SAN DIEGO HOUSING COMMISSION

San Diego Housing Commission Notice of Funding Availability (NOFA)

Affordable Rental Housing Development

Release Date: September 15, 2015

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Real Estate Division
1122 Broadway, Suite 300
San Diego, CA 92101
www.sdhc.org

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SUMMARY OF NOFA CHANGES

1. Developments must be 100% affordable unless mixed income development
2. Priority point system revised.
    a. Added 15 priority points to projects setting aside 10% of units to target formerly homeless populations that are well enough (i.e. financially self-sufficient and have minimal or no service needs) to move on to standard rental affordable housing. This may be defined as those scoring between 0 and 9 on the Coordinated Assessment and Housing Placement (CAHP) system. Developers seeking points under this category must commit to utilization of the CAHP system and working with the Housing Commission to modify waitlist procedures to comply. Developers may request up to 8 Project-Based or Sponsor-Vouchers
    b. Priority points for SDHC Loan payments modified to include points if developer demonstrates three continuous years of residual receipts payments on outstanding loans and if developer models a 75% residual receipts payment to SDHC by year 10
    c. Removed priority points category for Universal Design Features.
    d. Added up to 10 priority points for projects demonstrating Readiness to Proceed (Community Group Review, Submittal to City, Entitlements)
    e. Added 15 priority points for projects of 60 or more units to increase economies of scale
3. New Housing Commission General Application Form
4. Changes to Commission Loan Terms:
    a. Removed $2,000 Loan Servicing Fee
    b. A flat underwriting fee of $60,000 will be charged for each project and due at closing as reimbursement of SDHC staff costs associated with underwriting the loan (previously 1% loan origination fee)
    c. Legal fees increased from $20,000 to $25,000
    d. New Commission Asset Management Fee of $1,700 will be charged annually
    e. Year 1 Limited partnership fee cap reduced from $30,000 to $25,000. Partnership fee increases will be capped at 3 percent annually. Unpaid General Partner fees shall not accrue. SDHC will require the Limited Partnership Agreement to explicitly state this requirement.

NOTICE OF FUNDING AVAILABILITY (NOFA)

SECTION I

1.1 INTRODUCTION

This San Diego Housing Commission (SDHC) announces that funds are available through this NOFA to facilitate the construction, acquisition, or acquisition with rehabilitation of affordable rental housing for San Diego's low-income, (60 percent of Area Median Income [AMI]), very low-income (50 percent of AMI), and extremely low-income (30 percent of AMI) households. These funds will provide financing at below market interest rates with deferred loan repayment. This NOFA only applies to developments located within the City of San Diego.

Funds administered by SDHC are only intended to fill the gap in a development's financial structure, after all other available sources of housing development funds are utilized. Such "other available funds" may include: private bank loans, equity from the sale of low-income housing tax credits, owner equity, sale of tax-exempt multifamily housing revenue bonds, State and Federal funding, grants and donations, and other public and private sources of funds. The recommended level of SDHC financial participation will depend on SDHC staff's determination of the appropriate gap level.

SDHC's available funding is extremely limited. Funding constraints mean that the SDHC may not be able to fund every desirable project that is proposed. The public benefits and financial impacts of submitted proposals will be carefully compared. Qualified developers, with demonstrated affordable housing development experience are encouraged to submit proposals.

1.2 NOFA TIMELINE AND APPLICATION PROCESS

Release of Rental Housing NOFA	September 15, 2015
NOFA Application Period	Open while funding is available – a notice will be issued when NOFA is closed.

Proposals for funding will be considered based on the threshold requirements and preferences/priorities criteria set forth in this NOFA. This NOFA is an open application process until all available funds have been committed by SDHC staff or until further notice. The NOFA, General Application (including attachments),and any applicable updates, including notification of NOFA closing, will be posted on SDHC's website at www.sdhc.org.

Applications must be complete. <u>Incomplete proposals will not be reviewed</u>. However, SDHC reserves the right to waive minor technical deficiencies in the application, to request additional information from applicants, reject any and all submittals, waive any irregularities in the submittal requirements, and revise or cancel this NOFA at any time.

