

**COUNTY OF HUMBOLDT**  
**REQUEST FOR PROPOSALS**  
**For a MULTIFAMILY AFFORDABLE HOUSING CONSTRUCTION LOAN**  
**in unincorporated Humboldt County**

**Deadline: \_\_, 2024 at 5:00 P.M.**  
**Contact: John Moredo-Burich (707) 267-9366**  
**PLBL\_Grants@co.humboldt.ca.us**

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## 1. OVERVIEW

This RFP contains the project requirements for a Multifamily Construction Project (herein referred to as the “Project”).

- A. **Terminology.** Capitalized terms not defined herein have the meaning given to them in the Legal Documents (as hereinafter defined). The term “applicant” as used herein means the developer seeking to borrow funds under the Project. “County” refers to the County of Humboldt, California and or its collective staff.
- B. **The County Web Site.** References herein to the County’s web site refer to the following URL: [County Homepage | Humboldt County, CA - Official Website \(humboldt.gov.org\)](http://humboldt.gov)
- C. **Project Objective.** The Project’s objective is to finance the rehabilitation and/or construction of multifamily rental housing on an eligible site(s). Fifty percent 50% of the units must be for moderate to low-income households with a minimum of 30% of the units for very low-income households for a period of 30 years.
- D. **Project Funding.** The County has set aside \$2.75 million, which may be utilized in combination with other sources of funding. The County reserves the right to increase or decrease the level of funding available for the Project and/or to obtain additional sources of funding for the Project.
- E. **Form of Funding.** Funding is to be offered in the form of a Gap Financing Loan(s) in Section 4.
- F. **Timeline.** The County envisions the following timeline for awarding funds:

Date	Event
Publication date (PD)	RFP published
PD + 10 days	Pre-bid meeting
PD + 17 days	Deadline for Questions
PD + 21 days	Responses published
PD + 30 days	Submission Deadline
PD + 37 days	Notice of potential award
PD + 50 days	Contract Signing
2-3 weeks later	Preconstruction conference
TBD	Work begins
TBD	Completion date

- G. **Competitive Award.** Complete applications received on or before the last date for submission of applications will compete against each other for funding. Awards will be made among acceptable applications<sup>1</sup> in decreasing order of point score. Acceptable applications that meet the requirements of this RFP, have resolved all deficiencies and that have a point score closest to 200 points will be offered project funding in the order the applications were received.

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<sup>1</sup> That is, applications that are complete, that resolved any deficiencies, and that meet the requirements of this RFP.

- H. **Application Submission.** Applications must be received by the County not later than 5 P.M. on the applicable date at the following address:

**County of Humboldt**  
**Planning & Building Department**  
**Attn: Housing Program Coordinator**  
**3015 H Street**  
**Eureka, CA 95501**

- I. **Potential Supplemental Funding.** In the event that the County increases the funds allocated to the Project, the County reserves the right at its option to re-consider acceptable applications submitted for the Project which were not previously funded without the need of re-opening the Project for additional applications.

## **2. PRIMARY REQUIREMENTS FOR ELIGIBLE PROJECTS**

- A. **Minimum and Maximum Project Size.** Projects must have at least 8 residential rental units. There is no maximum project size.
- B. **Mixed-use projects.** Projects that include three or more uses, with two uses other than residential rental, are NOT eligible.
- C. **Combination Projects.** Projects that include two uses, one other than residential rental, Will be considered on a case-by-case basis.
- D. **Maximum Award.** The maximum award is \$2.75 million. Smaller awards may be given to multiple applicants if applications are under the maximum funding amount.
- E. **Leverage Requirement.** None: Although applicants are encouraged to provide evidence of additional funding ensuring project completion.
- F. **Eligible Project Types.** Eligible projects must meet all requirements:
1. At least 30% of units must be affordable at or below 30% of AMI. It is acceptable for 100% of units to be affordable.
  2. Building(s) must be under 45' in height.
  3. If a proposed project has fewer than 51% affordable units, such units must be comparable to the remaining units.
  4. Developers should note that AMIs are published annually and that maximum rents will be adjusted up or down annually in accordance with the current AMIs.
  5. Scattered site projects are acceptable. Each unit in a scattered site project must be located not more than 20 feet from another unit in the project. Applicants who intend to utilize Low Income Housing Tax Credits ("LIHTCs") should note that the Project places restrictions on the use of LIHTCs in scattered site projects.

- G. **Local Support Requirement.** Applicant must provide evidence of local support for their project. Acceptable evidence will be judged by the Housing and Grants staff upon application. Developers with significant documented tenant or neighbor complaints will not be considered.
- H. **Project Readiness Requirement.** The applicant must demonstrate, to the satisfaction of the County in its sole discretion:
1. Site control. Site control must be in the form of either:
    - a. Ownership or ground lease (executed prior to the publication date of this RFP<sup>2</sup>), or
    - b. An option to purchase or lease (with the option period extending at least 60 days past the anticipated construction start date indicated by the applicant in its application), acceptable to the County in its sole discretion.
  2. Commitments acceptable to the County for all non-County sources of funding.
    - a. Commitments must be dated no more than 30 days prior to the date on which the application is received by the County and must extend at least 90 days past the anticipated funding date indicated by the applicant.
    - b. The County reserves the right to require updated commitments as it deems necessary.
    - c. Conditions contained in commitments shall be subject to determination by the County as to reasonableness. The County may reject any commitment (and deem the application deficient) if, in the sole discretion of the County, any condition is outside of market requirements and/or is unlikely to be satisfied.
    - d. Commitments from a lender must acknowledge and permit the Gap Financing Loan, must consent to the form of, execution and delivery of the Legal Documents, and must agree that the loan will be made subject to the Regulatory Agreement (see Section 4.A.3).
  3. Projects that will utilize 9% LIHTCs must have a LIHTC reservation.
  4. Projects that will utilize 4% LIHTCs need not have a LIHTC reservation but must have a syndication / investor commitment acceptable to the County.
- I. **Construction Has Not Started.** Projects for which construction has started may not be eligible. Applicants should note that environmental requirements include a requirement that no choice limiting actions (for example, purchasing the project site, or starting construction) may occur until the County has approved environmental clearance.
- J. **Appraisal Requirements.** See Attachment E.

