



CITY OF SAN ANTONIO

P.O. Box 839966
San Antonio, Texas 78283-3966

ADDENDUM I

SUBJECT: Request for Proposals for Multi Family Rental Funding, (RFP 13-043, 6100002790), Scheduled to Open: May 3, 2013; Date of Issue: April 5, 2013

FROM: Denise D. Gallegos, C.P.M., CPPB
Procurement Administrator

DATE: April 25, 2013

THIS NOTICE SHALL SERVE AS ADDENDUM NO. I - TO THE ABOVE REFERENCED REQUEST FOR PROPOSALS

THE ABOVE MENTIONED REQUEST FOR PROPOSALS IS HEREBY AMENDED AS FOLLOWS:

1. The submission deadline has been changed from: May 3, 2013, 2:00 p.m., local time to; **May 13, 2013, 2:00 p.m., local time.**
2. Add: RFP Attachments in Word version, this document will be posted as a separate file.
3. Change: Section 004 - Scope of Services, Responsible Costs to read as the following:

“The Respondent will be responsible for all costs related to closing the loan, whether or not closing occurs, including all title costs, recording costs, legal fees, abstract fees, appraisal costs, environmental and historic property review, and site and progress inspection fees, survey costs, or such other costs associated with the funding. Expenses provided under this paragraph and incurred subsequent to the closing but not escrowed at the time of closing shall be the responsibility of the Respondent.”
4. Change: Section 004 - Scope of Services, Loan Documents, Loan Term to read as the following:

“Loan Term

 1. Up to a 35 year maturity or in the event of HUD FHA financed projects, up to a 40 year maturity.
 2. Loans will be due on sale, refinancing, or if accelerated pursuant to the terms of the HOME legal documents.”

QUESTIONS SUBMITTED IN ACCORDANCE WITH SECTION 007, PRE-SUBMITTAL CONFERENCE:

On April 17, 2013, the City of San Antonio hosted a Pre-Submittal Conference to provide information and clarification for the Multi Family Rental Funding Request for Proposals. Below is a list of questions that were asked at the pre-submittal conference. The City's official response to questions asked is as follows:

- Question 1: Is this project a re-program?
Response: Yes, these funds are considered reprogrammed HOME Funds from multiple canceled and completed HOME activities.
- Question 2: Will the previous contractor be able to reapply for this particular program? Do they have the opportunity to receive an award from this project?
Response: There are no restrictions prohibiting an agency or organization to apply for funding.
- Question 3: What is the amount of funds available?
Response: On April 4th Council reprogrammed \$1.475M in HOME funds for multi-family development.
- Question 4: Will this be a multi-award or have a single award made?
Response: The City may recommend one or multiple awards. However, the City also reserves the right to reject all proposals.