The items listed in the General Application checklist must be completed and included in the proposal submittal unless otherwise specifically noted. Application instructions, the checklist, and a certification form are provided on the first tab of the General Application Excel Workbook.

By submitting a proposal, applicants acknowledge and agree to the terms and conditions of this NOFA and to the accuracy of the information they submit in response. All submittal packages become the property of SDHC and will not be returned. ALL SUBMITTED INFORMATION WILL BECOME PUBLIC INFORMATION and is subject to public inspection under the State of California Public Records Act. (Government Code §6250 - §6276.48).

All requirements of the applicable Federal, State, local, or private funding sources will apply to projects financed under this NOFA. Developers may refer to funding regulations including: U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships Program (Title 24 Code of Federal Regulations [CFR] Part 92; see HOME Program Basics); City of San Diego Housing Trust Fund or Inclusionary Housing Fund (San Diego Municipal Code Chapter 9, Article 8, Division 5 and the current year San Diego Affordable Housing Fund Annual Plan).

NOFA proposal applications must consist of one signed original, two hardcopies, and one electronic copy on a disc or thumb drive. Faxed copies will not be accepted.

Send or deliver proposals to:

"2015 RENTAL HOUSING DEVELOPMENT NOFA"
San Diego Housing Commission
Real Estate Finance & Program Development
Real Estate Department
1122 Broadway, Suite 300
San Diego, CA 92101

Applications that propose to apply to the California Tax Credit Allocation Committee (TCAC) and/or California Debt Limit Allocation Committee (CDLAC) must submit their proposals to SDHC at least 100 days prior (but not more than 6 months prior) to the respective TCAC or CDLAC application deadlines.

1.3 SELECTION PROCESS

Responsive proposals will be reviewed by SDHC staff. Funding recommendations may be presented to SDHC's Real Estate Committee for review and comment. Final funding recommendations will be presented to the SDHC Board of Commissioners (Board) and the Housing Authority of the City of San Diego (Housing Authority). A representative of the applicant must be available to answer questions during SDHC Real Estate Committee, SDHC Board, and Housing Authority meetings.

Projects not selected for funding will be notified within 45 days of application. Applicants may apply again during the next available NOFA funding opportunity.

1.4 FUNDING AVAILABILITY AND PRIORITIES

Funding for this NOFA is available on a continuous basis as funds are available. The NOFA will be closed once all available funds for the fiscal year are reserved. SDHC staff will determine the available and most appropriate funding sources for projects recommended for funding. Projects seeking priority points for setting aside units for the formerly homeless (see Section 1.6) may also apply for up to eight Federal Project-Based Housing Vouchers or Federal Sponsor-Based Housing Vouchers.

1.5 MINIMUM THRESHOLD REQUIREMENTS

All submitted proposals must comply with all of the following minimum threshold requirements:

1. **<u>Developer Experience & Capacity</u>** – The developer must show their successful experience in developing affordable rental housing. The developer's experience must be in the specific development type proposed (e.g., new construction or rehabilitation). Experience must include successful operation of completed developments. In addition, the developer must demonstrate their capacity to perform the administrative, managerial, and operational

functions to oversee the work necessary to successfully complete the proposed development. SDHC reserves the right to limit the number of projects funded and under construction. Additionally, SDHC reserves the right to require third-party review of the developer's experience and capacity.

2. **Developer Compliance History** - The developer must demonstrate compliance with prior SDHC loans and consistent conformance with all applicable HUD requirements in prior projects. The developer's prior projects over the previous five years must not have resulted in either financial losses to SDHC or HUD project findings. Developer compliance deficiencies must be corrected before any loan recommendation will be presented to the SDHC Board for consideration.

3. **Affordability** - Proposed developments must provide a substantial number of units (excluding managers' units) affordable to low-income households as follows:

Project's Financial Structure	Affordability Level Required
Projects using TCAC 9 percent tax credits	100 percent of units affordable at TCAC levels
Projects using 4 percent tax credits with bonds	Meet CDLAC and TCAC requirements
Projects with mixed income finance	Provide at least 20 percent of units at 50 percent of AMI

4. **Minimum Affordability Term** - Restricted units must remain affordable for a minimum of 55 years. If a land lease is proposed, the lease term must be a minimum of 65 years.

