



Notice of Funding Availability (NOFA) Small-Scale Rental Development Program 2024

1 STATEMENT OF PURPOSE

The City of Raleigh Community and Small Business Development Division of the Housing & Neighborhoods Department (Department) announces the availability of the following:

1. \$2,000,000 for gap financing from Affordable Housing Bond (Bond) proceeds to support the creation and preservation of affordable rental units; and
2. \$150,000 for an optional solar incentive that provides funding for projects that meet certain solar criteria; and
3. City-owned building sites via long-term land leases to support the creation of affordable rental projects (see Appendix II – Maps of Available City-Owned Building Sites).

Applicants must show through their proposal that they will satisfy the Department's minimum affordability requirement; at least one third of the total units in the development must be set aside for extremely low-income households with income and rent limits not exceeding 30% of the area median income (AMI) for the Raleigh, NC Metropolitan Statistical Area (MSA) then in effect as shown on the City's website (see website link below).

<https://raleighnc.gov/housing/services/homebuyer-assistance/hud-income-and-rent-limits>

All gap financing and long-term land leases of City-owned building sites are contingent upon approval by Raleigh City Council and the method of disposition for City-owned building sites will be determined by the City. All developments must be located within the City limits of Raleigh to be eligible.

The application deadline for this NOFA is **April 5, 2024 @ 5:00 PM EST** in Neighborly Software, the City's on-line application portal. Any written questions pertaining to this the NOFA should be addressed to Christopher "C.J." Valenzuela, Public-Private Partnerships Coordinator at

christopher.valenzuela@raleighnc.gov. Only written questions submitted through e-mail will be accepted.

2 ELIGIBLE APPLICANTS

Gap financing funds and City-owned building sites are available to non-profit developers or to partnerships between a mission-based non-profit and a for profit developer.

3 GAP FINANCING & CITY-OWNED BUILDING SITES CRITERIA

Gap Financing

Applicants may request gap financing to construct and/or preserve affordable rental units according to the criteria below.

Gap Financing Criteria	
Item	Criteria
Minimum Affordability Requirement	<u>30% AMI</u> 1/3 of total development units shall not exceed 30% AMI (income and rent limits)
Remainder Of AMI % Provisions	<u>60% AMI</u> Remainder of development units cannot exceed 60% AMI (income and rent limits), if minimum affordability requirement is not exceeded <u>80% AMI</u> Remainder of development units can be up to 80% AMI (income and rent limits), if minimum affordability requirement is exceeded
Optional Income Targeting Bonus Points (15 Pts.)	<u>30% AMI</u> Include any amount greater than 1/3 of total development units not to exceed 30% AMI (income and rent limits)
Optional Solar Incentive Bonus Points (15 Pts.)	See Section 4 for details
Funding Type	Loan
Lien Position	First or subordinate with conditions
Loan Purpose	Construction-to-permanent financing

Interest Rate	0-2%, depending on a project's needs
Loan Term	20/30/40 years, or as long as affordability is maintained
Affordability Period	Coterminous with loan term, or may require longer affordability period coterminous with land lease
Min. Debt Coverage/Operating Coverage Ratio	1.15
Site Control and Zoning	Required site control and zoning must be in place
SystemVision	All new construction projects must meet or exceed SystemVision certifications.
Experience	The development and management teams must demonstrate prior successful experience with comparable size and type projects.

City-Owned Building Sites

Request for a City-owned building site will be for long-term land lease. Applicants should include the proposed terms of the lease (i.e., annual rental amount, length of term) as part of their application. The criteria for City-owned building sites are outlined in the table below.

