



Notice of Funding Availability Rental Development Program Small-Scale Rental Projects 2021

1) STATEMENT OF PURPOSE

The City of Raleigh's Community Development Division of the Housing & Neighborhoods Department announces the availability of \$2 million in funding and building sites via long-term land leases to support the creation of transitional housing and affordable rental projects in which at least one-third of the units are targeted to the <30% AMI rent and income level. The funding source is \$2 million in bond proceeds from the City's 2020 Affordable Housing Bond. Building sites are single-family lots owned by the City. For most of the lots, a duplex plus an accessory dwelling unit (ADU) are allowed by right by the underlying zoning as a result of recently approved text changes to the Unified Development Ordinance (UDO). It is anticipated that in most instances the ADU will be detached. Responders may explore/consider "tiny homes" as an ADU option and are encouraged to monitor relevant UDO text changes. In limited instances, three or more units in a single structure may be allowed by the underlying zoning. All funding and land leases are contingent upon approval of the proposed development by Raleigh City Council. All developments must be located within the City limits of Raleigh to be eligible. The application deadline for responding to this Notice of Funding Availability (NOFA) is 4:00 PM, Friday, February 11, 2022.

Funds and/or building sites are only available to non-profit developers or to partnerships between a mission-based non-profit and a for profit developer. The City is seeking participation by multiple non-profit responders.

Any questions should be addressed to Michael Linsenmeyer at 919-996-6934 or Michael.Linsenmeyer@raleighnc.gov.

2) ELIGIBLE APPLICANTS

Funds are available to non-profit developers or to partnerships between a mission-based non-profit and a for profit developer.

3) ELIGIBLE PROJECTS

As noted above, two types of projects are eligible. Each has unique considerations.

Transitional Housing: Funds may be requested to acquire and preserve rental units functioning as transitional housing or to construct transitional units on City-owned lots via land lease. Transitional units may be proposed for individuals exiting in-patient treatment programs or institutional settings or for individuals or households for whom permanent housing under the Housing First approach is not yet the preferred option.

It is anticipated that transitional housing residents will pay little, if anything in rent and therefore, funds may be requested for 100% of the project development cost. Responders must describe a funding plan for maintaining and operating the transitional units for a period of not less than 20 years. Potential sources of operating funds include City of Raleigh or Wake County grants funded via HUD entitlement programs or general funds or foundation/philanthropic support. Responders must document successful track records in obtaining adequate operating funds. Proposals indicating operating support from unidentified foundation or philanthropic sources will not be considered.

If the responder is not requesting a City lot for the project, it must have site control of the proposed location (fee simple ownership or option-to-purchase) and the required zoning must be in place.

Transitional housing should be operated in compliance with the local CoC's written guidelines which state: "**Transitional Housing:** Temporary housing for participants who have signed a lease or occupancy agreement with the purpose of transitioning participants into permanent housing within 24 months."

Small-Scale Rental Projects: Funds may be requested to acquire and preserve affordable rental units or to construct affordable rental units on City-owned lots via land lease. Not less than one-third of the total units must be reserved for, and affordable to, households with incomes at <30% AMI. The remainder of the units may have rents up to 80% AMI if the one-third at 30% AMI percentage is exceeded or 60% AMI if the 30% AMI percentage does not exceed one-third. Responders are encouraged to exercise creativity in configuring unit mixes given the missing middle options now allowed by the UDO. As an example, a duplex unit at the 60% AMI rent and income limit coupled with an ADU at the 30% AMI rent and income limit would satisfy the income targeting requirement. The income/rent mix should be structured

such that a 1.15 debt coverage/operating coverage ratio is maintained (see Section 4 below for additional information and requirements).

If the responder is not requesting a City lot for the project, it must have site control of the proposed location (fee simple ownership or option to purchase) and the required zoning must be in place.