5. **Affordable Below Market Rents** – All proposed affordable units must provide rents that are at least 10 percent below area market rents.

6. **Leverage** - SDHC expects its loans to be leveraged with other resources including Low-Income Housing Tax Credits, Tax-Exempt Multifamily Housing Revenue Bonds, State Mental Health Services Act funds, Federal Home Loan Bank Affordable Housing Program funds, other State, Federal, and local programs, and loans from commercial lending institutions. The developer must apply for any other eligible funding.

7. **Commercial Space Funding** – Funds administered by SDHC cannot be used to fund commercial/retail space. Proposals must show non-SDHC sources of funds for any commercial space in the project (including acquisition cost and/or rehabilitation cost).

8. **Zoning** – At the time of application, the developer must demonstrate that the project's zoning will permit the scope of development as proposed. If this is not possible, the applicant must demonstrate to SDHC's satisfaction that all discretionary land use approvals can be granted by the earlier of 180 days of the application submittal or the Housing Authority hearing date.

9. **Site Control** – At the time of the application the developer must have control of the proposed development site through fee title, an option to purchase, a land sales contract, a leasehold with development provisions, or any other enforceable instrument approved by SDHC.

10. **Nonprofit Developers Minimum Organization Standards** - Nonprofit applicants for SDHC loans must provide certification of the following minimum organization standards:
    a. A minimum of four directors comprises the board and a minimum of three directors establishes a quorum for conducting organizational business;
    b. The organization conducts quarterly board meetings. Minutes of the past three board meetings must be submitted with NOFA application;

c. Annual financial statements are obtained; and,
d. The executive director and other paid staff do not serve as voting board members.
e. Nonprofit organizations are required to submit a minimum of an accountant's compilation report of financial statements. Audited financial statements must be submitted prior to loan funding. When audited financial statements are not available, the cost of acquiring those statements is to be included in the estimated total development cost.

1.6 PRIORITIES

After a proposal meets all of the Minimum Threshold Requirements (Section 1.5 above), the proposal may earn up to 100 priority points as shown below. Priorities for housing development proposals selected under this NOFA are shown below. A minimum of 65 priority points is required for funding.

35 POINTS **(Projects meeting any one of these items will receive the full 35 points)**	1. **Project Location**: a. Located north of Interstate 8. b. Project qualifies as Transit-Oriented Development (TOD), compact, mixed-use housing located within an average 2,000-foot walking distance of a transit facility.. TOD development does not need to contain a retail/commercial component. c. Project is on SDHC's identified TOD site list. (See TOD Development Plan) d. Located within ¼ mile from an "employment center," as designated by the San Diego Geographic Information Source (SANGIS): Downtown, Kearny Mesa, Midway/Pacific Highway, Otay Mesa, Mission Valley/Morena/Grantville, University/Sorrento Mesa. e. Located in a census tract with a low-income concentration of less than 41 percent.
15 POINTS	2. **Targeting the Formerly Homeless**: Project that sets aside 10 percent of the units to be targeted for occupancy by persons who are formerly homeless and prepared to move on to rental affordable housing, defined as scoring between 0 and 9 on the Coordinated Assessment and Housing Placement (CAHP) system, will receive 15 points. Developer must commit to utilizing the CAHP system. Federal Project-Based or Sponsor-Based housing vouchers may be requested by developers to assist with subsidizing these units.
15 POINTS	3. **Economies of Scale:** Projects consisting of 60 or more units.
10 POINTS **(Projects providing any one of these items will receive the full 10 points)**	4. **SDHC Loan Payments**: a. Projects providing at least $10,000 annually as fixed debt payment on the SDHC loan; b. 75 percent residual receipt payment to SDHC by year 10. c. Developers demonstrating residual payments on all outstanding loans with SDHC for the previous three years
10 POINTS **(Priority points only to the proposal with the highest proposed leverage)**	5. **Project Readiness:** a. Community Group Review b. Entitlement Application Submittal to City of San Diego or Preliminary Review Request c. Entitlement Approvals or Confirmation from City of San Diego that project may proceed ministerially
15 POINTS	6. **SDHC Option to Purchase** Fifteen priority points will be given to proposals that provide SDHC with an option to purchase at the end of the 15-year tax credit compliance period.
100 TOTAL	**Total Possible Priority Points**

Note: SDHC reserves the right to reject any and all submittals, including rejection of proposals that may rank high in priority points relative to other proposals. Selection of projects, to be funded or not funded, shall be subject to the approval of SDHC in its sole discretion.