City-Owned Building Sites Criteria	
Item	Criteria
Minimum Affordability Requirement	<u>30% AMI</u> 1/3 of total development units shall not exceed 30% AMI (income and rent limits)
Remainder Of AMI % Provisions	<u>60% AMI</u> Remainder of development units cannot exceed 60% AMI (income and rent limits), if minimum affordability requirement is not exceeded <u>80% AMI</u> Remainder of development units can be up to 80% AMI (income and rent limits), if minimum affordability requirement is exceeded
Optional Income Targeting Bonus Points (15 Pts.)	<u>30% AMI</u> Include any amount greater than 1/3 of total development units not to exceed 30% AMI (income and rent limits)

Optional Solar Incentive Bonus Points (15 Pts.)	See Section 4 for details
Land Lease	Terms (i.e., lease term, annual rent amount) and conditions to be negotiated
Building Sites	May request one or more building sites
Affordability Period	Coterminous with loan term, or may require longer affordability period coterminous with land lease
SystemVision	All new construction projects must meet or exceed SystemVision certifications.
Experience	The development and management teams must demonstrate prior successful experience with comparable size and type projects.

Annual monitoring and compliance of tenant income certifications and rents will be required, and selected projects will be subject to affordability requirements for a period no less than the term of the restrictive covenants (i.e., deed restriction) and/or long-term land lease. Tenant eligibility requirements and tenant selection plan criteria (i.e., income limits, rent limits, etc.) will mirror those set forth in the North Carolina Housing Financing Agency (NCHFA) Low-Income Housing Tax Credit (LIHTC) program.

4 EVALUATION OF APPLICATIONS

The Department will review applications (see Appendix I – Application Submission Checklist), according to the NOFA criteria stated in this section and make recommendations to the Raleigh City Council.

While the NOFA scoring criteria described in this section is intended to help inform the City’s selection of an application, the City will select the best overall application when measured against the City’s strategic policy priorities, including, but not limited to the City’s Strategic Plan, Comprehensive Plan, and any redevelopment plans adopted by the City Council.

A summary of the NOFA scoring criteria is shown in the table below. More detailed descriptions are in the narrative below the table. Applications must score a minimum of 80 points to be considered for gap funding or City-owned building site.

Scoring Criteria	Max Points
Financial Feasibility and Leveraging	35
Location and Site	10
Development Quality	25
Development and Management Team	30

Subtotal	100
Optional Bonus Scoring Criteria	Max Bonus Points
30% AMI Income Targeting Bonus	15
Solar Incentive Bonus	15
*Total Points Possible	130

Financial Feasibility and Leveraging (35 points)

Details about scoring in this category are below.

Commitments from Other Funding Sources (15 points)

Applications will earn points on a sliding scale from zero (0) to fifteen (15) based on evidence of securing funding commitments from other funders and show an ability (i.e., dollar amounts committed, % of total development budget committed) to satisfy the entire development budget.

Financial Feasibility and Sustainability (10 points)

Applications will earn points on a sliding scale from zero (0) to ten (10) based on evidence of the ability to cover ongoing financial feasibility and sustainability (i.e., ability to cover operating expenses, reserves).

Reasonableness of Project Costs (5 points)

Applications will earn points on a sliding scale from zero (0) to five (5) based on reasonableness of project costs.

Capital Structure (5 points)

Applications will earn points on a sliding scale from zero (0) to five (5) based on the strength and feasibility of the capital structure for the project.

Location and Site (10 points)

Projects that propose to utilize a City-owned building site via long-term land lease will receive an automatic ten (10) points. For all other sites, projects located in areas where there are few subsidized housing units close to public transportation and/or employment centers and seek parking reductions 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. The Department also will evaluate projects by their proximity to public transportation and services.

Development Quality (25 points)

All new construction must meet or exceed SystemVision certifications. For more information about SystemVision certification criteria [click here](#). Applicants should embrace all possible sustainability measures, to include conservation and protection of environmental resources, green building (LEED standards), use of high-performance building materials and design, water conservation, recycling of construction and residential waste and energy efficiency. Applicants should describe any visitability or aging in place elements that will be incorporated into the design and include representative floor plans, elevations, and conceptual site plans. The Department will evaluate projects based on compatibility with community character and surrounding architecture.

