



Notice of Funding Availability (NOFA) for Joint Venture Gap Financing Rental Development Program 2024

1) STATEMENT OF PURPOSE

The City of Raleigh's Housing & Neighborhoods Department (Department) announces the availability of approximately \$24 million in Rental Development Program gap financing funds and invites qualified developers to submit applications for the new construction and/or rehabilitation of affordable multifamily rental housing. Rental units assisted with City of Raleigh (City) funds must be affordable to households with annual incomes at or below 80% of the area median income (AMI). This does not preclude mixed income developments. A mix of federal HOME Investment Partnerships Program (HOME) funds and local Affordable Housing Bond (Bond) funds are made available through this Notice of Funding Availability (NOFA). Funds are available to for-profit and non-profit developers or sponsors of rental housing in the form of loans for construction-to-permanent financing. All funding is contingent upon approval by Raleigh City Council. Applicants awarded Rental Development Program funding will also be responsible for completing the City's development review and permitting process.

Questions should be addressed to Robin Reese, Housing Programs Manager at 919-996-6976 or Robin.Reese@raleighnc.gov.

2) APPLICATION DEADLINE AND SCHEDULE

Application Schedule		
Item	*Timeline	Description
Application Period Begins	December 15, 2023	NOFA Issued
Application Deadline	January 26, 2024, no later than 5:00 PM (EST)	Applications due for 9% Low-Income Housing Tax Credit (LIHTC), 4% LIHTC (Round 1) & non-LIHTC (Round 1) projects
Mandatory Application Pre-Meeting	No later than January 26, 2024 @ 5:00 PM (EST)	All proposers must schedule a mandatory pre-meeting within the application deadline(s) with Robin Reese, Housing Programs Manager robin.reese@raleighnc.gov or 919-996-6976
Application Evaluation Period	January 29, 2024, to March 29, 2024	Staff evaluates applications. Late and/or incomplete applications will not be considered.
Funding Recommendations	April 2024	Staff submits funding recommendations to City Council for consideration (e.g., approval, denial). Staff notifies applicants of City Council meeting dates and outcome of final City Council funding recommendations.
Preliminary Conditional Commitment Letters	Early May 2024	Awarded developers receive preliminary conditional commitment letters for funding for submission by the May 10, 2024, NCHFA application deadline.
Application Deadline	May 31, 2024	Rolling applications due for 4% LIHTC (Round 2) & non-LIHTC (Round 2) projects

Application Deadline	July 8, 2024	Rolling applications due for 4% LIHTC (Round 3) & non-LIHTC (Round 3) projects
Application Evaluation Period	May 31, 2024, to August 2, 2024	4% LIHTC (Round 2 and 3) & non-LIHTC (Round 2 and 3) projects
Funding Recommendations	Early September 2024	Staff submits funding recommendations to City Council for consideration (e.g., approval, denial). Staff notifies applicants of City Council meeting dates and outcome of final City Council funding recommendations.
Preliminary Conditional Commitment Letters	Late September 2024	Awarded developers receive preliminary conditional commitment letters for funding for submission by the October 1, 2024, NCHFA application deadline.

*Timeline subject to change.

To view NCHFA's LIHTC timeline and events, click [here](#).

The Department will only receive application packages submitted through the City's online application portal called Neighborly Software. See Section 10 below for full application submission details.

Dates and timelines listed below are subject to change.

NON-LIHTC AND 4% LIHTC APPLICATIONS: Department staff will conduct three rounds of underwriting during the 2024 cycle. Applications for non-LIHTC and 4% LIHTC projects may be submitted by the following dates:

1. January 26, 2024
2. May 31, 2024
3. July 8, 2024

Applications will be received on a rolling basis but underwriting and evaluation will not begin until the next deadline. Any applications submitted between January 26, 2024, and May 31, 2024, will be evaluated together beginning after May 31, 2024. Any applications submitted between May 31, 2024, and July 8, 2024, will be evaluated together until the end of the evaluation period on August 2, 2024.

Please note that all project consideration is subject to availability of funds. Contact Department staff prior to submitting to ensure that funds are available.