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<sup>2</sup> Purchase or lease of a site after this date would constitute a prohibited choice-limiting action that cannot take place until the County has issued environmental clearance to the applicant of an awarded project. Applicants who have already purchased or leased a site prior to the publication date of these Application Guidelines must still obtain environmental clearance from the County before taking choice-limiting actions such as starting construction.

- K. **Other Compliance Requirements.** In addition to the requirements discussed in this Section, all awardees must meet the regulatory compliance requirements contained in the legal documents. These requirements include (without limitation) Davis-Bacon prevailing wage requirements (for properties of 8 or more units), Section 504 accessibility requirements, and Section 3 low-income outreach requirements, which also imposes a variety of requirements regarding the types of properties that may be acquired and on the property acquisition process generally. See Section 7. Also see Section 3 of the Loan Agreement.
- L. **Non-compliance in Federal or Other Agency Projects.** Applicants (including Affiliates<sup>3</sup>) cited for non-compliance in federal housing projects or in a project administered by the County shall not receive a reservation of funds until such non-compliance is cleared to the satisfaction of the County in its sole discretion.
- M. **Duration of Requirements.** All requirements will be applicable for the duration of the Regulatory Agreement.

### 3. **SECONDARY REQUIREMENTS FOR ELIGIBLE PROJECTS.**

- A. **Funding Limited to Funding Gap.** For purposes of structuring the application, applicants should assume that funds will close any funding gap (subject to the limitations on funding discussed herein) and that the amount of funding will be limited to that funding gap.
- B. **Projects with Existing LIHTC Reservations.** The County assumes that projects with existing LIHTC reservations will require re-processing by the same State agency that allocates LIHTCs ("State Allocating Agency"). For any projects that do require re-processing:
  - 1. If the State Allocating Agency determines that the proposed project has excess sources of funds, the State Allocating Agency and the County will determine how to reduce project funding to the level required to develop the project.
  - 2. If the State Allocating Agency determines that the proposed project does not have sufficient sources of funds, the County will not be under any obligation to increase the award, and it is possible that the State Allocating Agency will reject the applicant's LIHTC application.
- C. **Restrictions on Development Costs.**

Although the County does not impose any limits on project development costs and does not impose any per-unit development cost limits, the County expects that other funders will impose such limits. Applicants should determine whether other funders impose such limits. Applicants should also note that the per-unit funding limit and the Leverage Requirement may have a similar effect as a limit on development costs.

### 4. **GAP FINANCING LOANS**

- A. **Loan Documents.**

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<sup>3</sup> The term "Affiliate" is defined in the Loan Agreement, Section 1.1.

1. **In General.** Gap Financing Loans will be documented using the County's template legal documents ("Legal Documents") posted on the County's web site at <https://humboldt.gov.org/Bids.aspx>. By applying, applicants agree to execute the template legal documents without modification. The County may require modifications to the templates to address features of funding or other aspects of any given project.
2. **Regulatory Agreement.** The Regulatory Agreement will be subject to only those liens and encumbrances specifically agreed to by the County. The lien of any permanent mortgage will be subject to the Regulatory Agreement and must be foreclosure-proof.
3. **Mortgage.** The Gap Financing Loan will have either (a) first lien position, or (b) second lien position behind the lien of permanent financing acceptable to the County (in which case, if the first lien lender so requests, the County agrees to execute the County's standard form of Subordination Agreement contained in the Legal Documents).
4. **Guaranties.**
  - a. Applicants should note that the County will require the project owner and a credit-worthy guarantor(s) to guarantee certain personal obligations ("non-recourse carve-outs") under the Note, Mortgage and Loan Agreement.
  - b. Applicants should note that the County will require a credit-worthy guarantor(s) to give an Operating Deficit Guaranty to the County.
  - c. Applicants should note that if an applicant requests funding during construction, the County will require a credit-worthy guarantor(s) to give a Guaranty of Completion to the County.
  - d. The County's requirements for guarantors, for financial statements that all proposed guarantors must submit prior to closing, and the County's template forms for the guaranties, will be included with the Legal Documents.
5. **Transaction Costs/Expenses.** The applicant will be responsible for all costs related to closing the loan, whether closing occurs, including all title costs, recording costs, legal fees (including fees for County's counsel), abstract fees, appraisal costs, environmental and historic property review, and site and progress inspection fees (including fees for the County's inspector), survey costs, or such other costs associated with the funding. These costs will include the County's expenses, (if any) that may be incurred after the closing. Expenses provided under this paragraph and incurred after the closing but not escrowed at the time of closing shall be the responsibility of the applicant.
6. **Conflicts.** Conflicts between the Legal Documents and any other documents executed in connection with the project will be resolved in favor of the Legal Documents. Applicants should note that the County will not be a party to

“operating agreements” and other agreements between the applicant and its investor(s). Applicants should note that NO agreements can be made between the applicant and its investors and lenders regarding distributions, except as regarding the share of additional funding that may be distributed to the project owner in accordance with the Legal Documents.