- Question 5: Should a Respondent have several properties to submit a response to, should it be submitted as several separate proposals or one proposal with several proposed options?
- Response: Each proposal should be site specific. If a Respondent has a single project on multiple infill sites and the project fully meets the requirements of the HOME "project rule" (under common ownership, financing and management), the project can be submitted as one proposal. However, if a Respondent has multiple projects on separate sites, each project should be submitted separately.
- Question 6: Regarding the re-program money, what is the deadline of funds?
- Response: The City is looking to commit funds via a legally binding agreement by August 31st.
- Question 7: Should there be a project already in application, can they be already in process and submit as part of this project?
- Response: If the question refers to a project already having applied for a Low Income Housing Tax Credit (9%) or a 4% Bond Financing deal, Respondents may submit proposals for funding. Please keep in mind the timing of the LIHTC award. The City will require a legally binding commitment by August 31st. The City will also require completion and HUD approval of a NEPA Environmental Assessment. City will not commit funds if a "choice limiting action", such as acquisition, demolition, etc. has occurred.
- Question 8: Regarding GAP financing, is this meant for the 2014 tax credit?
- Response: Respondents should consider the timing of the LIHTC award. The City must commit funds by August 31st. Each respondent (tax credit or no tax credit) should demonstrate and clearly identify the need for the HOME funds as (or part of) the financing GAP necessary to complete the project.
- Question 9: We believe October 31st funds to be committed, but RFP states a deadline of August 31st, please explain.
- Response: If funds are not committed through a legally binding contract and reported in HUD's IDIS system by October 31, 2013, the City risks losing all or a portion of the funding through a HUD recapture process. The City is seeking projects that can produce this commitment by August 31st.
- Question 10: In the section of Acquisitions and Readiness, should the option agreement be sufficient if the Respondent has site control or do they have to be property owned?
- Response: Ownership of the property is not required at the time of submission. However, the project should provide evidence of whatever site control the respondent has secured at the time of submission, whether ownership, an option to purchase, or any other instrument. The degree of readiness is vital to showing that the project can realistically precede within an acceptable timeframe.
- Question 11: With the developer funds secured, define conditional?
- Response: The Respondent should provide the City with documentation detailing the commitment level of each funding source, conditional or otherwise. A conditional commitment could be defined as a written promise that becomes effective on the fulfillment of specified conditions. Staff will examine and assess the degree of risk associated with the conditions or precedents to closing.
- Question 12: What are acceptable options, "LOI" acceptable?
- Response: The Respondent should provide evidence of the type of site control the respondent has secured by the date of proposal submittal. An LOI is acceptable as meeting the submittal threshold requirement. The City will consider the degree of site control in assessing and scoring project readiness.
- Question 13: Can attachments A & B of the RFP be provided as a Word document?
- Response: Yes, the attachments will be posted as a separate document to this addendum. Please reference to amended change #2 at the top of this addendum.
- Question 14: Income Targeting (p.3), No more than 50% project funding can be HOME funds & City is requiring a loan; How can the project support a note if 90% of the units are required to be occupied by households at or below 60% AMI?
- Response: The "90% at or below 60% of AMI" HOME program requirement applies only to the HOME assisted units, which is to say it does not apply to the non-Home units. Each Respondent is responsible for structuring their projects accordingly.
- Question 15: Award Acceptance (p. 3) – When will funding recommendations be presented to City Council? When can successful respondents expect the award letter?

- Response: The City already has authorization from City Council to enter into agreements for HOME projects. No further Council action is needed.
- Question 16: Gap Funding Use of HOME (p. 4) – Although Developer Fee is referenced in the RFP as an allowable use of HOME funds, it is a soft cost. Are we required to obtain prior written approval to include a developer fee in our development budget prior to submitting the proposal?
- Response: No prior written approval is necessary regarding proposing the developer fee; however, the City’s Housing Policy’s cap the developer fee at 15 % of total project cost. The City will also complete an underwriting process to determine if the developer fee is reasonable for the type of development.
- Question 17: Responsible Costs (p. 4) – How much do you anticipate the closing costs associated with the HOME loan to be? Can we include these costs (especially the City’s Counsel and inspectors) in the development budget and designate them as uses for HOME funds? If yes, are these soft costs that require prior approval from the City prior to submitting our proposal?
- Response: Closing costs will vary vastly by project. Each Respondent should estimate closing costs within their development budgets and should be reasonable to the project. Since the pricing for legal and construction inspection fees will not be established during the RFP period. The City has amended this at the top of this addendum to waive the collection of these fees in conjunction with the transactions associated with this RFP. However, we do expect to charge these fees in future solicitations based on an established price schedule. Please refer to amended item #3 of this addendum located at up above.
- Question 18: Timing for funding (p. 4) – Bullet point B indicates that HOME funding requires a construction or bridge lender; do you actually require non-HOME funds to be in the form of a loan? If a loan is not needed will you grant a waiver of the requirement for a construction/bridge loan?
- Response: Bullet point 2(b) refers to the City providing HOME funds for reimbursement during construction on an equal footing with other project funding sources. It will require a bridge or construction loan, since the City will not be paying funds directly to a contractor. Typically, a bridge loan is secured for all payments to the contractor. HOME funds would be used to issue payment to pay off the bridge loan. There is no waiver for this requirement.
- Question 19: Underwriting/Pro forma (p. 5) – Proposal must include an exhibit providing support for the amounts proposed. What form of support/documentation is acceptable?
- Response: This is in relation to the operating expenses. Respondent must adequately represent operating expenses by providing the information or assumptions underlying the expense forecast. This is vital to assessing and established the validity of the pro forma.
- Question 20: Replacement Reserve (p. 5) – Please expound upon the 20-year replacement reserve and utilization analysis required for respondents seeking higher replacement reserves? Are the stated reserve requirements only for the purposes of providing the requested pro forma? If we’re not requesting the HOME funds to fund the reserve are we restricted to these limits?
- Response: Replacement reserves are vital for ensuring that the property is able to be maintained for the long term. However, excess reserves will understate net operating income and overstate the gap in financing. The City has identified a specific reserve amount to find a balance between the development being able to sustain and appropriately identify the gap. This is true whether or not HOME funds are reimbursing for reserves or not. If the respondent seeks additional replacement reserves, it will have to justify this through a reserve utilization analysis.
- Question 21: First Mortgage (p. 5) – Application must include a commitment from a lender containing the same business terms as those Respondent included in its electronic application... Is HUD considered a lender? What electronic application?
- Response: HUD may be considered lenders if there are providing a direct first mortgage, however if there is a HUD subsidized loan, the lender is the financial institution providing the financing. Please disregard reference to electronic application.
- Question 22: First Mortgage, item #2 (p. 5) – Please further explain the meaning of this statement. How can we not exceed the amount we’re requesting?
- Response: This statement is to ensure that the first mortgage loan isn’t increased after the submission of the HOME proposal.
- Question 23: Operating Expense Cushion (p. 5) – What is meant by an operating expense cushion? What’s being requested?
- Response: An “operating expense cushion” is in some ways similar to an operating expense reserve (a reserve fund used to cover operating expenses when expenses exceed income), with one key exception. The operating expense cushion is