Should any project to which the City commits funding return to the City with requests for additional funds, payment changes, changes in terms of funding commitment, units produced, or any other substantial change to the original commitment, the developer will be required to resubmit an application in the next NOFA cycle for the changes to be considered.

3) ELIGIBLE PROJECTS

All projects must meet the following minimum requirements to be considered for funding:

- a) Projects may include the construction of new units, the rehabilitation of existing units or the adaptive re-use of existing structures.
- b) The property must meet the minimum property standards and all applicable building codes upon completion of construction or rehabilitation. Higher scores will be given to projects that commit to meeting Energy Star requirements or better (third party verification required upon completion of construction/rehabilitation).
- c) Projects must contain at least 24 rental units.
- d) The properties must be located within the City limits of Raleigh or be in process of annexation prior to staff making recommendations to City Council.
- e) Existing properties should be vacant, presently occupied by low-income families that meet program income requirements or have relocation expenses accounted for in budget. (NOTE: Tenants cannot be asked to relocate in anticipation of applying for City funds.)
- f) Projects must have secured site control at the time of application. Staff will review applications that are in the re-zoning process; however, staff will not recommend a loan for approval if the site is not properly zoned for its intended use.
- g) The property must abide by the City's Affordable Housing Location Policy. See Attachment A. Developers should consult the policy during site selection, and be aware of and follow the site requirements and evaluation criteria of NCHFA's Qualified Allocation Plan (QAP). Applicants should contact Department staff should they have any questions regarding site locations and desirability. Exceptions to the Affordable Housing Location Policy may be considered on a case-by-case basis but are not standard practice.
- h) The City will consider requests to acquire land for developments located within a half mile of a [Bus Rapid Transit \(BRT\)](#) corridor for the purpose of leasing the site back to the affordable housing developer. The developer must be able to demonstrate that project would not be feasible as affordable housing were it not for the City acquiring the land. If site acquisition costs are greater than the appraised value of the land, the developer must be able to justify why this is

necessary. Once acquired, the City would enter into a long-term lease agreement with the developer for the property. Lease terms would be mutually agreed upon by the City and developer. Requests for land acquisition funds will only be considered for projects that also receive construction-to-permanent financing from the City, which should close simultaneously.

4) RENT AND INCOME LIMITS

All affordable units are subject to the following income and rent restrictions for the greater of 20 years, the extended use period for any LIHTC project, or as long as the City loan and/or long-term lease agreement affordability period is in effect.

- a) All affordable units must be set aside for households at income and rent limits at or below 80% of the AMI. Income limits are to be adjusted for household size and rent limits for efficiency/bedroom size. For developments using income averaging, only units targeting individuals or families making less than 80% AMI would be considered City-assisted units.
- b) All LIHTC projects must meet the following income targeting requirements to be eligible for City funding:
 - i) 9% LIHTC projects must set aside 25% of all units as affordable to households earning no more than 30% AMI.*
 - ii) 4% LIHTC projects must set aside 10% of all units as affordable to households earning no more than 30% AMI.*

Affordable Income Targeting Bonus Option. Applicants who meet the following income targeting criteria below are eligible for 10 bonus points.

- 9% LIHTC projects must set aside 20% of all units as affordable to households earning no more than 30% AMI and 5% of all units as affordable to households earning no more than 20% AMI.*
- 4% LIHTC projects must set aside 5% of all units as affordable to households earning no more than 30% AMI and 5% of all units as affordable to households earning no more than 20% AMI.*

**Income limits are to be adjusted for household size and rent limits for efficiency/bedroom size.*

- c) A minimum of 10% of units must be set aside for supportive housing via Wake County's Rental Assistance Housing Program.
- d) If the project is HOME-funded, at least 20% of the units must be set aside for households at or below 50% AMI. Income limits are to be adjusted for household size and rent limits for efficiency/bedroom size. If HOME funds are combined with federal LIHTC funds, additional requirements may apply.
- e) Every assisted unit is subject to maximum rent limits designed to help make rents affordable to low-income households. If the project is HOME-funded, rents must be no more than the HOME program rent limits (less tenant-paid utilities) OR the

market rents of comparable housing, whichever is less. Click [here](#) to view the current maximum HOME program rents.