Annual monitoring of tenant income certifications and rents will be required, and selected projects will be subject to deed restrictions requiring affordability for not less than 40 years. Tenant eligibility requirements will mirror those set forth in the Low Income Housing Tax Credit program. [Current Income Limits can be found here.](#)

4) LOAN TERMS

The terms of the City funds will be negotiated consistent with the following guidelines:

- a) Construction-to-Permanent financing
- b) Maximum total loan-to-value: 100% of appraised value
- c) Interest Rate: 0%
- d) Term: At least 40 Years for small-scale rental projects; 20 Years for transitional housing
- e) Repayment: Deferred or forgivable for small-scale rental projects; deferred for transitional housing
- f) Lien: First or subordinate with conditions

5) UNDERWRITING ASSUMPTIONS AND FEE LIMITS FOR SMALL-SCALE RENTAL PROJECTS

The City will review the development budget and pro forma for accuracy and reasonableness according to the following underwriting assumptions:

- a) Vacancy allowance: 7%
- b) Annual rent increase: 2%
- c) Annual operating expenses: 3%
- d) Debt coverage/operating coverage ratio must be at least 1.15 for the entire term of the loan
- e) Replacement reserves: minimum of \$250/year/unit for new construction
- f) Developer will be responsible for paying all legal fees associated with the project including the City's legal fees

6) LEASE TERMS

- a) Maximum lease term of 50 years or 40 years with a single 10 year renewal

- b) Lease amount will vary by site and proposed development and may be forgivable subject to compliance with lease terms and alignment with City policy priorities.
- c) Pursuant to Resolution 2021-236 adopted by the Raleigh City Council, any lease of City property or City-provided financial assistance will require the developer to enter into a contractual obligation to not disqualify any prospective tenant from eligibility to rent based on a refusal to consider any lawful source of income within their application.

7) EVALUATION CRITERIA

The following criteria will be used to evaluate development proposals. The location of the site, the quality of the proposed improvements, the population being served, the financial strength and the capability of the developer/property manager are also important criteria. The City will not issue a commitment unless the zoning at time of submittal is appropriate to the plan. In order to be considered for funding, applications must score a minimum of 75 out of 100 available points.

a) Financial Feasibility, Leveraging and Need (35 points)

For small-scale rental projects, developers must demonstrate that the project is financially feasible and sustainable without operating subsidies or project-based vouchers. Proposals with evidence of commitments from other funding sources will be preferred to those without commitments. The project funding needs, the reasonableness of project costs and the relevance of the project to the housing needs of the area will all be considered during the evaluation. Developer must demonstrate the need for the proposed housing, including units proposed for emergency shelter or transitional housing.

b) Location and Site (10 points)

Projects that propose to utilize a City lot via land lease will receive an automatic 10 points. For all other sites, projects located in areas where there are few subsidized housing units that are close to public transportation and/or employment centers will receive priority. Sites that have a high noise level, are near concentrations of low-income housing, or are near nuisances will receive lower scores. Projects will also be evaluated by their proximity to public transportation and services. Responders are encouraged to consider and seek parking reductions allowed by the Uniform Development Ordinance (UDO).

c) Development Quality (20 points)

Proposals will also be evaluated on how well the units blend into the existing community character. These criteria include: attractive design, sensitivity to the natural environment, connections (pedestrian and vehicular) to nearby amenities, such as schools, shopping, parks, greenways and/or places of employment. Please submit representative floor plans and elevations and conceptual site plans with the proposal. All new construction must meet or exceed SystemVision certifications. For construction/rehabilitation, SystemVision guidelines should be used and met where feasible. All proposers will be encouraged to embrace all possible sustainability measures to include: conservation and protection of environmental

resources, green building (LEED standards), water conservation, tree conservation, recycling of construction and residential waste and energy efficiency. Respondents should describe any visitability or aging in place elements that will be incorporated into the design.

d) Development and Management Team (35 points)

Consideration will be given to the capacity and experience of the development and management team. The development and management team must demonstrate prior successful experience with comparable size and type projects. The credit and financial management of the developer or sponsor will be evaluated to ensure acceptable financial capacity to carry the project forward. The developer's experience in the development of similar projects will be reviewed and evaluated. Developers will be evaluated with regard to their developmental capabilities and credit worthiness.