7. **Representations and Warranties.** Applicants should note that the Legal Documents contain representations and warranties that are ongoing. See, for example, the Loan Agreement. Accordingly, it is possible (for example, because of subsequent non-compliance or other circumstances that prevent the applicant from making the required representations and warranties) that an applicant may receive an Award Agreement (as hereinafter defined) but be ineligible to close.
- B. **Interest Rate.** The interest rate will be zero percent. Applicants may, however, request interest at the Applicable Federal Rate.
- C. **Loan Term.**
  1. 30-year maturity date. The loan balance, if any, is due and payable in full at this time.
  2. Loans will be due on sale, refinancing, or if accelerated pursuant to the terms of the Legal Documents.
  3. Progress payments on principal and interest are encouraged and early payoff is allowed without penalty.
- D. **Timing for Funding.** Applicants may request funding either:
  1. At completion of construction (see Loan Agreement in particular, Section 2, which discusses the conditions for disbursement); or
  2. During construction (see Loan Agreement (*pari passu*<sup>4</sup>)). Requests for *pari passu* funding are subject to the following requirements:
    - a. Proposed project is a cost reimbursement Project; disbursements during construction are limited to the reimbursement of actual eligible costs that have been incurred<sup>5</sup>.
    - b. *Pari passu* funding requires a construction lender or bridge lender, on whose inspection and oversight capabilities that the County, in its sole discretion, is willing to rely. In the event the County determines it requires independent inspection(s), the County shall select a qualified and independent inspector, and the fees and costs associated with the inspection shall be the responsibility of the applicant.
    - c. *Pari passu* funding is subject to the County reaching agreement with the other construction period funder(s) on a mutually acceptable intercreditor agreement.
    - d. The final disbursement will be at least 10% of the loan amount plus the portion of any construction contract retainage held for after final

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<sup>4</sup> *Pari passu* basically means “in equal proportion”. In concept, if funding were 50% of total funding, and if all funders agreed to fund based on percentage of completion, then the County would fund 50% of each draw.

<sup>5</sup> The County reserves the right to pay costs directly to suppliers or contractors.

inspection and a signed closeout agreement of construction completion; see the Loan Agreement for the conditions for final disbursement.

- E. **Required Payments.** Gap Financing Loans will be payable from sale/refinance proceeds and from a defined share of surplus funds if any.
- F. **Required Payments from Surplus Funds.** Surplus Funds is a balance sheet measurement that compares available funds with short term liabilities (“obligations”). As of a project’s fiscal year end date, if funds exceed obligations, surplus funds are positive, and a payment will be due on the Gap Financing Loan. Surplus Funds is defined in the Loan Agreement.

## 5. AWARD PROCESS

- A. **Questions Regarding This RFP.** Applicants and other stakeholders may submit questions by email to [jmoredo2@co.humboldt.ca.us](mailto:jmoredo2@co.humboldt.ca.us). The County will post answers to questions on the County’s web site if applicable. See Section 1.F for the County’s agreement to provide answers to initial questions. However, questions may be submitted at any time; answers will be posted to the County’s web site as questions are answered.
- B. **Process for Reviewing Applications.**
  - 1. **Communication with Contact Person.** The County will communicate only with the contact person listed in the Application. Information received from persons other than the contact person will be disregarded by the County.
  - 2. **Completeness.** The review process will begin with a review for completeness. Applications that are incomplete will be rejected without further review, and no opportunity to complete the application will be given. See Section 5.C below regarding rejected applications.
  - 3. **Potential Requests for Clarification.** The County may, but shall not be obligated to, follow-up with an applicant’s contact person during the application review process in a telephone conversation or in writing to obtain clarification on deficiencies should the County determine it to be advisable or necessary. Applicants should endeavor, however, to provide thorough and complete applications as they may not have an opportunity for subsequent communications either oral or written other than the response to the deficiency letter.
  - 4. **Deficiency Letter.** All applicants who submitted complete applications will receive a follow-up letter based on the County staff review of the applications, whether the applications include any deficiency.
    - a. The deficiency letter will include the staff score. If a deficiency affects the score, the deficiency letter will state how the score would be affected if the deficiency were cured, if the impact can be determined.
    - b. Deficiencies are aspects of a complete application that are inadequate to allow the County evaluation of the application. Examples of deficiencies include statements (for example, in a market study) that are not adequately supported, inconsistent or conflicting information, and explanations that are confusing or ambiguous.



- c. Applicants will have ten business days to respond to the deficiency letter. If all deficiencies are not remedied within the allowed period, the application will be rejected.
- 5. **Order of Award.**

The County is using a competitive award process. Complete applications without deficiencies (including applications that cure deficiencies within the allowed response period), and that are determined to comply with the requirements hereof, will be awarded in descending order of point score (subject to availability of Project funding, and subject to the requirements hereof such as, without limitation, pool size and developer limits).
- C. **Rejected Applications.** If an application is rejected by the County (for example, for failure to submit a complete application), or if the applicant fails to cure all deficiencies within the allowed period, a new application for the same site may NOT be re-submitted (either by the original applicant or by any successor applicant).
- D. **Award Agreement (“AA”).**
  - 1. **Form of AA.** The County will issue Award Agreements to the applicant(s) of awarded applications. Applicants should note that the AA will require commencement of construction within three months after issuance of the AA (a six-month extension is available for good cause<sup>6</sup>).
  - 2. **Funding Reservation.** Funding will be reserved for the awarded project for the time-period allowed in the AA for the applicant’s execution and return of the AA (ten business days.)
- E. **Recapture.** If the applicant does not execute and return the AA within the allowed time-period, if the applicant does not comply with the terms of the AA, or if the applicant relinquishes its AA after executing it, the County will reverse the funding reservation and may restore the funding to the Project.
- F. **Reservation Pursuant to Federal Regulations.** The County reserves the right to make and revise reservations in accordance with published federal regulations, rulings, guidelines, and notices. The County will not close a Gap Financing Loan until environmental clearance has been issued.
- G. **Funding Commitment.** The County will not commit funding to a project until all legal documents have been completed and approved by all parties to the satisfaction of the County.