- f) Annual monitoring of tenant income certifications and rents for assisted units may be required.

5) LOAN TERMS

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

- a) Construction-to-permanent financing
- b) Interest Rate: 0-2%, depending on a project's needs
- c) Term: 20/30/40 years, or as long as affordability is maintained
- d) Repayment: Deferred, monthly, or annual payments depending on the population served and the project's needs. The City strongly prefers fixed and fully amortizing repayment schedules. Variable repayment schedules with or without balloon payments will also be accepted
- e) Lien: First or subordinate with conditions
- f) Right of First Refusal: If the borrower wishes to sell, dispose of or otherwise transfer ownership of the property, the City shall have a right of first refusal to purchase the property. The City and the developer will mutually agree on the specific terms and conditions

6) FINANCIAL PROJECTIONS

The City expects the applicant's development budget to adhere to applicable NCHFA QAP criteria.

7) UNDERWRITING ASSUMPTIONS AND FEE LIMITS FOR RENTAL DEVELOPMENTS

The City utilizes applicable NCHFA QAP criteria for underwriting requirements and fee limits for rental developments. The City funds are provided for gap financing.

8) EVALUATION CRITERIA

The following criteria will be used to evaluate development proposals. The relative importance of the evaluation criteria attempts to track the evaluation criteria of the NCHFA as well as the City's housing goals. The City will not issue a commitment unless the zoning is appropriate to the plan.

a) Financial Feasibility, Leveraging and Development Costs (20 points)

- i. Project is financially feasible with a high probability of moving forward (evidence of commitments from other funding sources, appropriate debt service coverage, reasonable rents, etc.) (0 to 5 points)

- ii. Project costs per square foot (excluding land) in addition to costs per - bedroom are reasonable, as compared to similar projects funded by the City (0 to 5 points)
- iii. Amount of City subsidy per unit is reasonable, as compared to similar projects funded by the City (0 to 10 points)

b) Site and Market (30 points)

- i. Senior housing developments are automatically awarded 5 points (5 points)
- ii. Proximity to services and/or employment centers and transportation (0 to 10 points)
- iii. NCHFA site score (0 to 5 points)
- iv. A market study must show that there is a market for the housing in the area (0 to 5 points)
- v. Project is located within one-half mile radius of a covered transit stop served at intervals of 30 minutes or better in each direction for 10 consecutive hours each workday (must provide letter from GoTriangle or GoRaleigh to support) **OR** project is located within one-half mile radius of a planned Bus Rapid Transit station (must provide letter from GoTriangle or GoRaleigh to support) (5 points)

c) Development Quality (20 points)

- i. The building design and use are compatible with the surrounding environment and existing neighborhood with appropriate vehicular and pedestrian connections to nearby amenities (0 to 7 points)
- ii. The overall building design is aesthetically pleasing and well thought out and is characterized as possessing “architectural appeal” with material selections that are of good quality, designed for normal maintenance and can be expected to perform well over the long term (0 to 7 points)
- iii. The site is suitable for the proposed development without additional major geotechnical, environmental or utility infrastructure expenditures (0 to 6 points)

d) Development and Management Team (20 points)

- i. Capacity and experience of the development team with comparable size and type projects on time and within budget (0 to 7 points)
- ii. Developers with prior experience with the City will be evaluated on those experiences in addition to history of loan repayment. Developers without previous experience with the City will be asked to provide references from other government entities. (0 to 7 points)
- iii. Capacity and experience of the property management company with comparable size and type projects evidenced by occupancy levels, maintenance and repair of existing rental units, compliance with federal requirements and record keeping and reporting (0 to 6 points)

e) Sustainability (5 points)

