

**EXISTING NON-PROFIT OWNED RENTAL HOUSING CAPITAL REPAIRS NOFA**

**Supplemental Questions and Answers #1 to 56, plus attachment**

**May 12, 2016**

**1. Is there a page limit for the narratives? If so, for which sections and how long?**

No, there is no page limit for the narratives. We request that responses are detailed and not repetitive.

**2. If the current owner will not be managing the rehabilitation project, should we still submit the current owner's experience?**

This response assumes the question relates to the response to Tab 3. The owner should submit previous experience managing rehab projects, explaining when that was done in-house and when a third party was hired to serve as the project manager.

**3. Should we submit both the owner and organization that will be managing the project's organizational documents in Tab 2?**

In Tab 2, please submit only the owner's information.

**4. We presume a project can be funded by more than one of the funds; e.g., a project funded by the EN Mission funds could also receive funding from the tax exempt bond funds. Correct?**

Yes, that's correct.

**5. What is the meaning of the phrase "Within City and County of San Francisco to the greatest extent feasible for the Mission District" applied to the tax exempt bond funds? This seems to indicate that, for these funds, preference will be given for projects in the Mission.**

This is the language directly from the authorizing document. Location within the Mission will be considered, though is not an absolute requirement for these funds.

**6. Given that some of the work for which we are applying is urgent, can we get reimbursed for work that was eventually approved but had to be done earlier?**

No. However, you may request replenishment to your reserve account. Please see question #33 regarding reimbursement for soft costs.

**7. In terms of MOHCD's evaluation of readiness, is there a difference between having gotten pricing and having gotten bids?**

Yes, a formal bid would represent a scope that is further along than pricing estimated from a construction cost estimating book, or a conversation with a vendor.

**8. With regard to the 350 Bush funds, how will MOHCD judge between an urgent project close to 350 Bush and a most urgent project further away from 350 Bush? At what point does a 'most urgent' project trump proximity to 350 Bush and, if urgency is key, then is vicinity really being respected?**

The funds to be used within the vicinity of 350 Bush may only be spent in that location. The language regarding "the vicinity of 350 Bush" comes directly from the authorizing document, and therefore we cannot be more specific.

9. **Roofing**: While we typically look at replacing when it has less than 10 years life remaining, we would categorize most of the ones that are in bad shape as **Urgent** given that they are prone to failure, leaks, etc. that can cause further damage to the building.

That sounds like the appropriate classification. Note that while the sponsor's classifications of urgency are helpful, the City reserves the right to make final funding recommendations.

10. **Structural improvements**: Seismic retrofit and strengthening would be **Urgent**, with the exception of the soft-story buildings that have a mandatory upgrade. We categorize this as **Most Urgent**.

That sounds like the appropriate classification. Note that while the sponsor's classifications of urgency are helpful, the City reserves the right to make final funding recommendations.

11. **Mechanical/Electrical/Plumbing**: Request clarification that this would include equipment and systems that are at end of life, inefficient and no longer have parts/components readily available. We categorize this as **Urgent**.

That sounds like the appropriate classification. Note that while the sponsor's classifications of urgency are helpful, the City reserves the right to make final funding recommendations.

12. **Project Budget**: Please confirm that you've requested submitted project budgets be in a **Construction Specifications Institute 16 Division Format**.

Although not stated directly in the NOFA, yes, that is our preference. Note that while the sponsor's classifications of urgency are helpful, the City reserves the right to make final funding recommendations.

13. In the bidders' conference for the ENA NOFA, you'd described replenishing replacements reserves as an eligible use of funds, but one that would be considered lower priority than the "Most Urgent" needs. In the NOFA itself (pg 13, near the top), it states to assume \$1,000/unit as the amount to recapitalize reserves. Should all proposals include \$1,000/unit to recapitalize reserves? Or should sponsors choose whether and how much to fund reserves?

Proposals should include \$1,000 per unit to re-capitalize replacement reserves, UNLESS the sponsor determines that would be an overfunding of the reserves. Additionally, if the sponsor determines that more than \$1,000 per unit of additional capitalized reserves are required, those should be requested through this NOFA.

14. If we have an existing regulatory agreement, will MOH simply extend existing or will a new regulatory agreement be put on the property specific to the ENP funds?

MOHCD prefers to extend an existing regulatory agreement.

15. What is likelihood of existing 80% AMI regulatory restrictions being grandfathered? What are MOH's considerations in evaluating a request to keep unit restrictions at 80% AMI vs. lowering to 60% AMI?

When evaluating whether to further restrict units at 80% AMI to 60% AMI, MOHCD will consider the overall financial condition of the property as well as the neighborhood market conditions.

16. If we are applying for a project that was jointly developed between two groups, do you need Sponsor information for both or OK to just submit for lead organization completing app?

Please provide information regarding the current owner, and if not the same entity, the lead sponsor of the application.