## 6. APPLICATION PACKAGE

Materials that do not need to be signed may be submitted with electronic signature. Electronic spreadsheets must be submitted in “live” Microsoft Excel format with all formulas active.

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<sup>6</sup> The good-cause request must be in writing and must provide documentation of the reasons why the applicant believes that good cause exists to grant the requested extension of time.

- A. **LIHTC Electronic Application.** Whether or not the applicant plans to utilize LIHTCs or other funding from the State Allocating Agency, the County will require a LIHTC electronic application as part of the application package.
1. The Electronic Application must be submitted via email.
  2. Two hard copies of the Electronic Application are required, with original signatures of the applicant on all pages that require signatures.
- B. **Attachments, Appendices, Addenda, Exhibits and Certifications.**
1. Applicants must submit all relevant worksheets provided by the County.
  2. All required certifications and appendices must be included and must be signed.
  3. All required appraisals and market studies must state conclusions as of a date within 90 days prior to the date of application.
  4. Required certifications and appendices (for projects that will utilize LIHTC funding or other funding from the State Allocating Agency) must meet applicable State Allocating Agency requirements.
  5. Local support letter(s).
  6. All exhibits and addenda required by the Underwriting Criteria in Section 8.
  7. For projects in which less than 50% of the units are reserved for households below 50% AMI, an exhibit establishing that the 50% AMI units are comparable to the remaining units and are distributed throughout the project. In these projects, affordable units may not differ (for example, in size, number of bathrooms, or quality of finishes) from other units within the property having the same number of bedrooms. If no other units within the property have the same number of bedrooms, the exhibit must demonstrate to the County (in the County's sole discretion) that the proposed unit sizes, numbers of bathrooms, and finish quality for the affordable units are comparable to the remaining units, considering differences in number of bedrooms.
  8. If any real estate to be acquired is purchased or leased from an entity that has an Identity of Interest (as defined in the Loan Agreement) with the applicant, an appraisal supporting the proposed acquisition price.
  9. A statement regarding any regulatory agreements, use agreements or affordability agreements to which the project will be subject, other than the Regulatory Agreement, plus a true and correct copy of each such agreement.
  10. If the project involves rehabilitation of a building constructed prior to 1978, a copy of the lead-based paint risk assessment and a copy of the lead-based paint inspection report.
  11. A description of any proposed demolition activity together with a discussion of why the applicant believes that the proposed demolition is permissible under applicable requirements of the Project must accompany the application. Demolition is considered rehabilitation and may only be used for blighted property or historical restoration. The latter must abide by all State and Local Historical regulations and inspections.
  12. Any other exhibits and addenda required pursuant to this document.
- C. **Market Study.**

1. All applications must include a market study from an accredited governmental source in the State of California.
2. The market study must state conclusions as of a date within 90 days prior to the date of application.
3. The market study must include an estimate of comparable market rents (i.e., the rents that the proposed project could command in the absence of rent and income restrictions).
4. For projects with less than 50% of the units restricted for households at or below 50% AMI, the market study must be supplemented by a Rent Comparability Study, meeting the requirements of HUD's Section 8 Renewal Policy Guide Chapter 9. The rent comparability study may be, but is not required to be, prepared by the same analyst who prepared the market study.

## 7. COMPLIANCE REQUIREMENTS

Funding of the Project is through the United States Department of Housing and Urban Development, and the State of California. Applicants and their counsel should be familiar with the full range of compliance requirements and should review Section 3 of the template Loan Agreement. The following are some aspects of these compliance requirements.

- A. **Environmental Clearance.** Applicants selected for funding may be required to submit an Environmental Review Record (ERR) pursuant to 24 CFR Part 58. The County will review this record. A successfully completed ERR will then require a 30-day public comment period prior to Release of Funds. Prior to receipt of environmental clearance from the County, the applicant may not undertake, or commit any funds to, physical or choice-limiting actions, including property acquisition, demolition, tenant relocation, rehabilitation, conversion, repair, or construction. Violations of this provision may result in the denial of any funds under this Project. Applicants are encouraged to ensure that site control exists for a sufficient period to allow the environmental clearance process to be completed before the Project may occur.
- B. **Accessibility.** Projects will be subject to accessibility requirements under Section 504 of the Rehabilitation Act of 1973.
- C. **Davis-Bacon.** For properties of 8 units or more, construction will be subject to Davis-Bacon wage and record-keeping requirements.
- D. **Lead Based Paint.** HUD's lead-based paint regulations at 24 CFR Part 35 will apply. Applicants should be aware that neither compliance with the requirements of some funding sources or the EPA, nor compliance with the requirements of OSHA, is sufficient to meet HUD's Part 35 requirements. The HUD regulations require, among other things, which lead hazard evaluation and reduction activities be carried out for buildings originally constructed before 1978 and receiving assistance. Capitalized terms in this paragraph are as defined in 24 CFR Part 35.
  1. For any project that includes an existing building that was completed prior to January 1, 1978, the application must include a discussion that establishes whether each such building is Target Housing (as defined in Part 35).

