is not allowed.

Example: Rents set at 48% AMI affordability and units to be targeted up to 60% AMI. This would not be allowed. HCR will require the units to be regulated at or below 50%AMI.

Refer to Section 7.06.02 of the Capital Programs Manual

Underwriting Issues (3)

Common Operating Budget Issues

- Be sure to provide appropriate operating cost documentation. At a minimum applicants must provide documentation for Property taxes, Insurance, Utilities (heat, electricity, gas, water & sewer) and Broadband Internet costs.
- Utility estimate must clearly indicate owner paid versus tenant-paid utilities.
- Application is internally inconsistent on what utilities are included in rent and what utilities are in the tenant utility allowance.
- Budgeted operating costs are not consistent with the documentation provided.

Underwriting Issues (4)

Common Mixed-Use Projects Development Cost Issues

- Avoid showing insufficient eligible financing sources to cover non-residential development costs. HCR will only allow LIHTC equity to be used for non-residential development costs in the case of an IRS-eligible Community service Facility (CSF). Up to 10% of an HTF award can be used for CSF costs. CIF is the only other HCR funding available for non-residential space. See CIF Term Sheet.

- Development costs of the non-residential space are understated because a proportional share of development costs are not attributed to the non-residential space, e.g., attributing no acquisition costs to a non-residential space.

Underwriting Issues (5)

Common Mixed-use Projects Operating Issues

- The residential and non-residential projects must each stand on their own operationally.
- Residential rental income cannot be used to subsidize the non-residential project.
- Ability of the residential project to cover operating expenses and debt service must not rely upon income from non-residential rents.
- Application should clearly explain in the project narrative the assumptions made on the operations of the non-residential space, including rents and lease terms.
- Applicant must enter into a master lease in the event of a non-residential vacancy to ensure non-residential operating costs will be covered.

Underwriting Issues (6)

Common Mixed-Income Project Issues

- Ensure that units targeted over 60% AMI have sufficient sources of eligible financing to cover the development costs of the units.

- Ensure that units over 60% AMI generate sufficient income to cover their operating expenses and any debt service attributable to them.

Underwriting Issues (7)

Cash Flow Limits Reminder

- In projects with a conventional permanent loan, HCR will allow initial cash flow at the greater of up to $35 per unit per month (pu/pm) OR the amount necessary to meet the lender’s and/or mortgage insurer’s debt service coverage requirements.

- In projects without a conventional bank loan, to maintain positive cash flow through the first fifteen years of operations, HCR will allow initial per unit cash flow to exceed $35 pu/pm.

- For LIHTC/SLIHC financed projects, HCR will require projects with cash flow over $35 pu/pm to defer as a permanent financing source developer fee equal to the aggregate amount of cash flow above $35 pu/pm over the project’s initial 15 years of occupancy.

See Section 5.07 of CPM Underwriting Standards

Section 3

(Federal Housing and Community Development Act of 1968)

- Recipients of HUD funding (CDBG, HOME, and FHTF) in excess of $200K must comply with Section 3, which requires "to the greatest extent feasible" that employment, training and contracting opportunities be given to low-income people in the area of the project and those companies that are hired or owned by them.
- Updated requirements based on labor hours worked
- See HUD CPD Notice 21-07:

  https://www.hudexchange.info/resource/6416/notice-cpd2107-section-3-of-the-housing-and-urban-development-act-of-1968/

  and HCR Section 3 Compliance Webpage:

  https://hcr.ny.gov/section-3-compliance
- Bi-annual reporting cycle: report on whether Section 3 goals have been met or provide justification and documentation as to why goal not met
- Question? Need technical assistance? Dinorah.Santiago@hcr.ny.org

LIHTC Scoring Detail

The LIHTC scoring is detailed in the Qualified Allocation Plan (QAP), which was revised effective May 2021. To provide greater transparency into the scoring process, below are breakdowns and explanation of various scoring aspects of the 9% LIHTC scoring system.

- Community impact/ revitalization – up to 10 points
  - To be considered for points under the first component in this scoring area, the project must involve either the use or reuse of existing buildings; in-fill new construction; and/or the demolition and replacement of buildings having a blighting impact on the neighborhood.
  - The second threshold criteria is that the proposed project must advance a neighborhood specific revitalization plan or be complimentary to an ongoing neighborhood-specific planning and/or revitalization effort. Up to 5 points are assigned based on the aspects and quality of the plan (see 2040.3(f)(1)(i) of the QAP).
  - The second scoring component in this scoring area is whether the project advances specific housing objectives of a Regional Economic Development Council (REDC) strategic plan and other REDC initiatives, as evidenced by an award.

LIHTC Scoring Detail (2)

- Financial leveraging – up to 11 points
  - Points are awarded based on the percentage of project financing derived from committed non-HCR sources. Projects leveraging 20% or greater of project costs will receive maximum points.