SECTION II

2.1 ELIGIBLE APPLICANTS

Proposals will be accepted from for-profit and nonprofit organizations, or partnerships.

2.2 ELIGIBLE ACTIVITIES/COSTS

Funds may be used for construction and/or permanent financing to develop and support affordable rental housing, including Permanent Supportive Rental Housing, through acquisition, new construction, and acquisition with rehabilitation. Funding may also be used for the preservation of existing affordable rent restrictions on projects facing imminent termination of their rent restrictions (units expiring within 0-5 years). Acquisition and rehabilitation projects with little or minimal rehabilitation involved will be accepted as long as TCAC's minimum per unit cost requirements are satisfied. Applications for development of projects containing less than 50 units is discouraged, unless the development is Permanent Supportive Housing, or unless the development has received a funding commitment (enforceable obligation) from the City of San Diego's former Redevelopment Agency.

Permanent Supportive Housing is an eligible activity. Special residents are individuals at immediate risk of becoming homeless or those in need of special services. Special residents include individuals with physical and/or mental disabilities, chronic health problems (including HIV/AIDS), and difficulties caused by substance abuse. To be defined as Special Purpose Housing by SDHC, proposed developments must:

1. Serve residents requiring a stable, long-term supportive housing environment; and,
2. Receive funding commitments to pay for services managed by competent and experienced special service providers for at least five years, with a realistic potential for funding renewal or replacement.

Funds may be used for "hard" costs of construction or rehabilitation of housing and "soft" costs associated with the acquisition, financing fees and costs, and/or rehabilitation. Soft costs include marketing costs, appraisals, architect and engineering fees, building permit and impact fees, developer fees, environmental assessments and reports, legal and accounting expenses, and title insurance.

Developers are encouraged to design projects with modest design and features. Luxury/higher-end features such as granite countertops, high-end stainless steel appliances, and swimming pools should be avoided because such features contribute to the funding gap. Such features are not eligible costs for SDHC funds. In addition, SDHC funds cannot be used to fund non-residential uses such as commercial space or off-site parks.

2.3 LOAN TERMS AND UNDERWRITING

Loan terms/underwriting are subject to change by SDHC at its sole discretion. SDHC reserves the right to impose such additional and/or revised conditions in the final documentation of the transaction as may be approved by SDHC as are reasonably necessary to protect the interests of SDHC and fulfill the intent of this NOFA.