2. For any proposed project that includes Target Housing:
  - a. Prior to commencement of construction, a Risk Assessment (to determine the existence of lead paint hazards, and to design a lead hazard control plan) must be completed by State-accredited inspection personnel. The Risk Assessment must be prepared in accordance with HUD's regulations at 24 CFR Part 35. The Risk Assessment must also identify any lead paint Hazards.
  - b. An inspection (to determine the location of any lead-based paint) is also required. The inspection must identify the components that contain lead paint in sufficient detail to permit construction personnel to formulate a hazard control plan.
  - c. During the rehab, any lead hazards, identified in the Risk Assessment, must be abated. State-licensed Abatement Contractors must perform this abatement work.
  - d. A lead hazard clearance report, based on Dust Testing by a State-accredited Risk Assessor or inspector, is required after completion of construction. Dust Testing must be carried out, and evaluated, in accordance with HUD's regulations at 24 CFR Part 35.
  - e. The application must include a line item for the costs of lead hazard abatement and control, with an explanation that adequately supports the estimated cost, based on the risk assessment and inspection.
  - f. A copy of the Risk Assessment and inspection must be included in the application.
  - g. Applicants must determine whether compliance with the requirements of the County will be sufficient to satisfy any applicable lead-based paint requirements of the State and/or OSHA.

E. **Section 3.** HUD's Section 3 requirements apply. In general, Section 3 requires outreach, prior to awarding contracts and subcontracts to construct a project under the Project. Applicants must conduct outreach to low-income individuals living in the area where the project is located and to certain businesses located in the area in which the project is located. The intent of Section 3 requirements is to encourage employment of such individuals and businesses in connection with the construction of the project. These requirements apply to any construction/rehab contract or subcontract more than \$100,000. For additional information concerning Section 3, see <http://www.hud.gov/offices/fheo/section3/section3.cfm>.

F. **Tenant Protections.** See Attachment D Summary of Tenant Protections, Uniform Relocation Act, and 104(d) Requirements in, which discusses the range of tenant protections required. Following are summaries of the most significant requirements:

1. **Uniform Relocation Act ("URA").**
  - a. The URA requires protection for each in-place tenant with a bona fide lease. The tenant must be given at least 90 days' advance notice to move, or until the lease expires, whichever is longer.
  - b. Each tenant with a bona fide lease will receive relocation expenses equal to two month's rent as well as the immediate release of any damage

deposit(s) held by previous or new landlord(s), regardless of the condition of the leased property.

- c. Because acquisition is presumed to be voluntary for most acquisitions, the buyer must send a “Notice to Seller” (see Attachment D for links to template notice forms). There are two versions of the form: one for buyers that have the power of eminent domain, and one for all other buyers.

2. **Section 104(d).**

- a. The one for one replacement provisions of Section 104(d) of the Housing and Community Project Act of 1974 as amended are not applicable.
- b. The remaining requirements of Section 104(d) are applicable.
- c. See compensation requirements above.

3. **Additional Requirement.** If a project site is occupied at the time the application is made, the application must include an explanation that either no relocation of tenants will result, or that such relocation will be temporary (supported by an adequately documented estimate of relocation costs).

- G. **Prohibition against eminent domain.** An applicant may not undertake any involuntary acquisition of property in connection with an eligible project unless the County has given its advance written consent.

## 8. **UNDERWRITING CRITERIA FOR SIZING THE REQUEST**

The County will employ the following criteria when evaluating applications and requires applicants to use the following criteria.

A. **In General.**

1. Whether or not projects include LIHTCs, the County generally adopts the underwriting criteria used by the federal and state funding sources.
2. To the extent the criteria below differ, the County understands that any application that the applicant may make will comply with all funding criteria and therefore may differ from the application. The application must meet the requirements of these Application Guidelines.

B. **Rents.**

1. **Rents for 50% AMI Units.** Not less than 95% and not more than 100% of the maximum 50% AMI rent, but not to exceed 95% of the comparable market rent identified in the market study.
2. **Rents for 80% AMI Units.** Not less than 95% and not more than 100% of the maximum 80% AMI rent, but not to exceed 95% of the comparable market rent identified in the market study.
3. **Rents for 120% AMI Units.** Not less than 95% and not more than 100% of the maximum 120% AMI rent, but not to exceed 95% of the comparable market rent identified in the market study.
4. **Rents for Market Rent Units.** Not to exceed 100% of the comparable market rent identified in the market study.

- C. **Rent Loss.**
1. 5.0% of gross potential rents (for vacancy loss, bad debt loss, and concession loss).
  2. If the project involves acquisition of an existing project that has experienced rent loss in excess of 5.0%, the application must include an exhibit discussing how the proposed project will overcome the factors that led to the higher historical rent loss.
  3. Projects that are expected to incur rent loss in excess of 7.0% are NOT eligible to be funded.
- D. **Operating Expenses.** Below are the 25<sup>th</sup> and 75<sup>th</sup> percentile operating expenses per unit per year, from the State of California. If any category of proposed operating expenses is less than the 25<sup>th</sup> percentile shown below, or more than the 75<sup>th</sup> percentile shown below, the application must include an exhibit providing adequate support for the amount proposed for that expense category.

The average for Humboldt County in 2022-23 is \$4,900.00 per unit annually.