- Sponsor characteristics – up to 9 points
  - Points are assigned based on the development team's history of successfully developing previous HCR-funded projects on-time and on-budget; and the successful management of HCR-regulated projects. HCR uses a rolling look-back period. Applicants without HCR experience may submit for consideration a letter from another tax credit allocating agency documenting successful experience in similar projects.

LIHTC Scoring Detail (3)

- Affordability – up to 8 points
  - Scored on the percentage of LIHTC units in the project which will be affordable <u>and</u> targeted to persons with the lowest incomes (e.g., 30 percent, 40 percent, or 50 percent of area median income). Projects that offer at least 20% of units to households earning up to 30% AMI, and/or at least 50% of units to households earning up to 50% AMI will be scored the most favorably.
  - Applicants which provide an executed Public Housing Authority/Local Program Administrator Linkage Agreement provide referrals to the proposed project are awarded 1 point. PHA/LPA Linkage Agreement at https://hcr.ny.gov/marketing-plans-policies.

- Individuals with children – up to 7 points
  - Points are awarded based on the ratio of bedrooms to units in a project as a measure of the degree to which the project will serve families with children. Projects with an average of 2.0 bedrooms per unit will be scored most favorably. Note that standard is also a component of whether the project meets the Projects in Well-Resourced Areas (WRA) State Housing Goal (formerly known as Housing Opportunity Projects) or advances a neighborhood specific revitalization plan and/or effort.

LIHTC Scoring Detail (4)

- Persons with special needs – 5 points
  - Scored based on whether at least 15 percent of the LIHTC-assisted units are reserved for persons with special needs and will be offered supportive services as evidenced by a comprehensive service plan and agreement with a services provider experienced in serving the target population(s).

- Housing opportunity projects – up to 5 points
  - Scored to the extent the project is located in close proximity to public transportation, i.e., within ½ mile or less safe walking distance; is located in a community with a low incidence of crime; and/or is located in a HCR Designated Well-Resourced Area (NYSHCR Designated Well-Resourced Areas Map). Note this scoring criteria is applied for every project, whether or not the proposal intends to qualify under the Projects in Well-Resourced Areas (WRA) State Housing Goal.

LIHTC Scoring Detail (5)

- Investment in Underserved Areas – 5 points
  - Scored on whether there is an unmet demand for affordable housing (defined as a market study capture rate of <10%); and limited or no subsidized affordable housing production in the past 10 years within the primary market area. A perennial need for affordable housing is assumed for projects located in NYC.

- MWBE and SDVOB – up to 5 points
  - Scored to the extent the project development team includes NYS certified minority and/or women-owned businesses and service-disabled veteran-owned businesses. Points are awarded if an M/WBE or SDVOB will serve as the project owner/sponsor/developer with a controlling interest in the GP/Managing Member; and/or to the extent M/WBEs or SDVOBs will serve major roles in the development team (e.g., Co-developer/Owner with a >50% interest, attorney, management agent, CPA, consultant, architect, GC).

- Historic Nature – up to 2 points
  - Points are awarded if either the project site is listed on the NYS or National Register of Historic Places (or other technically equivalent designation status); and whether it is demonstrated that the project is eligible to receive the federal historic tax credit, will apply, and reflects anticipated funding in the project budget.

LIHTC Scoring Detail (6)

- Mixed income – up to 4 points
  - Scored to the extent the project would serve households earning above 60% of AMI. Projects proposing 20% or more of the HCR-assisted units for households earing above 60% AMI and/or above 80% AMI are the most favorably scored.

- Fully accessible and adapted move-in ready units – up to 5 points
  - Scored on whether the applicant has provided evidence that there is sufficient market demand for the number and type of units proposed and has certified it will enter into a written agreement with an experienced service organization(s) to provide appropriate referrals for fully accessible and adapted, move-in ready units.
  - Projects proposing at least 10% of HCR-assisted units as fully accessible and adapted for person(s) who have a mobility impairment; and at least 2% for person(s) who have a hearing or vision impairment will be most favorably scored.

LIHTC Scoring Detail (7)

- Green Building/Stretch Sustainability Goals – up to 5 points
  - Scored on the extent the project identifies and will comply with a Stretch Sustainability Goal. Specifically, applications must identify and demonstrate design compliance with one of the Stretch Sustainability Goals in Attachment D-6.
  - Applications must also include a smoke-free housing statement to receive Green Building/Stretch Sustainability Goal points.
  - Note that cost effectiveness and Green Building/Stretch Sustainability Goal points are linked to encourage cost containment. It is recognized, however, that there is a cost differential for higher energy efficiency. Therefore, a cushion is built into the cost effectiveness analysis for those projects choosing the Green Building/Stretch Sustainability Goals to incentivize opting for the higher standards.
- Cost effectiveness – 5 points
  - Points will be awarded to individual projects based upon a comparison of project costs to the costs proposed in other complete project applications under the same RFP and in the same cost region.
  - For scoring purposes, HCR will award points to projects as described in the RFP. A buffer is incorporated for projects choosing a Green Building/Stretch Sustainability Goal.