strictly an underwriting technique, whereas the operating expense reserve is typically a dedicated set-aside of funds and/or operating income with its utilization restricted to coverage of operating shortfalls.

- Question 24: Development Team Capacity, item #5 (p. 7) – What should we include if a general contractor has not yet been selected?
- Response: As an alternative to identifying a specific general contractor, the Respondent may include within their proposal a plan and criteria for selecting a general contractor. The GC selection plan should also include a timeline for contractor selection and make the appropriate cross references to the overall development timeline. Additionally, the proposal needs to address the means and methods for estimating construction costs, in the absence of an already selected general contractor.
- Question 25: Subsidy Layering (p. 7) – The City will not close a Gap Financing Loan until environmental review clearance has been issued. Are you referring to the environmental clearances from HUD (authority to use grant funds) or the City’s ER process? Considering all that’s involved in the process, will this conflict with your requirement of executing the contract within 3 months of receiving the award letter?
- Response: The completion of the NEPA environmental assessment must be prepared and submitted to the City for approval and have received the Authority to Use Grant funds prior to the closing the loan. The City has the ability to utilize an on-call NEPA consultant to assist the respondent in completing the required tasks in a timely manner which may be charged to the development and reimbursed with HOME funds awarded to the development.
- Question 26: Commitment of Funds (p. 7) – What should we do if the commitment is dated outside of the timeframe listed in the RFP?
- Response: The Respondents must be able to provide an updated commitment for each the source(s) of funds.
- Question 27: Section 3 Program Requirements (p. 8) – The section on Development Team Capacity is written as if a contractor has already been selected, but this section requires outreach prior to awarding the contract, to section 3 persons and businesses. How do we meet your requirements if a contractor has already been selected?
- Response: A Section 3 Utilization Plan must be completed and submitted with each proposal. If the Respondent has already selected a General Contractor, the respondent should identify sub-contracting opportunities and new hire opportunities along with appropriate outreach efforts.
- Question 28: Loan Documents/Guaranties (p. 10) – Are the Operating Deficit Guaranty and the Guaranty of Completion documents created by the City’s Legal Counsel?
- Response: Yes, the City will create those legal documents.
- Question 29: Loan Documents/Loan Terms (p. 10) – Earlier in the RFP you’ve requested us to provide the Terms of the loan and in this section you state that the interest is zero (unless we want to request a higher rate) and that it will be a 35-year maturity date.
- Response: The City has amended this at the top of this addendum to revise the Loan Term by stating “up to a 35 year maturity, or in the event of HUD FHA financed projects, up to a 40 year maturity”. Please refer to amended item #4 of this addendum located at up above.
- Question 30: Loan Documents/Loan Terms (p. 10) – Will the City consider deferred forgivable loans?
- Response: No.
- Question 31: If there is a topic or issue not covered in the Housing Policy Guide, how does it make its way to the RFP?
- Response: The HOME regulations under 92.214 states that a Grantee shall not provide assistance to a project previously assisted with HOME funds during the affordability period as cited in the written agreement. The Housing Policy was restating this regulatory requirement.
- Question 32: The housing policy guide indicates that conditions of a loan for multifamily rehabilitation include a stipulation that No further assistance is provided during the affordability period or term of the loan. Does this apply to projects that may have received CDBG or HOME funding prior to this condition being included in the policy guide?
- Response: The HOME regulations under 92.214 states that a Grantee shall not provide assistance to a project previously assisted with HOME funds during the affordability period as cited in the written agreement. The Housing Policy was restating this regulatory requirement.