Annual Operating Expense Category	25 <sup>th</sup> Percentile	75 <sup>th</sup> Percentile	CA Average	National Average
Real estate taxes 32%	\$1,196	\$3,623	\$3,561	\$3560
Property insurance 4%	\$129	\$590	\$1,500	\$445
Project Paid Utilities 6%	\$134	\$406	\$668	\$270
Management Fee 9%	\$220	\$665	\$1000	\$442
*Other Expenses 49%	\$1,312	\$3,973	\$5450	\$2,643

\*Other Includes Staff, Marketing, Maintenance, Accounting, Legal, and Common Areas

- E. **Replacement Reserve Deposit.** N/A
- F. **Inflation.** An application must reflect the following inflation rates: 2% annually for revenue and 3% annually for expenses.
- G. **First Mortgage Terms.**
1. **In General.** The application must include a commitment from a lender, if applicable, containing the same business terms as those the applicant included in its electronic application.
  2. **Debt Service Coverage Ratio (on 1<sup>st</sup> Mortgage).**
    - a. The debt service coverage ratio on the Pro Forma Calculation page of the electronic application must be not less than 1.15:1 and not more than 1.40:1.
    - b. If an applicant determines that an initial debt service coverage ratio above 1.40:1 is necessary, the application must include an exhibit that supports the need for the higher initial debt service coverage ratio ("DSCR") (for example, a long-term funds flow projection showing that the higher initial

DSCR is needed to maintain an acceptable minimum DSCR over the 30-year compliance period).

3. **First Mortgage Amount.** The actual amount of the first mortgage loan may not exceed the amount specified in the application.

H. **Operating Expense Cushion.**

1. **Gap Financing Loan is in First Lien Position.** The operating expense cushion must be at least 10%.
2. **Gap Financing Loan is in Second Lien Position.** There are two requirements:
  - a. The operating expense cushion must be at least 7%.
  - b. The sum of Funds Flow Available, plus First Mortgage Debt Service must be at least 10% of Total Operating Expenses.

I. **Developer Fee Allowance.**

1. The proposed developer fee in the Application is limited to 15% of the following amount: total uses of funds, minus developer fee, minus acquisition costs. This amount includes interest, if any, on any deferred portion of the developer fee.
2. In accordance with the Funding Agency policy, certain proposed soft costs (such as consultant fees and contingency fees) will be treated as part of the proposed developer fee.
3. The actual developer fee is limited to the proposed developer fee specified in the Application, even if actual development costs are higher than estimated development costs.
4. If the proposed project utilizes LIHTCs and more than 20% of the proposed developer fee is proposed to be deferred, the application must include an exhibit demonstrating whether the proposed deferred portion is reasonably likely to be repaid during the first 15 years of project operations post-construction-completion, from the portion of Surplus Funds that is distributable to the owner (i.e., after deducting the payment toward the Gap Financing Loan).
5. If the *pari passu* funding option is selected for a Gap Financing Loan, no more than 17.5% of the funds portion of the developer fee may be drawn (from any funding source) at initial closing and no more than 35% (cumulative) may be drawn (from any funding source) prior to completion of construction.

J. **Initial Reserves.** If an award is issued, the award will require the funding of any initial reserves that are specified in the Application.

1. The Application may include an initial deposit to the Reserve for Replacements.
2. The Application may include other initial reserves (such as a debt service reserve, lease-up reserve, or operating deficit reserve). If any such additional reserves are proposed:
  - a. During the term of the Gap Financing Loan, funds may be withdrawn only for (i) project operating expenses approved by the County and (ii) to repay the Gap Financing Loan.
  - b. Withdrawals may be replenished only from the portion of Surplus Funds that is distributed to the project owner.

- c. Funds in any such reserve may be used to satisfy obligations under the County Operating deficit guaranty.
3. Applicants should note that some initial reserves are deducted for purposes of determining compliance with leverage requirements. See Section 2.D.
4. When the County performs its post-construction inspection and analysis, any initial reserves more than amounts specified in the Application will not be considered eligible project costs (i.e., such excess reserves must be funded through deferral of developer fee, or by increases in non- sources of funds).

## 9. SELECTION CRITERIA

- A. **Categories; Maximum Point Score.** The maximum point score is 100:
1. Affordability Per Unit 50 points maximum. See Section C below.
  2. Financial Leverage 10 points maximum. See Section D below.
  3. Development Experience 10 points maximum.
  4. Development Program 10 points maximum.
  5. Community Benefit 20 points maximum.

## 10. BOND AND LIHTC RELATED REQUIREMENTS

For applicants planning to utilize tax-exempt bond financing, the County provides the following based on its understanding of bond-related requirements that may be applicable and that applicants should take into consideration:

- A. **Fees.** Applicants should determine any fees that the issuing agency may charge. No application fees or analysis fees are payable to the County in connection with this Project.
- B. **Construction Timing Considerations.** Applicants are reminded that the Project's environmental review requirements prohibit applicants from taking any 'choice limiting actions' such as purchasing land or commencing construction, without receiving environmental approval from the County. Applicants are reminded that the issuer and/or the IRS may have additional requirements (such as the IRS limitations on 'original expenditures') that may affect the applicant's timing for commencing construction.
- C. **Type of Project.** IRS regulations for tax-exempt bonds differ from normal LIHTC requirements and may affect scattered site, transitional and student housing projects.
- D. **Public Notice Requirement.** Applicants are reminded that bond financing includes a public notice requirement.