<table>
<tr><td>LOAN AMOUNT:</td><td>Negotiable</td></tr>
<tr><td>INTEREST:</td><td>4 percent Simple Interest</td></tr>
<tr><td>LOAN TERM:</td><td>55-year maximum</td></tr>
<tr><td>AFFORDABILITY TERM:</td><td>Restricted units must remain affordable for a minimum of 55 years</td></tr>
<tr><td>APPRAISED VALUE:</td><td>Purchase price (land and improvements) must not exceed the property’s appraised value</td></tr>
<tr><td>CLOSING COSTS:</td><td>Borrower shall pay all escrow, title and closing costs, including, without limitation, paying for an American Land Title Association (ALTA) lenders policy for the SDHC loan, with endorsements acceptable to SDHC insuring the SDHC loan lien priority as referenced in this NOFA.</td></tr>
<tr><td>CONTINGENCY:</td><td>5 percent of the SDHC loan amount will be withheld as contingency and will be paid at conversion to permanent loan. This contingency will be reduced by any project cost savings received by SDHC.</td></tr>
<tr><td>COST SAVINGS:</td><td>If there are any cost savings, improved debt, or improved tax credit equity pricing, then such funds will be first used to make an adjustment to the total tax credit allocation as may be required by TCAC and thereafter apply 50 percent of the excess sources/cost savings towards the reduction of the SDHC loan.</td></tr>
<tr><td>CONTRACTOR:</td><td>The Construction Contract shall be competitively bid to at least three qualified General Contractors and awarded to the lowest qualified bidder. SDHC must approve the General Contractor.</td></tr>
<tr><td>DEBT COVERAGE RATIO:</td><td>1.15 maximum</td></tr>
<tr><td>DEVELOPER FEE:</td><td>Because the developer’s fee is paid out of development costs and contributes to the financing gap, SDHC will limit the maximum developer fee as follows:
<table>
<tr><th>Projects with financing from:</th><th>Maximum SDHC Allowed Developer Fee</th></tr>
<tr><td>9 percent tax credits projects</td><td>$1,400,000</td></tr>
<tr><td>4 percent tax credits with bonds projects</td><td>$1,400,000</td></tr>
</table>
a. SDHC will consider increasing the developer fee for tax credit projects for the purpose of generating additional eligible basis. Developer fee above the maximum allowable amount must be contributed back to the project as a source of permanent financing. Such contributions may be repayable so long as they are subordinate to SDHC residual payments and forgiven prior to the expiration of the tax credit compliance period.
b. Developer fee payments for tax credit projects shall be in accordance with lender and investor requirements. Non-tax credit project developer fee shall be paid out incrementally: 25 percent at escrow closing, 25 percent at 50 percent completion, 25 percent at occupancy, and 25 percent at completion of the audit when conversion to permanent financing occurs. SDHC reserves the right to change the payout increments.
c. For developments requiring relocation of residents, final payment of developer fees will not be made until SDHC verifies that tenant relocation has been completed in full compliance with all tenant relocation laws.</td></tr>
<tr><td>DUE DILIGENCE:</td><td>If the project is selected, the following are to be provided at borrower’s expense:
a. Appraisal
b. Environmental Review
c. Lead Paint and Asbestos Review
d. Prevailing Wage Consultant/Monitor (if prevailing wages required)
e. Permanent and Temporary Relocation Plan (if required)
f. Rehabilitation Capital Needs Assessment/Property Inspection Report with a 15-year replacement reserve schedule.</td></tr>
</table>

	g. Third-Party Construction Review (new construction only).
FEES:	Fees to SDHC: a. **<u>Underwriting Fee</u>** – A flat underwriting fee in the amount of $60,000 will be charged for each project as reimbursement of SDHC's costs related to underwriting and issuing the loan. This must be included in the total development cost of a proposed project and is to be paid at close of escrow. b. **<u>Legal Fee</u> -** SDHC charges a legal costs fee for document preparation and review that must be included in the total development cost of a proposed project. Current SDHC legal fees are $25,000 and are to be paid at the close of escrow. c. **<u>Rehabilitation Technical Services Fee</u> -** For rehabilitation projects, SDHC may charge a rehabilitation technical services fee for a preliminary rehabilitation work write-up/cost estimate and subsequent inspections of work in place. This fee must be included in the total development cost of a proposed project. Current fees are up to $5,000 and are to be paid at close of escrow. d. **<u>Compliance Monitoring Fee</u> -** Compliance Monitoring fees must be incorporated into the operating pro forma. Borrower will pay the fee in accordance with the then-existing SDHC fee schedule. Current annual fees are as follows: • $150 per monitored unit • Additional training and assistance $100 per hour e. **<u>Asset Management Fee</u> –** SDHC charges an annual asset management fee of $1,700 per year. f. **<u>Third-Party Construction Review</u>**. SDHC requires a third-party review of the construction costs/budget to determine the reasonableness of construction costs. The third-party reviewer will be selected by SDHC and paid for by the borrower. Current fees are up to $7,500 and are to be paid at close of escrow.
FINANCING GAP:	The borrower will cover any financing gap that arises after SDHC underwriting, with its equity, its developer fee and/or other non-SDHC sources, all of which shall be subject to the approval of SDHC in its sole discretion.
INSURANCE:	The borrower shall at all times during the term of the loan maintain General Liability and Property Insurance in a form acceptable to SDHC and approved by SDHC's General Counsel. SDHC, the Housing Authority of the City of San Diego, and the City of San Diego shall be listed as additional insureds for General Liability Insurance and Property Insurance and the San Diego Housing Commission shall be endorsed as a loss payee of the Private Insurance.
LIMITED PARTNERSHIP FEE LIMITS:	Year 1 Limited partnership fees shall be capped at $25,000. Partnership fee increases will be capped at 3 percent annually.. Unpaid General Partner fees shall not accrue. SDHC will require the Limited Partnership Agreement to explicitly state this requirement.
LOAN DISBURSEMENTS:	Disbursement shall be upon submittal and approval of eligible costs. Disbursement schedule shall be as follows: • up to 50 percent at escrow closing, • 25 percent at 50 percent of completion, • 15 percent upon construction completion and • 5 percent upon receipt of final cost certification • 5 percent (contingency) upon conversion to permanent loan. SDHC's President and Chief Executive Officer, or designee, is authorized to modify the loan disbursement schedule in their sole reasonable discretion. A portion of HOME funds must be withheld until issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to SDHC. Loan