Criteria will include connections (pedestrian and vehicular) to nearby amenities such as schools, shopping parks, greenways, and/or place of employment.

Compatibility with Surrounding Architecture (10 points)

Applications will earn points on a sliding scale from zero (0) to ten (10) based on the project design's compatibility with surrounding architecture, including adherence to relevant historic district guidelines.

Density/Maximization of Site (10 points)

Applications will earn points on a sliding scale from zero (0) to ten (10) based the density/number of units proposed on the development site.

Sustainability and Accessibility Measures (5 Points)

Applications will earn points on a sliding scale from zero (0) to five (5) based on the project's sustainability and accessibility features. Such features may include but are not limited to: high performance building design and materials, adherence to green building standards, use of Green Stormwater Infrastructure (GSI), recycling measures during construction and ongoing building operations, and Universal Design or other accessibility/visitability features.

Development and Management Team (30 points)

The Department will consider the capacity and experience of the development and management team, including prior track record and current project status for firms that have worked with the City before. The application should include descriptions of the management team's experience in managing income-restricted properties and its track record in effective property maintenance.

Demonstration of Development Experience (10 points)

Applications will earn points on a sliding scale from zero (0) to ten (10) based on demonstration of the Applicant's prior experience with development projects of comparable size and type. Consideration in this category will include the applicant's full team, not just the lead firm.

Demonstration of Management Experience (10 points)

Applications will earn points on a sliding scale from zero (0) to ten (10) based on demonstration of the applicant's prior experience with managing comparable size and type rental properties. Demonstrated experience managing income-restricted rental properties will be a key scoring factor. Consideration in this category will include the applicant's full team, not just the lead firm.

Evidence of Financial Capacity to Execute Project (10 points)

Applications will earn points on a sliding scale from zero (0) to ten (10) based on evidence of the applicant's financial capacity to execute the proposed project. Past performance and current project status will be considered for firms that have previously worked with the City; points will be awarded based on a firm's track record of financial and project management and demonstrated ability to meet project deadlines.

30% AMI Income Targeting Bonus (15 points)

Applications that include any amount greater than 1/3 of the total units within the development not to exceed 30% AMI (income and rent limits) will earn an automatic fifteen (15) bonus points.

Solar Incentive Bonus (15 points)

The Department and Office of Sustainability are proposing a new solar incentive pilot program to encourage the inclusion of rooftop photovoltaic (PV) solar systems in affordable housing developments. Through this NOFA, **the Department and Office of Sustainability are making available a total of \$150,000 in grant funding with a maximum per unit amount of \$5,000.** Applications can include funding request for one or more development sites. Substantial additional funding is available through federal tax credits, more information is available here: <https://www.energy.gov/eere/solar/federal-solar-tax-credits-businesses>.

To be considered for funding and bonus points, an application must specify the size of the proposed system and that the reduced electricity costs provided by the solar will be fully passed along to residents and that units be individually metered. Applications meeting these criteria will earn an automatic fifteen (15) bonus points.

For purposes of this solar incentive bonus category, the Department and Office of Sustainability will make a determination about accepting a solar proposal independently from the selection of gap financing or City-owned building sites. For instance, an accepted application for gap financing or a City-owned building site might not receive funding for a solar installation. The City may not fund any solar proposals provided as part of this NOFA.

For questions specific to the solar element of this NOFA, contact Jason Hardin with the city's Office of Sustainability at Jason.Hardin@raleighnc.gov.

5 APPLICATION SUBMISSION

Applications and attachments (See Appendix I - Application Submission Checklist) will only be accepted through the City's on-line application portal called Neighborly Software. If applying for multiple projects, a separate application must be submitted for each independent project. To register for a Neighborly username and password, please visit the website below:

<https://portal.neighborlysoftware.com/raleighnc/participant>

Applications must be completed, dated, and electronically signed with all required attachments uploaded in Neighborly Software prior to the application deadline.