Development commits to LEED certification or a measure beyond Energy Star (to include conservation and protection of environmental resources, green building, Green Stormwater Infrastructure, water conservation, tree conservation, recycling of construction and residential waste, energy efficiency, integration/use of local pools of low-income labor, etc.). Third party verification will be required to ensure that these standards have been met at completion of rehabilitation or construction. (0 to 5 points)

f) Minority and Women-Owned Business Enterprise (5 points)

- i. The City encourages participation by certified minority and women-owned businesses. 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 and should include documentation with their proposal that addresses these criteria. (0 to 5 points)

g) Rehabilitation vs. New Construction (Bonus: 10 points)

Ten bonus points will be given to developments proposing rehabilitation as opposed to new construction within the City limits of Raleigh in order to promote the preservation of existing housing. (10 points)

h) Affordable Income Targeting (Bonus: 10 points)

Ten bonus points will be given to developments that meet the following income targeting criteria below.

- 9% LIHTC projects must set aside 20% of all units as affordable to households earning no more than 30% AMI and 5% of all units as affordable to households earning no more than 20% AMI. (10 Points)
- 4% LIHTC projects must set aside 5% of all units as affordable to households earning no more than 30% AMI and 5% of all units as affordable to households earning no more than 20% AMI. (10 Points)

9) 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. Also note that all sources of financing must be identified before a commitment letter will be issued. All sources of financing must be secured before closing. Commitments will be valid for 12 months.

All proposers must schedule an application pre-meeting with Robin Reese, Housing Programs Manager to discuss their application at Robin.Reese@raleighnc.gov or 919-996-6976.

Should any project to which the City commits funding return to the City with requests for additional funds, payment changes, changes in terms of funding commitment, units produced, or any other substantial change to the original

commitment, the developer will be required to resubmit an application in the next NOFA cycle for the changes to be considered.

10) APPLICATION SUBMISSION AND FEE

This year, applications, and attachments (see Application Submission Checklist in Section 12 below) will only be accepted through the City's online application portal, Neighborly Software. To register for a Neighborly Software 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 to be deemed complete.

For questions regarding Neighborly Software, please contact:

Robin Reese, Housing Programs Manager
City of Raleigh

robin.reese@raleighnc.gov or 919-996-6976

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

11) RIGHT TO REJECT PROPOSALS

The City reserves the right to reject any and all applications received as a result of the NOFA or to negotiate on the terms of the funds to best serve the interests of the City.

12) APPLICATION SUBMISSION CHECKLIST

A copy of the application form submitted to NCHFA for funding will be required as part of the City application. To be considered complete, the proposal must also include the following supporting documents. **This sheet should be used as a coversheet for your proposal with all attachments in the order as listed below.**

- Nonrefundable application fee of \$100 made payable to the City. Checks should be mailed to:

City of Raleigh, Housing & Neighborhoods
Attn: Robin Reese, Housing Programs Manager
421 Fayetteville Street, Suite 1200
Raleigh, NC 27601

- 1 page signed and notarized cover letter stating applicant has the authority to submit a response to the NOFA and applicant accepts the terms and conditions in the NOFA; include project overview - briefly describing the proposed project,

- population to be served, reason for gap funds need and the specific amount requested from the City
- Projects approved for Land Grant Acquisition include copy of original letter submitted to the City prior to application
 - Signed copy of NCHFA pre-application **and** a 20/30/40-year pro forma matching requested loan term (should changes be made, the developer will be required to submit updated application to the City)
 - Project schedule (HOME funds require that project construction begin within 12 months of issuing the final commitment letter and be complete within 4 years)
 - Location map clearly indicating the project site
 - Site plan for project site (survey, plat or tax map)
 - Evidence of site control (deed, contract of sale, option to purchase or other evidence acceptable to the City)
 - Evidence of appropriate zoning for proposed project or evidence that zoning change is in process with a likelihood of approval prior to making recommendations
 - Outline plans and specifications, including elevation, floor plans and a site plan
 - Resume or other qualifications of the developer or sponsor, 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, for example Alliance Health (Ann Oshel at AOshel@alliancehealthplan.org), if applicable
 - Supportive services provided, Supportive Services Provider history of providing services to the proposed population, and annual budget for the supportive service delivery
 - Description of how the developer intends to recruit/use small, disadvantaged minority & women-owned businesses in the project
 - Appraisal (required for all acquisitions prior to closing)
 - Phase I ESA (if available)
 - Letter from GoTriangle or GoRaleigh to certify bus service, if applicable