Responders proposing emergency shelter must describe the relationship with coordinated entry and the larger network of service providers and what their experience in managing emergency shelter units has been in the past. They should also address the anticipated length of stay in the emergency shelter and how they will work with resident households to move them into permanent housing.

Responders proposing transitional housing must specify the population to be served and their relationship with the in-patient treatment provider or discharging institution if applicable.

The City of Raleigh is an equal opportunity employer. Minority participation in the project is an important factor for selection. The City has a general goal of 15% minority and women owned business participation in projects. The organization or individuals applying should endeavor to make a good faith effort to achieve this goal.

Rights to Submitted Material

All proposals and supporting materials, as well as correspondence relating to this NOFA, shall become the property of the City unless the material is qualified to be a trade secret under North Carolina law. *Any proprietary data must be clearly marked as such in the manner required by North Carolina law and included in a separate envelope marked, "Trade Secret Materials."* In submitting a Proposal, each Prospective Proposer agrees that the City may reveal any trade secret materials contained in such response to all City staff and City officials involved in the selection process and to any outside consultant or other third party who serves on the Evaluation Team or who is hired by the City to assist in the selection process.

The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the Proposer of the conditions contained in this Notice of Funding Availability.

Proposals marked entirely as “confidential,” “proprietary,” or “trade secret” will be considered non-responsive and will be removed from the evaluation process.

APPLICATION SUBMISSION CHECKLIST

To be considered complete, the proposal must include the following supporting documents. **This should be used as a coversheet for your proposal with all attachments in the order as listed below.**

- Cover letter briefly describing the proposed project, population to be served and the specific amounts of funding requested from the City of Raleigh
- Completed, signed application (located via Dropbox here: <https://bit.ly/3sBdLXe>)
Relevant sections of the application should be completed depending on the project type. Consult with staff on any questions.
- Location map clearly indicating the project site(s)
- Site plan for project site (survey, plat or tax map)
- Evidence of site control (deed or other evidence acceptable to the City) if not a City lot
- Evidence of appropriate zoning for proposed project if not a City lot
- Outline plans and specifications, including at a minimum: elevations, floor plans and a detailed site plan
- Resume or other qualifications of the developer and project manager, including a list of previous projects with current vacancy rates
- Letters of Support from other Agencies and Funding Sources with whom you intend to collaborate as applicable
- Operating sustainability plan for emergency shelter and transitional units. Start up operating funds, if needed, should be requested.
- If applicable, description of supportive services offered to tenants, including provider of services, history of providing services to the proposed population, and annual budget for the supportive service delivery
- Short narrative describing how energy efficiency or other standards will be incorporated and any other sustainable practices that will be implemented and how that will be ensured
- By-laws
- Articles of Incorporation
- 501 (C3) determination letter
- Current year operating budget for the developer
- List of board members with terms
- Copies of the minutes from board meeting during which submittal of the application to the City of Raleigh was approved

7. PROPOSAL SUBMISSION

Prior to submitting an application, please contact Michael Linsenmeyer at 919-996-6934 or Michael.Linsenmeyer@raleighnc.gov to ensure that funds are still available. Please submit one bound copy with all attachments included and an electronic copy to:

Michael Linsenmeyer, CD Program Coordinator
City of Raleigh
Housing & Neighborhoods Department, Community Development
421 Fayetteville Street, Ste 1200
Raleigh, NC 27601
919-996-6934

8) EVALUATION OF PROPOSALS

Applications will be reviewed for completeness and eligibility. All eligible proposals will be ranked according to the criteria stated in this NOFA. Recommendations will then be made to the Raleigh City Council for a funding decision. Any application scoring less than 75 out of the 100 eligible points will not be recommended for funding approval.