**17. If we are proposing to complete a couple of a project's larger physical needs with the MOH funds and address remaining items with replacement reserves, can you confirm that this will NOT trigger prevailing wage for any of the work paid for by non-MOH funds, as long as not part of the same construction contract(s)?**

We cannot confirm. Whether prevailing wages apply depends on whether the work is considered repair or rehabilitation.

**18. If we have a physical assessment that was completed by a forensic architect and has cost estimates that are informed the firm's past experience rather than a PNA firm relying on solely on plug estimates, any chance MOH would consider those figures as our budget estimate for application purposes if we won't have bids in yet?**

Yes, these will be considered for estimating purposes.

**19. I'm not familiar with the term "multi-room occupancy" as used in the pro forma. Is that the category a standard non-SRO multifamily building would fall in?**

Yes.

**20. In Project Financing section on tab 1 of pro forma, does MOH want us to list all existing funding that will remain in place, or only new funding coming in to support proposed rehab project? If we are planning to complete other physical needs out of replacement reserves on a rolling basis, including some that will be completed roughly at the same time as the MOH funds are rolled out, do we need to capture these here?**

Yes, please list both existing funding in place and identify the new funding requested.

If the work funded by the reserve is going to be done under the same contract and concurrently, then this should be listed. However, if not concurrent, then does not need to be listed. Please, however, explain in the narrative.

**21. On section 1, we had asked about the residual receipts formulas since ours are different than the pre-set figures of 67% distribution for soft debt/33% distribution for owners. At the application meeting, you had said that you would create a different workbook/worksheet for us for this.**

Please send all requests for adjustments to the Proforma to Jackie Tsou at [jackie.tsou@sfgov.org](mailto:jackie.tsou@sfgov.org). For the question above, for example, she would need to know the specific split.

**22. Can you please send me a copy of the spreadsheet which shows by property and owner the urgent, immediate and short-term capital replacement and repair needs totaling \$31M?**

This is attached at the end of this Q&A.

**23. In the bidders' conference for the ENA NOFA, you'd described replenishing replacements reserves as an eligible use of funds, but one that would be considered lower priority than the "Most Urgent" needs. In the NOFA itself (pg 13, near the top), it states to assume \$1,000/unit as the amount to recapitalize reserves. Should all proposals include \$1,000/unit to recapitalize reserves? Or should sponsors choose whether and how much to fund reserves?**

Please see answer to question #13 above.

**24. Just reviewed the agreement for the \$75K loan (feb 1998) (article 11.1 on p 12) and it only says "withdrawals from reserve Account shall be made only for capital improvements such as replacing or repairing structural elements, furniture, fixtures, or equipment of the project**

**required to preserve the units.” So, it seems that putting together the scope & budget for doing a series of capital improvements would qualify, no?**

Yes, preparation to use the reserve for replacement account, such as scoping/budgeting and third party technical reports, is an acceptable use of these funds.

**25. What is the definition of “in the vicinity of 350 Bush”?**

We are not able to provide a precise definition.

**26. If the request to fund a project that is deemed to be within the vicinity of 350 Bush exceeds \$1.08 million, can funds from other sources under the NOFA be combined?**

Yes.

**27. a) Can CDBG Admin funding be used to pay for Project Mgt costs? b) What about the scenario where a CDBG award has not yet been made?**

a) Yes, the CDBG grant should be shown as a separate source.

b) If the CDBG award has not yet been made, the scoring of the readiness of the request would suffer.

**28. If a project is not within any of the geographically-restricted funding areas, then is the presumption that the funding will come from the Tax Exempt Bond Proceeds pool?**

Yes.

**29. How should technical questions be submitted?**

Direct them to Mara Blitzer by email or phone until May 6.

**30. Should applicants submit one binder per building?**

Yes.

**31. Should applicants explicitly describe the degree of urgency as perceived by the applicant?**

Yes.

**32. Is it possible that MOHCD might award less than the full amount of funding requested?**

Yes. Applications may be awarded on a partial basis, based on how urgency/readiness is scored and relative to urgency of other applicants and available funding. If an owner thinks that a proposal should be considered an “all or nothing” funding proposal, applicants should clearly indicate this.

**33. Is it allowable for proposed budgets to include expenses for architects and engineering that have already been expended?**

Yes, as long as a separate source of funding has not been secured to pay for those expenses – i.e. no “double dipping”.

**34. Will MOHD publish any additional information related to the data cited in the NOFA that was extracted from the Capital Needs Assessments (CNAs)?**

Yes, a list showing the amount of CNA need projected for each project will be published when the Answers to Questions have been posted.

**35. Does the prohibition applicable to the Tax Exempt Bond Proceeds funding pool apply only to new syndications?**

The prohibition applies to any syndication/re-syndication planned within the next 5 years. The need to syndicate/re-syndicate will very likely cause an application to be scored negatively for readiness.

**36. Is there a minimum number of bids required?**

No. MOHCD expects that each organization will have internal guidelines regarding procurement and that the guidelines will be followed.