ATTACHMENT A

City of Raleigh Affordable Housing Location Policy

Objectives

The purpose of the Affordable Housing Location Policy is to set forth desired outcomes relative to the creation or preservation of affordable multifamily rental housing with the overall goal of affirmatively furthering fair housing choice for all residents. Specific objectives of the Policy include the following:

- To increase the supply of affordable housing in underserved locations near employment and commercial centers;
- To encourage the development of affordable housing near existing and proposed transit services;
- To provide for affordable housing in and near downtown Raleigh and in neighborhoods having approved revitalization plans; and,
- To prevent further concentrations of minority and low-income persons and subsidized housing.

Exemptions

This policy shall apply to any multifamily rental development that is funded in whole or in part by the City of Raleigh or requires the approval of City Council with the following exemptions:

- The rehabilitation of existing units.
- Developments serving elderly or disabled populations.
- The replacement of affordable rental units lost to demolition or conversion subject to a determination by the Housing and Neighborhoods Department and subsequent approval by City Council that the proposed replacement housing will serve the same market area or neighborhood.

Geographic Applicability and Exceptions

As a means of implementing this policy, newly constructed subsidized multifamily housing developments will not be allowed in census tracts having a concentration of racial/ethnic minority households, households with low incomes, or subsidized rental housing unless the proposed project qualifies for one or more of the following exceptions:

- Developments located within a one-half mile radius of a proposed rail or bus rapid transit station;
- Development located within one-half mile of a transit stop served at intervals of 15 minutes or better in each direction throughout the day;
- Developments located within the boundaries of the Downtown Element in the Comprehensive Plan; or

- Developments which are implementing elements of a mixed-income neighborhood revitalization plan approved and funded by City Council.

Waiver Process

City Council has the authority to grant waivers on a case-by-case basis. Developers seeking a waiver shall submit a written request to the Housing and Neighborhoods Department. Department staff will evaluate the request and submit an analysis and recommendation to Council.

Definitions

For purposes of this policy, the following definitions apply:

1. **Multifamily Housing** – Housing developments consisting of greater than 24 residential units.
2. **Subsidized Multifamily Housing** – Any multifamily housing development consisting of greater than 24 residential units financed in whole or in part with local, state, or federal financial assistance where the subsidized housing units are restricted to serve households earning 60% or less of the area median income (AMI).
3. **Disabled** – Having a physical or mental disability that substantially limits one or more major life activities, having a record of such impairment or being regarded as having such an impairment.
4. **Elderly** – Housing occupied by one person who is 55 or older in at least 80% of the occupied units.
5. **Concentration of Racial/Ethnic Minority and Low-Income Households** – Census tracts in which the percentage of minority residents equals or exceeds 50% and/or census tracts where the percentage of households living in poverty equals or exceeds 30%.
6. **Concentration of Subsidized Rental Housing** - Census tracts in which subsidized multifamily housing and rental units occupied by households with tenant-based Section 8 Housing Choice Vouchers* equals or exceeds 8% of the total rental stock, excluding housing for the elderly or disabled.

**Data provided by RHA in 2022*

Review Procedures

The Housing and Neighborhoods Department shall be responsible for reviewing all proposals for the development of subsidized multifamily housing to determine compliance with this Policy.