LIHTC Scoring Detail (8)

- Project readiness – up to 10 points
  - Scored on the extent the application demonstrates the likelihood of a construction closing in the shortest possible timeframe based upon an assessment of the status of financing commitments and whether the project is supported by implementation measures. To maximize points under this criteria:
    - Firm commitments need to have been obtained for 100% of the non-HCR construction and permanent financing;
    - The application must project a reasonable construction financing closing date within 11 months of application date for projects located in NYC, Nassau, Suffolk and Westchester counties, or 9 months of application date for ROS. HCR may not award readiness points if construction closing date is unsubstantiated;
    - Full site control must be demonstrated;
    - The project must have received all applicable environmental approvals and clearances necessary to proceed to construction financing; and,
    - The proposed project is supported by multiple implementation measures, including but not limited to, a documented rental or operating subsidy; infrastructure improvements; real property tax relief; municipal financing assistance; municipal or not for profit land donations; fee waivers; rezoning/area variances; a SEQR neg. dec.; and/or site plan approval.

LIHTC Scoring Detail (9)

- Participation of not-profit organizations – up to 4 points
  - Full points are awarded if a local 501(c)(3) or(c)(4) non-profit organization(s) or its wholly-owned for-profit subsidiary(ies) will serve as sole general partner of limited partnership (or sole managing member of the LLC) which will serve as the project owner. The NFP entity meet the following standards: i) a fostering of low-income housing as one of its tax-exempt purposes and ii) is not affiliated, established, or controlled by a for-profit entity.
  - Two points will be awarded if a local NFP with demonstrable housing experience and capability, has a defined and substantive role in the ownership, development and management of the project through the extended use period.
  - One point will be awarded if a NFP that does not qualify as a local non-profit organization(s) under section 2040.2(n), or its for-profit wholly owned subsidiary(ies), has a defined and substantive role in the ownership, development or management of the project through the extended use period.

Underwriting Evaluation

- HCR considers three aspects of UW when evaluating proposals:
  - **Market Support:** The extent to which the project conforms to and is supported by a market study that complies with HCR Market Study Guidelines in the Capital Programs Manual (CPM), including projecting an acceptable capture rate, etc.
  - **Operating Economics:** Extent to which project complies with agency underwriting requirements with respect to project operations, applicable minimum rent burden requirements, cash flow policies, reserve contribution requirements, etc.
  - **Plan of Finance:** Extent to which project complies with agency underwriting requirements with respect to financing, including but not limited to funding commitments, documentation of expenses, deferred developer fee requirements (independent of HCR's excess cash flow policy), etc.

Underwriting Evaluation (2)

The latest QAP allows HCR to assign a scoring system to project underwriting (UW) in determining LIHTC allocations.

- Previously, UW reviews were assigned a letter grade. Applications that did not achieve a certain grade threshold were not considered for funding.
- HCR has retained the basic grading concept and the three elements of UW, but now assigns a point value to each grade.

Scoring Rubric

Category	A Rating	B Rating	C Rating
Market	10	5	0
Operating Economics	20	10	0
Plan of Finance	20	10	0

Underwriting Evaluation (3)

Possible UW Point Combinations:

Market	Operations	Finance	Total Score
A	A	A	50
B	A	A	45
B	B	A	35
B	A	B	35
B	B	B	25

C in any category results in 0 points for UW, and the project will be effectively be deemed non-competitive. Grades of C include but are not limited to circumstances such as negative cash flow, capture rates exceeding 20%, deferred developer fee exceeding 1/3, missing funding commitments, and other UW issues that cannot be addressed post award without substantial impact to the plan of finance or operating economics.

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Technical Assistance

- Do **<u>NOT</u>** wait until October 18, 2023 to submit the request for Technical Assistance.
- All required documents must be included in the Technical Assistance request in order for the session to be scheduled.
- For resubmissions of applications from the two previous RFP's, application summaries were issued for unsuccessful applications. Applicants should rely on those summaries in preparing the Fall 2023 submission.
- TA sessions are not necessary unless a session has not occurred in the previous 12 months or the project has changed significantly, i.e., new site, different unit/income mix.

Final Thoughts and Reminders

- Questions may be asked ONLY through email submission to 9%RFP@hcr.ny.gov. Questions and Answers will be posted and updated periodically. Please check the website daily.
- Reminder: Applicants must be an existing legal entity with a Federal ID Number
- Reminder: All application components must be submitted and submitted in the appropriate file format(s). For example, a single .pdf document of the entire application cannot be reviewed and will be deemed unresponsive to the RFP.
- Don't wait until the last minute to begin the application
- Continue to check www.hcr.ny.gov/multifamily in case of updates. Any updates to documents will be posted in the Record of Revisions.
- Good luck!

Questions & Answers

9%RFP@hcr.ny.gov

www.hcr.ny.gov