	proceeds are disbursed for work completed upon SDHC approval of payment requests in a form approved by SDHC. Verifiable documentation of expense must be submitted with all payment requests.
LOAN PAYMENTS:	Regularly scheduled payments from amortized payments or residual receipts are required. • Loans are amortized over 55 years at the prevailing interest rate. • Starting at the end of the first year after project completion, the SDHC's portion of residual receipts will be: If no other lenders: • Years 1-50: 50 percent of residual receipts to SDHC If other lenders: • Proportionate split of residual receipts • Principal and interest payments are due one month after payoff of senior liens. • SDHC defines residual receipts as the net cash flow of the development after specified expenses and other debt service are paid. • The standard payment formula is the lesser of the amortized payment or 50 percent of residual cash flow, with a minimum payment of one-half of estimated first-year residual cash flow starting at the end of the first year after project completion.
:	
MAXIMIZE OTHER FUNDING SOURCES:	The borrower is required to pursue the maximum available financing from other sources. If awarded, these other sources of funds would be used first to pay SDHC approved cost overruns and/or reductions in estimated funding. The remaining additional proceeds, as allowed by TCAC, would reduce SDHC's permanent loan
OPERATING EXPENSES :	The minimum annual operating expenses will be the larger of developer's most recent 3-year average for similar projects (based upon developer's financial statements and residual receipt calculations), or: • SRO/Special Purpose **$5,000** • Family **$4,800** • Senior **$4,300** • At Risk and Non-Targeted **$4,800** SDHC reserves the right to require higher operating expenses.
MANAGER'S UNITS:	Experienced on-site property management is required. The number of manager's units must be in conformance with TCAC requirements.
PROPERTY MANAGER FEE:	The borrower's proposed property manager's fee must be approved by SDHC.
PURCHASE OPTION:	If the borrower proposes a Purchase Option, then such Purchase Option shall provide that SDHC shall have a first right of refusal to purchase the Property and the Project. The SDHC and the Borrower will enter into an option agreement whereby the SDHC will have the option to purchase the Property and the Project at any time during the three-year period beginning at the end of the 15-year tax credit compliance period for an amount equal to the greater of: (i) the fair market value of the Property and the Project (taking into account the various rent and occupancy restrictions); or (ii) the sum of: (a) the limited partner project related tax liability; plus (b) the principal of and all accrued interest of the SDHC loan and all other loans secured by the property
RECOURSE:	The SDHC loan will be recourse until the timely completion of the construction, after which it will become non-recourse.
RESERVES:	Replacement Reserves and Operating Reserves must be consistent with TCAC requirements. SDHC reserves the right to require higher operating or replacement reserves.

SECURITY:	The SDHC loan shall be evidenced by a Loan Agreement, Promissory Note (Recourse) and Deed of Trust.

2.4 LOAN COMMITMENT RESERVATION PERIOD

Upon Housing Authority approval of an SDHC loan commitment, funds will be reserved only for the longer of up to 14 months or two tax credit application rounds. Time extensions may be granted upon successful tax credit award. SDHC reserves the right to cancel its fund reservation if the SDHC loan has not closed escrow by the end of the "14th month or two-tax credit rounds" period. Fund reservation time extensions may be granted at the sole discretion of SDHC's President & Chief Executive Officer, or designee. SDHC loans are contingent upon the developer obtaining commitments from all other necessary sources of funding. SDHC reserves the right to cancel fund reservations for developments not proceeding satisfactorily as shown in the timeline as proposed by the developer in their loan application.