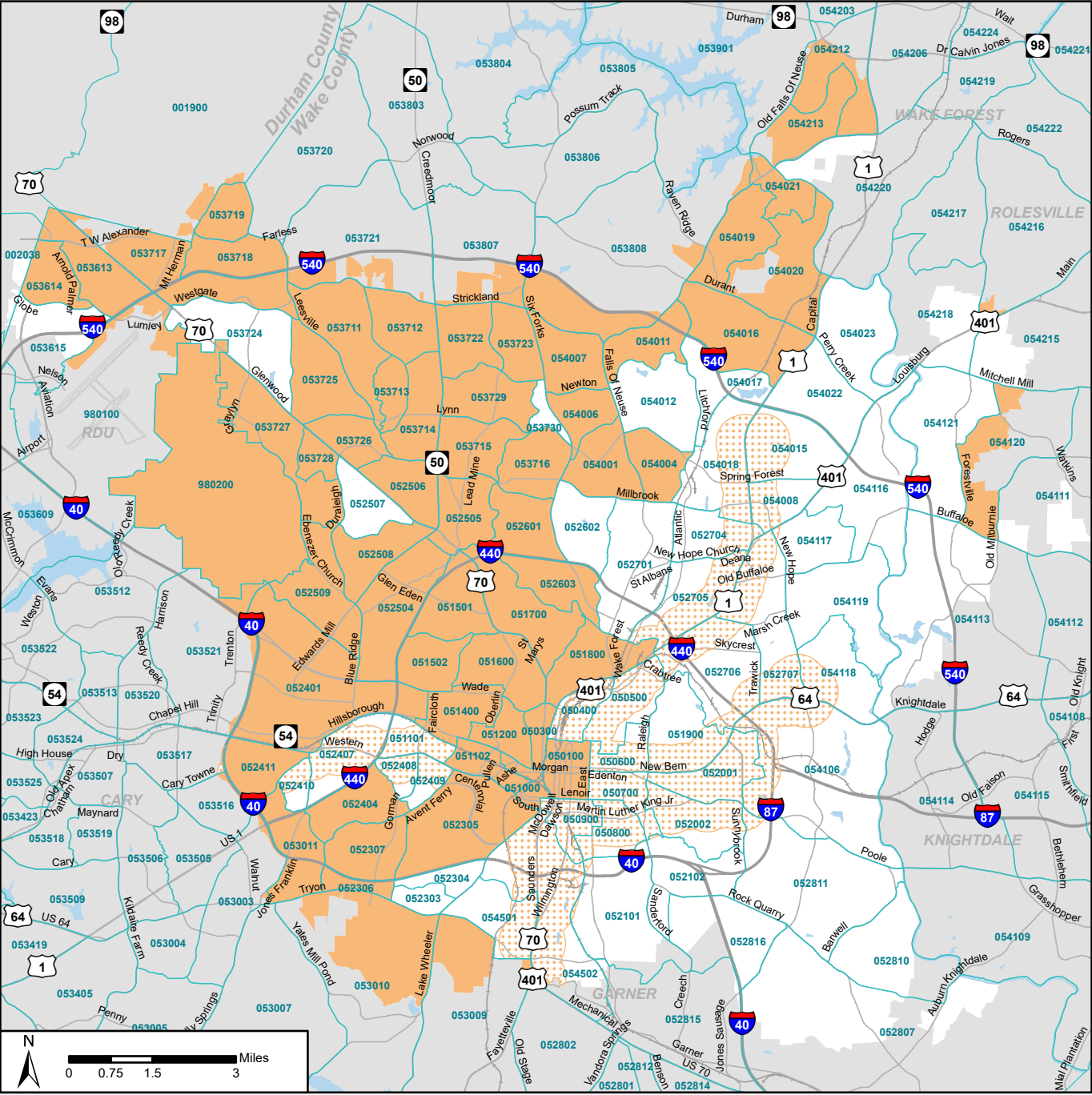
Policy Updates

Maps depicting areas of concentration will be updated not less than every five years in conjunction with updates or revisions to the Housing Element of the Comprehensive Plan.

Attachments

Affordable Housing Location Policy Map

Map H-2: Affordable Housing Location Policy



Affordable Housing Opportunity Area

New Subsidized Multi-Family Housing Not Allowed in Census Tracts Where:

- Minority Population Exceeds 50%, or
- Households in Poverty Exceeds 30%, or
- Subsidized Units Exceed 8% of Total Units

Area May Meet Geographic Exceptions

CENSUS TRACT ID