9) RIGHT TO REJECT PROPOSALS

The City of Raleigh reserves the right to reject any and all proposals received as a result of the Request for Proposals or to negotiate on the terms of the funds so as to best serve the interests of the City of Raleigh.

Maps of available City-owned lots

Depicted below are maps of City-owned lots which may be requested as sites for affordable housing funded by this NOFA. No sites are offered for fee simple sale, but rather via lease for a period of up to 40 to 50 years. While some lots in each location are “packaged” others can be requested individually to maximize development options. Notes to that affect are included for each location. Suggested highest yield or “best use” is indicated for most locations but responders may suggest alternates provided the objective of maximizing the number of rental units remains intact. The lot configuration as it currently exists may be subject to recombination if the proposer offers an alternate layout that allows for the highest and best utilization of the site. Proposers are advised to consult with Planning & Development. In those instances that multiple responders request the same lots, the recommendation to City Council will be based on the overall quality of the submittal.



Raleigh

317 & 319 N Carver St

- *Zoned R-10.*
- *Total Dimensions: 120'x120'*
- *Best Use: Duplex + ADU on each lot.*
- *Lot line to be moved to create two equally sized lots once demolition is complete.*
- *Lots packaged together*





Raleigh

902 & 911 Edenton

- *PIN: 1713190261; 1713192377*
- *Zoning: NX-3 (902); RX-3 (911)*
- *Acreage: 0.10 (902); 0.12 (911)*
- *Dimensions: 47'x95' (902); 60'x105' (911)*
- *Best Use: 2-unit townhome (902). 911 is open.*
- *Lots available separately*





S East & Branch St Cluster – R-10

- 1204-1206 S East St total 0.32 acres, 100' x 135'. Best Use: Duplex + ADU on each lot. Lots packaged.
- 1300 S East St is 0.32 acres, 100' x 135'. Best Use: Subdivide, 2 Duplexes. Lot available separately.
- 310 Branch St is 0.37 acres, 80' x 200'. Best Use: Apartment w/ 6 units.



503 & 507 Bragg St

- Zoning: R-10
- Total Acreage: 0.25
- Total Dimensions: 80' x 126'
- Best Use: 2 Duplexes + ADUs or Quadraplex
- Lots packaged



1106 Bloodworth St

- PIN: 1703845104
- Zoning: R-10
- Acreage: 0.18
- Dimensions: 50' x 154'
- Best Use: Duplex + ADU.





1000 Gregg St

- PIN: 1713046514
- Zoning: R-10
- Acreage: 0.32
- Dimensions: 45'x210'
- Best Use: SFH + ADU, or 4 townhomes w/ driveway to rear off Gregg, or Apartments.



111 & 116 E Lee – R-10

- Acreage: 0.12 (111); 0.09 (116)
- Dimensions: 50'x104' (111); 40'x105' (116)
- Best Use: SFH + ADU or Duplex + ADU on each lot.
- 114 Lee (small strip west of 116) has been conveyed to COR by RHA.
- Lots available separately



1102 S Person

- PIN: 1703840245
- Zoning: R-10
- Acreage: 0.09
- Dimensions: 50'x80'
- Best Use: SFH + ADU.





Gregg St Cluster

- *North of Bragg St between Gregg St & Spaulding St.*
- *(4) Lots at 1125, 1129, 1131 Gregg St & 1116 Spaulding St.*
- *Combined 0.47 acres & Zoned R-10.*
- *Best Use: Duplex + ADU on each lot to yield (12) units.*
- *Lots packaged*



2713 Springhill Ave

- *PIN: 1702271307*
- *Zoning: R-4*
- *Acreage: 0.28*
- *Dimensions: 53'x200'*
- *Best Use: SFH + ADU*