**37. Will there be any “grandfathering” of existing tenants that do not meet the requirement to serve tenants “at or below 80% AMI”?**

Yes however if the units occupied by people whose incomes exceed 80% AMI are not restricted by the City at 80% or below, we would restrict those units at 60% AMI going forward upon turnover, in accordance with Section D of the NOFA.

**38. Should the operating budget show the cash flow projections assuming that the proposal is fully-funded?**

Yes.

**39. What if a project requires the Replacement Reserve to be capitalized in order to show positive cash flow?**

The Threshold Eligibility Requirements include that the project have positive cash flow for a minimum of five years post completion of the proposed scope of work. If the project requires that the Replacement Reserve be capitalized in order to be cash positive for the minimum 5 year period, please reflect that in the proforma.

We would like you to calculate the necessary capitalized Replacement Reserves needed in order to show positive cash flow for five years after the proposed rehab work is completed, assuming that the ongoing capital repair needs are also met during that time frame. So, if your project does not generate enough cash flow to pay required annual RR payments in the five years after the currently proposed work, as anticipated by either your CNA or your required annual deposits, we request that you capitalize those payments.

**40. How many years of positive cash flow need to be shown?**

5 years minimum, starting in 2017 (so 2017 thru 2021).

**41. Is it necessary to supply an architect’s letter showing conformance with Accessibility requirements? Or a Certificate of Mandatory Minimum Environmental requirements?**

No, these certifications are not required.

**42. How current does the Phase 1 report need to be?**

A Phase I (and II, if appropriate) Environmental Assessment is required before entering into a loan agreement with MOHCD. The Phase I should be current within one year.

**43. Regarding urgency, please clarify how the scoring will work... specifically the language that describes that applications will be “placed in one of the following categories” ...**

If an application shows needs that are at different levels of urgency, the application will not necessarily be split into categories.

**44. And should applications describe how they prefer to prioritize what is seen to be as the most-urgent?**

Yes. MOHCD expects that there will be more applications than the amount of funding available, so the least-urgent very likely will not be funded. Note that while the sponsor's classifications of urgency are helpful, the City reserves the right to make final funding recommendations.

**45. Regarding urgency, additional written guidance will be welcome.**

Please see response to questions 43, and 44 above.

**46. Should urgency be broken out modularly?**

Yes, please indicate applicant's rank of urgency for each item within the proposed scope of work. Note that while the sponsor's classifications of urgency are helpful, the City reserves the right to make final funding recommendations.

**47. Should bids be sought in a way that is consistent with the modularity of urgency?**

No, this is not required.

**48. Does MOHCD expect to make any additional NOFAs similar to these in the future?**

Yes, and it is difficult to predict when. The 2 neighborhood-specific funding sources (Eastern Neighborhoods & SOMA) could be ready for another NOFA in about 3 years.

**49. Is a property on 6th Street between Mission & Howard Street within the SOMA geographic area?**

No. The NOFA says that the SOMA area is bounded by 5<sup>th</sup>, Howard, 10<sup>th</sup> and Harrison. A project that is on 6<sup>th</sup> would only be eligible if it were located between Howard and Harrison. This question says that the project is on 6<sup>th</sup> between Mission and Howard, which is one block outside of the area.

**50. To document the need, can the source of verification of the need have been created by internal staff?**

Yes, but 3<sup>rd</sup> party source may be considered a more reliable verification of urgency.

**51. If a CNA was performed by a 3rd party, but it is 3 years old, is it OK for internal staff to have updated the CNA projections?**

Yes. And verification from a 3<sup>rd</sup> party will typically result in more favorable scoring.

**52. Is it acceptable for a project to apply even if not all of the units are currently restricted as affordable?**

Yes, but through any financing awarded under the NOFA, the unrestricted units would be restricted at 60% AMI going forward upon turnover, in accordance with Section D of the NOFA."

**53. Will MOHCD require projects to extend affordability restrictions for an additional 55 years of affordability?**

Yes.

**54. Is the cost of the CNA used to inform the scope of the NOFA application an eligible expense for this NOFA? And can the cost of an updated CNA depicting needs post-rehab also be included as an eligible expense for this NOFA?**

Yes. The cost of an updated CNA showing post-rehab needs may be included as an eligible expense.

**55. If an application proposes to use a 3rd party Construction Manager, does that allow for an increase to the CM Fee/ Proj Admin fee?**

No.

**56. How will “sustainable design” be evaluated?**

While there is no minimum green building standard for this NOFA, applicants are asked to consider the energy and cost effective option for each element of the scope of work proposed. For example:

- If the applicant is proposing to replace single pane windows, MOHCD expects the replacement windows proposed to be more energy efficient than the existing ones (e.g. double paned).
- If the applicant is proposing a new boiler, the new boiler should be of greater energy efficiency than the one being replaced.

Further, applicants are encouraged to take advantage of rebate programs offered by PG&E and the San Francisco PUC that may be related to the scope of work proposed in their NOFA applications.