QUESTIONS SUBMITTED IN ACCORDANCE WITH SECTION 011, RESTRICTIONS OF COMMUNICATION:

- Question 33: Proof of concept was accepted by HUD and AAMHA received an invitation to submit a FINAL Application to HUD for 221 financing, is this sufficient enough for proof as commitment of funds?
Response: No, for 221(d)(4) projects, the City would accept a conditional or firm commitment letter.
- Question 34: Do all loan documents for GAP financing have to be in place for the RFP submittal? If so, how can this occur if the RFP has yet to be finalized and it is unknown how much will be awarded by the City of San Antonio?
Response: No, firm commitments must be in place to identify the GAP.
- Question 35: What is the license number requirement for the General Contractor? Does the City of San Antonio have a city general contractor license requirement? The State of Texas does not require General Contractors to be licensed. If the city has a license requirement, but the applicant has selected a general contractor that has not registered with the city at this time, what should the applicant provide for their response? The applicant understands that if the application is selected the general contractor will file the appropriate paperwork to become licensed with the city of San Antonio prior to loan commitment and commencement of construction.
Response: The Respondent should provide the Federal Tax ID Number in lieu of a General Contractor license number. Additionally, if the general contractor expects to undertake any of the specialty trades (electrical, plumbing, HVAC, fire sprinkler, wells and pumps) requiring a license, the proposal should provide the license number for each specialty trade.
- Question 36: Is an appraisal required to be submitted with the RFP? If the appraisal report has not been completed can it be provided before the HOME loan commitment? Attachment A, Part Three states to submit the Appraisal, if available which makes me assume that it's not required at this time, but prior to loan commitment. Please confirm.
Response: The appraisal should be submitted with the proposal, if available. If not available, a commitment issued by the City will be conditioned on the receipt of an appraisal and the City's acceptance of the appraisal report shall be a precedent to closing.
- Question 37: Will the City accept submissions for 2013 9% Housing Tax Credit Applications that can provide a LIHTC reservation prior to the HOME commitment date of August 30, 2013? Reservations for 2013 housing tax credit applications will be made by TDHCA on July 31, 2013 with LIHTC reservations being mailed to applicants by mid-August. Applicants must provide their commitment of HOME funds by September 1st in order to qualify for TDHCA funding. We have a 9% housing tax credit application currently being reviewed by TDHCA that seems to be in the funding range for this year's cycle, but without a HOME loan commitment the city could be in jeopardy of losing out on a \$18.9 million dollar investment into the community. The city would also lose out on being able to leverage their funds to provide 140 affordable housing units to the city of San Antonio residents. We ask that the city reassess their readiness to proceed to accept applications from 2013 housing tax credit applications that can provide a reservation prior to August 30, 2013.
Response: Yes, the City will accept proposals for 9% Housing Tax Credits. The City will be evaluating proposals and making its selections based on the best and most ready to precede projects.
- Question 38: Will the City accept a loan term of 40 years? Our funding for our apartment development includes HUD 221(d)(4) FHA financing which has a 40-year loan term. HUD has a regulation that any secondary debt have the same term length as the HUD 221(d)(4) FHA loan. The applicant could work with the city during the loan negotiation process to ensure that the city receives some form of consideration such as, a loan with interest (i.e. 0.25% interest loan) to compensate the city for the longer term. The applicant is more than happy to work with the local HUD field office and city staff to ensure all federal, state, and local requirements are satisfied.
Response: The City has amended this at the top of this addendum to allow 40 year maturity for HUD FHA financing, as required. Please refer to amended item #4 of this addendum located at up above.
- Question 39: For the Proof of Insurability, it states that the Respondent must submit a copy of the current insurance certificate. What if this is not available at this time? The way the apartment development is structured is that each development is a stand-alone entity. These entities are limited partnerships that are created once funding has been secured and the closing of the construction and equity financing has been completed. Insurance coverage for the development is bound at closing and prior to any construction commencement. Since the limited partnership has not been formed at this time (SOS name reservation has been completed), can the applicant just provide a letter from their insurance agent confirming that the types of coverage and levels specified in the RFP will be met if awarded the contract. The