SECTION III

3.1 REQUIREMENTS OF SELECTED PROPOSALS

Selected proposals must comply with all SDHC requirements, including but not limited to:

3.1.1 Environmental Review

a. Developers must submit a Phase I Environmental Report. If a Phase I report indicates the presence of environmental hazards, a Phase II report, with testing results, is required. All proposals involving rehabilitation of buildings constructed before 1978 require a Phase II report with asbestos and lead paint testing.
b. California Environmental Quality Act (CEQA) - All projects proposed for SDHC funding must be reviewed for compliance with CEQA.
c. National Environmental Policy Act (NEPA) - HOME-funded developments or developments that intend to apply for Federal Project-Based Housing Vouchers are subject to CEQA and also NEPA. The NEPA process must be completed before SDHC Board review.
d. The developer is responsible for obtaining appropriate CEQA and NEPA approvals.
e. Expenses incurred prior to environmental review not be reimbursable.

3.1.2 Prevailing Wage Requirements

a. NOFA Application Budget projects utilizing SDHC funding are subject to Federal prevailing wage requirements for construction labor. When creating the development budget for submittal with the NOFA application, the developer must estimate prevailing wage for all construction labor. Current Federal wage rates are available at www.wdol.gov for the San Diego County area. The rates should be adjusted for future increases, if applicable.

HOME Funding

b. The federal Davis-Bacon and Related Acts (Davis-Bacon) apply to all projects consisting of 12 or more HOME-assisted units. Using HOME funds for only property acquisition, architectural, engineering or professional services will ***NOT*** eliminate the Davis-Bacon requirements. All projects will be subject to the Davis-Bacon requirements.

Federal Project-Based Housing Vouchers (PBV) / HUD-VASH PBV

c. Davis-Bacon will apply to all projects receiving nine or more PBVs and HUD-VASH Vouchers. PBVs and HUD-VASH Vouchers are issued for new construction and rehabilitation projects. The issuance of vouchers will require the payment of Federal prevailing wage. Developers must disclose the Davis-Bacon requirements at the time of solicitation for a prime contractor. PBVs may be subject to a Subsidy Layering Review (SLR) if there is additional federal funding on a new construction or rehabilitation project.

Federal Sponsored-Based Housing Vouchers (SBV)

d. SBV may be allocated to new construction and rehabilitation projects. Unlike HOME or PBV, SBV is subject to Davis-Bacon regardless of the number of assisted units or vouchers issued on a specific project. SBVs may be subject to a Subsidy Layering Review (SLR) if there is additional Federal funding on a new construction or rehabilitation project.

Wage Decision

e. Before a project is advertised with an established bid opening date, the official project wage rates must be obtained by the general contractor. Federal wages may be obtained from the website, www.wdol.gov, before advertisement with no formal request required. However, 10 days prior to bid opening, an updated wage decision must be obtained to assure any changes are reflected in the bids. The general contractor must provide the SDHC Labor Compliance Unit with the applicable wage decision. The contract must be awarded within 90 days of the bid opening. If the contract is not awarded within the 90-day period, the wage decision in effect at the execution of the contract or start of construction (whichever occurs first) must be utilized. It is the contractor's responsibility to find and pay the appropriate federal prevailing wage for each classification.

Prevailing Wage Monitoring

f. Prevailing wage compliance monitoring must be performed by a qualified consultant or associated staff approved by the SDHC Labor Compliance Unit. Monitoring conducted by said entities will be audited by SDHC Labor Compliance Unit staff. Weekly certified payroll reports must be submitted by the prime contractor and all subcontractors. The approved monitor(s) will be required to collect and review all certified payroll reports before submitting the records to SDHC. Periodic on-site employee interviews will be conducted as part of the monitoring process by SDHC staff. Each contractor will be responsible for correcting any discrepancies found during the auditing process.

Bid Documents

g. Any and all bid documents provided to all contractors and subcontractors must include the applicable wage decision and other prevailing wage documentation as requested by SDHC. The prime contractor is responsible for assuring that employees and subcontractors are fully informed about prevailing wage requirements by posting the applicable wage determination and Federal Labor Law posters in a visible location on-site.