## 11. ELIGIBLE RENTAL PROJECT – DEVELOPER'S ROLE DEVELOPER'S ROLE

Upon approval and execution of an Agreement with the County, the selected Applicant shall be responsible for all on-site and off-site costs and expenses associated with the development, site security and maintenance, construction, ownership, management, and operation of the proposed project, including but not limited to, planning, design, environmental clearance, entitlement, permit fees, utility charges, operation, and management expenses, as more specifically set forth in the Agreement and in accordance with the following requirements:



- A. The Applicant shall be responsible for obtaining any and all approvals such as land use entitlement, zoning and/or subdivision approvals, and all necessary building, grading, and construction permits required for the proposed project.
- B. The Applicant shall agree to follow Chapter 11a and 11b of the California Building Code.
- C. The County shall serve as the lead agency under the California Environmental Quality Act (CEQA). The Applicant shall be responsible for assisting with CEQA compliance, including exploring the applicability of streamlining and exemption provisions, and the preparation of any necessary environmental documents. The cost of all required environmental review and compliance shall be the responsibility of the selected Applicant (Note: If selected Applicant seeks any federal subsidy or funding, they shall also be responsible for facilitating compliance with the National Environmental Policy Act, NEPA).
- D. The selected Applicant shall be responsible for payment of the applicable County development mitigation fees and off-site facilities fees (the selected Applicant should pursue fee waivers and other streamlining opportunities where appropriate).
- E. The Applicant shall be responsible for efforts towards meeting expectations as outlined in this RFP.
- F. The Applicant shall submit evidence of market demand for the type of units being proposed, investigate the need for on-site and off-site improvements including infrastructure to service the proposed project, and further describe the feasibility of breaking ground and completing construction in an efficient and expedited manner.
- G. The Applicant shall be responsible for the security and maintenance of the proposed project.
- H. The Applicant shall be responsible for ensuring that there are no inconsistencies between their response to this RFP and any existing and applicable affordable housing programs that the selected Applicant is planning to utilize for additional funding.
- I. The selected Applicant must employ a variety of outreach methods to ensure all segments of the community are included in all stages of the development process, including on an ongoing basis. Applicants are encouraged to reach out and involve various local community organizations to gain support for the proposed affordable housing project and respond to community/neighborhood concerns where appropriate throughout the project construction and property management. Applicants also must conduct affirmative marketing to households least likely to apply.
- J. The Applicant shall adopt a written non-discrimination policy requiring that no person shall, on the grounds of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, age, medical condition, genetic information, citizenship, primary language, immigration status (except where explicitly prohibited by federal law), arbitrary characteristics, and all other classes of individuals protected from discrimination under federal or state fair housing laws, individuals perceived to be a member of any of the preceding classes, or any individual or person associated with any of the preceding classes be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with program funds made available pursuant to this subchapter.
- K. The Applicant shall comply with the requirements contained in the Americans with Disabilities Act, the Fair Housing Amendments Act, the California Fair Employment and Housing Act, the Unruh Act, Government Code Section 11135, Section 504 of the Rehabilitation Act, and regulations promulgated pursuant to those statutes, including 24 C.F.R. Part 100, 24 C.F.R. Part 8, and 28 C.F.R. Part 35, in all of the Applicant's activities.

## TRANSACTIONAL TERMS

### ***Predevelopment process***

The predevelopment process includes:

- Developing project management tools or trackers to share with the County (with special attention to goal of breaking ground within two years of entering the lease and regulatory agreement and completing units within three years);
- Delivering a community engagement plan to engage local stakeholders, city staff, neighborhood representatives, social service providers, etc. to gauge support, build relationships, and leverage existing resources;
- Refining architectural plans for entitlement submittal;
- Obtaining land use entitlements and environmental clearances;
- Securing utility infrastructure service and building permits;
- Developing a finance plan and applying for financing;
- Finalizing development team, including general contractor.

### ***Affordable Housing Restrictions***

Project proposals must include a minimum of 50 percent restricted affordable housing units, consistent with Government Code section 14671.2.

Project proposals that show a commitment to 100 percent affordable units, significantly deeper targeting, and/or special needs components with units affordable to very low- and/or extremely low-income households are encouraged. When considering affordability levels, Applicants should focus on meeting the goals of affordability and feasibility and meeting local housing needs. Per Health and Safety Code section 15 EO N-06-19 RFP No. 4-20 50093, income levels are defined using the income limits published annually by HCD for very low-, low-, and moderate-income households. NOTE: Federal Funding requires the payment of state prevailing wage on any construction project.

## RFP SUBMITTAL REQUIREMENTS

The submitted proposals must meet all requirements outlined in this RFP and only those that meet all requirements will be scored. The County reserves the right to make its selection based on its sole and absolute discretion. In addition, the County reserves the right to reject any or all proposals at any time for any reason.

### ***Proposal Guidelines and Format***

The following guidelines are provided for standardizing the preparation and submission of proposals. The intent is to assist Applicants in the preparation of their submissions and to assist the County by simplifying the review process and providing standards for comparison of submissions. Statements submitted in response to this RFP shall include a complete response to the requirements in this section in the order presented below. Statements should be a straightforward delineation of the Applicant's capability to satisfy the principles, parameters, and requirements of this RFP and should not contain redundancies and conflicting statements.

Applicants shall submit an electronic copy of their proposal via email to PLBL\_Grants@co.humboldt.ca.us, or mail/deliver a hard copy to Humboldt County Planning & Building, Attn Housing Project Coordinator, 3015 H Street Eureka, CA 95501.