For questions regarding Neighborly Software, please contact:

Christopher "C.J." Valenzuela, Public-Private Partnerships Coordinator
City of Raleigh
christopher.valenzuela@raleighnc.gov (E-mail)

**Hard copy or e-mailed applications will not be accepted.
Late or incomplete applications will not be accepted.**

6 RIGHTS TO SUBMITTED MATERIAL

All applications 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 marked, "Trade Secret Materials." In submitting an Application, each Applicant 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 may retain all applications submitted and to use any ideas in an application regardless of whether that application is selected. Submission of an application indicates acceptance by the applicant of the conditions contained in this NOFA.

7 RIGHTS TO REJECT APPLICATIONS

The City may reject any and all applications received as a result of the NOFA or to negotiate on the terms of the gap financing funds and/or long-term land leases of City-owned building sites so as to best serve the interests of the City.

APPENDIX I

APPLICATION SUBMISSION CHECKLIST

The following attachments and information as listed below must be uploaded through the City's on-line application portal (Neighborly Software) for an application to be complete.

- Signed and notarized cover letter (1 page preferable) stating applicant has authority to submit a response to the NOFA and applicant accepts the terms and conditions in the NOFA; briefly describing the proposed project, population to be served, income targeting, and the proposed terms of funding requested (i.e., dollar amount, interest rate, loan term, etc.) and/or long-term land lease (i.e., annual rent dollar amount, length of term) from the City
- Completed, signed Rental Development application (available to download via Dropbox: <https://bit.ly/3sBdLXe>). All information within each tab of the Rental Development application must be completed which include: 1) General, 2) Income and Expense, 3) Sources and Uses, 4) Pro Forma and 5) Certifications
- Location map clearly indicating the project site(s)
- Site plan for project site (i.e., survey, plat, or tax map)
- Evidence of site control (i.e., deed or other evidence acceptable to the City) if not a City-owned building site
- Evidence of appropriate zoning for proposed project if not a City-owned building site
- Preliminary plans and specifications, including at a minimum: elevations, floor plans and site plan
- Appraisal (if available)
- Phase I ESA (if available)
- Project implementation timeline broken out by each key phase of the development lifecycle (i.e., pre-development, construction stage, certificate of occupancy, lease up, etc.)
- Resume, organizational chart and other qualifications of the developer and project team (i.e., engineer, architect, property manager, etc.), including a list of previous projects in the last five (5) years with current vacancy rates
- Letters of Support from other Agencies and Funding Sources with whom you intend to collaborate
- 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, if applicable
- Description of how the applicant intends to recruit/use small, disadvantaged minority & women-owned businesses in the project
- Short narrative describing how SystemVision certification 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(c)3 determination letter, if applicable
- Current year operating budget for the developer
- List of board members with terms
- A resolution or copies of the minutes from board meeting during which submittal of the NOFA application to the City was approved
- For responses that request solar funding and seek the solar incentive bonus points, please provide a brief description of how solar would be implemented in the project, including the following considerations:
 - The proposed size of the system(s) and whether units would be individually metered
 - How the solar will benefit the resident's electricity bill
 - How information would be provided to residents about the impact of the solar system on utility bills or any other information useful to future residents
 - How the solar will be maintained

APPENDIX II

MAPS OF AVAILABLE CITY-OWNED BUILDING SITES

The City is making available the following City-owned building sites. While some lots in each location are “packaged”, others can be requested individually to maximize development options. Suggested “best use” is indicated for most locations, but Applicants may suggest alternatives that fulfill the objective of maximizing the number of rental units in accordance with applicable zoning regulations. The lot configuration as it currently exists may be subject to recombination if an Applicant offers an alternate layout that allows for the highest and best use of the site.