Apprentice Requirement

h. Apprentices are not required on a Federal project, but are required on state or fund-blended projects. If utilized on a Federal project, then all Federal apprentice regulations apply. An apprentice must be registered at a Federally approved apprentice committee. A list of approved apprentice committees is listed on the U.S. Department of Labor website, www.wdol.gov. The ratio of apprentices to journeymen is dictated by the union agreement for each trade. It is the contractor's responsibility to abide by the ratio for each trade. If the ratio is unknown, contact the local trade union to obtain the current ratio.

Additional Funding

i. If additional funding is provided to the developer, depending on the source of funding, California State prevailing wage may apply. If State prevailing wage is initiated, the project will become a fund-blended project. A fund-blended project will require the payment of the stricter of State and Federal prevailing wage rates, including all State requirements and documentation.

Wage Disputes

j. Any wage disputes brought forward will be investigated by the consultant and/or SDHC Labor Compliance Unit staff. If the dispute is not resolved, it will be referred to the U.S. Department of Labor for resolution. The U.S. Department of Labor will pursue civil and/or criminal remedies, if necessary.

3.1.3 Handicap Accessibility

a. All proposals must be in compliance with all State and Federal accessibility requirements, with at least 5 percent of the units fully wheelchair accessible and an additional 2 percent of the units to accommodate persons who are visually or hearing impaired.

   Prior to project completion the architect and the developer must provide a signed confirmation statement that the handicap accessibility requirements were actually built.

b. HOME-assisted new construction developments must comply with Section 504 of the Rehabilitation Act of 1973. A minimum of 5 percent of the total number of units in a development, but not less than one unit, must be fully accessible to residents with mobility impairment. An additional 2 percent of the total units, but not less than one unit, must be accessible to residents with visual and/or hearing impairment.

3.1.4 Sustainability

Proposals must meet the SDHC Sustainable Development Guidelines.

3.1.5 Energy Efficiency

Proposals are expected to contain descriptions of specific measures that will be taken to make the units energy efficient. Proposals must:

a. Include a statement describing proposed details for compliance with the SDHC Sustainable Development Guidelines (adopted January 20, 2012, HCR 12-002).
b. Be projected to achieve energy efficiency at least 20 percent greater than current Title 24 requirements.
c. Prior to project completion, obtain a signed statement from the architect and developer that the proposed energy efficiency measures were actually provided.

3.1.6 Section 3

Depending on the type of HUD financial assistance received, the recipient may be subject to Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3). Section 3 requires that economic opportunities such as employment, contracting, and training generated by certain HUD financial assistance shall, to the greatest extent feasible, be directed to low-income persons and to business concerns that provide economic opportunities to low-income persons. Section 3 is implemented and regulated by 24 CFR 135.

The recipient must insert the clause set forth in 24 CFR 135.38 (Section 3 Clause) in all contractor and subcontractor agreements for Section 3 covered contracts and projects.

3.1.7 Tenant Relocation

Proposals involving relocation of residents must include an anti-displacement/relocation plan that includes costs **for both temporary relocation and permanent relocation,** in compliance with relocation laws, or a detailed consultant's statement explaining why a plan is not required. Either the California Relocation Assistance Act or the Federal Uniform Relocation Assistance and Real Property Acquisition Act of 1970 may apply. Proposals must budget for all tenant relocation and displacement costs, including costs for temporary relocation during construction or rehabilitation. Applicants should not submit proposals for developments involving the displacement of significant numbers of households.

Developers are required to contract with a relocation consultant (see Relocation Consultant List) to manage their relocation process. HUD requires detailed documentation of all aspects relating to relocation. The Relocation Consultant will coordinate relocation activities, with approval of SDHC staff. Developer fees will not be fully released until SDHC verifies compliance with relocation laws and/or resolves all HUD outstanding relocation-related findings or concerns. Completion of tenant noticing is necessary prior to the funding review by the SDHC Board.

3.1.8 Tax-exempt Bonds

Bond issuances must be in compliance with SDHC's Multifamily Mortgage Revenue Bond Program Policy (Policy P374.03). That program requires an issuer fee and annual ongoing administrative fees. Contact Cameron Shariati at (619) 578-7474 regarding the specific information needed for issuance of Housing Authority multifamily bonds.