developer has no concerns for meeting this requirement, but the timing is just a little bit off. The applicant understands that the insurance accords will be issued to the City of San Antonio naming them as an insured party.
Response: Insurance requirements only applies if the sponsor, owner, developer already owns the land. In all cases a certificate of insurance identifying the City as an additional insured is a precedent to closing.

Question 40: For Attachment A, Part 2, "Experience, Background, and Qualifications," what should we submit for information on the general contractor if a contractor has not yet been selected for the project?

Response: As an alternative to identifying a specific general contractor, the Respondent may include within their proposal a plan and criteria for selecting a general contractor. The GC selection plan should also include a timeline for contractor selection and make the appropriate cross references to the overall development timeline. Additionally, the proposal needs to address the means and methods for estimating construction costs, in the absence of an already selected general contractor.

Question 41: If the City is unable to provide Attachment A in Microsoft Word format, will you accept an application where we've re-created the form in Microsoft Word ourselves?

Response: The City will post the RFP attachments in a Word version, which will be posted as a separate document.

Question 42: On Attachment G, "Proposal Checklist," for "Proof of Insurability," it appears as if we're required to submit both a letter from our Insurance Provider *and* a copy of our Current Certificate of Insurance. Is this correct? And, if a letter from our insurance provider is required, what is that letter supposed to say? It isn't mentioned anywhere else in the RFP.

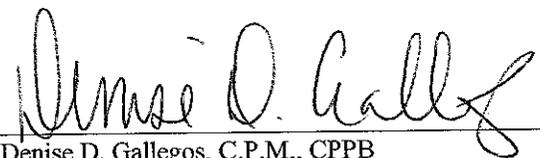
Response: Yes, both are required. Please refer to Section 008 – Proposal Requirements, Proof of Insurability on page 13 of the RFP.

Question 43: Can you explain how this works with 9% tax credit projects? Since awards are not made from TDHCA until August 2013 how are we able to apply? The cover sheet says we must have secured all other funding to apply, at least that is my understanding.

Response: The City will accept proposals for 9% Housing Tax Credits. However, the City will be evaluating proposals and making its selections based on the best and most ready to precede projects.

SBEDA Program:

Please contact Shuchi Nagpal at 210.207.0071 or shuchi.nagpal@sanantonio.gov and/or Catherine Olukotun at 210.207.8088 or catherine.olukotun@sanantonio.gov for any SBEDA/Certification related questions. Keep in mind, while there are no goals and requirements released in this RFP, the City's SBEDA program may apply after contractor recommendation by the originating department. Please refer to Exhibit 1, page 18, SBEDA compliance language in the RFP.



Denise D. Gallegos, C.P.M., CPPB
Procurement Administrator
Finance Department – Purchasing Division

Date _____

Company Name _____

Address _____

City/State/Zip Code _____

Signature