317 & 319 N Carver St

- *Combined 0.33 acres & Zoned R-10.*
- *Total Dimensions: 120'x120'*
- *20' Utility Easements exist on both north & south boundaries of cluster.*
- *Best Use: Duplex + ADU on each lot.*





S East & Branch St Cluster

- (4) Lots Zoned R-10.
- 1204-1206 S East St total 0.32 acres, 100' x 135'. Best Use: Duplex + ADU on each lot.
- 1300 S East St is 0.32 acres, 100' x 135'. Best Use: Subdivide, 2 Duplexes.
- 310 Branch St is 0.37 acres, 80' x 200'. Best Use: Apartment w/ 6 units.



503 & 507 Bragg St

- PIN: 1703930971;
1703930940
- Zoning: R-10
- Total Acreage: 0.25
- Total Dimensions:
80' x 126'
- Best Use: 2 Duplexes +
ADUs or Quadriplex





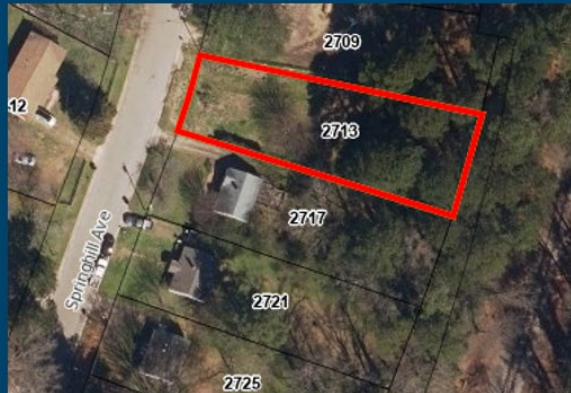
1106 Bloodworth St

- *PIN: 1703845104*
- *Zoning: R-10*
- *Acreage: 0.18*
- *Dimensions: 50'x154'*
- *Best Use: Duplex + ADU.*



2713 Springhill Ave

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





Raleigh

McMakin Street Cluster

- (3) Lots: 608, 612, & 620 McMakin St
- PINs: 1703935161;
1703936131;
1703937110
- Zoning: R-10
- Total Acreage: 0.39
- Total Dimensions:
25'x225'



APPENDIX III INCOME AND RENT LIMITS

Current affordable income limits by income level (AMI percentage) and household size, along with rent limits by income levels and efficiency/bedroom size are listed below (effective as of June 15, 2023). Department staff will update affordable income and rent limits annually once they are published and become effective by HUD.

Please note that the rent limits represent total housing payments and do not include tenant-paid utilities. Property owners/managers will be responsible for calculating the applicable Utility Allowance based on the Raleigh Housing Authority's most recent utility allowance schedule, and subtracting that utility allowance from the appropriate rent limit in the table below to calculate the maximum contract rent that may be charged.

*Income Limits

Income Level	Household Size							
	1	2	3	4	5	6	7	8
30% AMI	\$23,800	\$27,200	\$30,600	\$34,000	\$36,750	\$39,450	\$42,200	\$44,900
60% AMI	\$47,640	\$54,420	\$61,200	\$67,980	\$73,440	\$78,900	\$84,300	\$89,760
80% AMI	\$63,500	\$72,550	\$81,600	\$90,650	\$97,950	\$105,200	\$112,450	\$119,700

*Rent Limits

Income Level	Number of Bedrooms					
	Efficiency	1	2	3	4	5
30% AMI	\$595	\$637	\$765	\$883	\$986	\$1,087
60% AMI	\$1,191	\$1,275	\$1,530	\$1,767	\$1,972	\$2,175
80% AMI	\$1,588	\$1,701	\$2,040	\$2,357	\$2,630	\$2,901
City Utility Allowances**	Must be determined for each individual apartment or identical apartments in a project					

* Income and rent limits subject to change. Income limits are published annually by HUD (available online: <https://www.huduser.gov/portal/datasets/il.html>). Rent limits are consistent with the Low-Income Housing Tax Credit program and are calculated by the City using the Novogradac Rent and Income Limit calculator, available online: <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/rent-income-limit-calculator>

**The current Raleigh Housing Authority published utility allowance schedule is available online: <https://www.rhaonline.com/section-8-landlords/>