Proposals shall contain the following information in the order listed:

***Cover Letter***

The cover letter shall include information about the Applicant, name, and contact information of the person designated to act as the primary contact. The cover letter must include a statement of acceptance of all the requirements and conditions in this RFP, and that the signer has full authority to bind the Applicant.

***Development Entity***

The Applicant shall address the following elements regarding their capacity to develop the State Property as proposed. In addition to the requirements set forth in the Evaluation Criteria, provide concise and specific responses.

***Organization***

- Identify and describe the principals, including any joint ventures or limited partners, and entity type (corporation, partnership, LLC, etc.) that would enter into the lease, regulatory agreement, and other agreements with the State.
- Include descriptions of other firms relevant to the Project's development, construction and management including but not limited to the management company, service providers if applicable, architect, engineers, contractors, and experience working together and on similar projects.
- Identify key development team members, including the architect and engineer, their resumes, and their roles and responsibilities for the Project.
- Identify the principal in charge, project manager, and legal counsel.
- Identify key team members and provide an organizational chart showing roles, responsibilities, resumes, and availability to implement the project as proposed.
- Identify any and all litigation that has settled or is ongoing, for the previous five (5) years facing the Applicant, its principals, and partners. Identify any and all investigations by the State or federal agencies that have settled or are ongoing, for the previous five (5) years facing the Applicant, its principals, and partners. This also includes identifying if Applicant has had any mortgage foreclosure proceedings, loan Applicant, if Applicant has declared bankruptcy, if the Applicant or any member of the proposal has been convicted of fraud, larceny, forgery, money laundering, or tax evasion.

***Examples of Relevant Projects***

Provide details of at least three (3) completed comparable projects by the principals of the development team and their roles. Comparable projects are defined as new construction affordable and/or mixed income developments comparable in size and scope to this Project. This information should include project description, location, date completed, density, population served, number of units, structure of public/private partnerships, financing, service providers, any special circumstances (i.e., phased development, specific plan, public amenities, etc.), and management issues. It should be

noted that these are the minimum requirements, but proposals will be scored according to Section 7320(b)(3)(D) of the Multifamily Housing Program guidelines:

Please provide references for each comparable project, including contact name, title, organization name and address, and current telephone number and email addresses. Please include the following:

- Details about participation in public-private joint development partnerships
- Details on previous or pending development projects in the area
- Include developer qualifications that are adherent to the Low-Income Housing Tax Credit program or other County or federal funding programs

### **Financial Capability**

The County wants assurances that the proposed entity has the financial capability to complete the proposed transaction. Applicants shall provide the last three years of audited financial statements, including a recent balance sheet and income statement of the proposed entity.

All documents submitted in response to this RFP will become the property of the County and are subject to review or release to the public under the California Public Records Act, Government Code section 6250 et seq., unless the County in its sole and absolute discretion determines there is a legal basis for exemption. Any document submitted which has been marked “confidential” or “Proprietary” will not be accepted.

### **Project Capacity**

The County wants assurances that the proposed entity has the capacity to complete the proposed transaction. Applicants shall address their current capacity and why they can take on this project, including detail on specific staff assignments and workload.

### **Proposed Development**

In addition to the requirements set forth in the Evaluation Criteria, the proposal should include a detailed and cohesive description describing the proposed Project, including at a minimum and as appropriate the development concept for the site, proposed building square footage, building height, number of stories, number of units, size of units, total parking spaces, proposed rents, resident incomes, resident amenities, and any other mixed uses or features that meet the development principles and statutory authority.

### **Project Design**

The proposal shall provide a site plan, building elevations, and rendering of the proposed development that are specific to the Site. The site plan should illustrate the proposed development concept for the Site, including proposed building(s) footprint, proposed open spaces and landscape design concept(s), parking, and vehicular and pedestrian access that are specific to the Site.

- A ground floor plan should show proposed ground floor usage (e.g., common areas, management office space, apartment units, etc.). Additionally, a roof plan should illustrate any rooftop amenities, or illustrate pertinent features or anticipated screening of equipment.
- Applicants must at least submit the front elevation (e.g., street view) of the property. Other views are welcome but not required.

### **Project Schedule**

Applicants shall provide a detailed project development schedule through completion that contains time and performance benchmarks and include all predevelopment activities and any plans for phased development. The proposal shall provide a narrative and graphical schedule of all phases of development including, but not limited to, securing of financing, formulation of development concepts, community outreach, environmental review, entitlements, design, environmental reviews, planning reviews, construction, modular processes, marketing, and resident selection(s).

**Additional Benefits**

Include a description of any additional potential benefits offered by the proposal. Examples of additional benefits can include amount of open space, sustainability, amenities, on-site services, etc.

**Financing Plan and Development Pro Forma**

The Applicant shall include a detailed development pro forma that estimates the total development costs. The development pro forma shall include a detailed sources and uses of funds statement covering all project costs from design and construction through stabilized operations, including all hard and soft costs, and shall provide evidence (e.g., letters of support) of sufficient funding sources to meet project development requirements, including construction and permanent financing, and Developer's equity requirements.

The development pro forma should identify important underlying assumptions that govern the cash flows, including, but not necessarily limited to gross income, the amounts and frequency of loan repayments (all sources), annual rent increases, occupancy levels, operating costs as a percent of revenue, timing, amounts of replacement costs and the Project's anticipated cash flows over a period of 30 years from project initiation. The Applicant must confirm the cost estimates in the development pro forma include payment of California prevailing wages. The development pro forma must include a calculation of the return on investment to the Developer and include interest rate assumptions for all sources of debt and equity. lower-income tenant households under section 104(d)