

**DRAFT**

**CITY OF SUNNYVALE**

**Request for Proposals (RFP)**



**For FY 2014-15**

**City of Sunnyvale Housing Mitigation Funds**

**For**

**AFFORDABLE HOUSING PROJECTS**

**Issued by:**

City of Sunnyvale  
Community Development Department  
**Housing Division**  
456 W. Olive Avenue  
P.O. Box 3707  
Sunnyvale, CA 94088  
***Housing.InSunnyvale.com***  
(408) 730-7250

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Proposals Due:

**March 21, 2014**

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## INTRODUCTION

The City of Sunnyvale hereby requests proposals of affordable housing projects in Sunnyvale to be funded with the City's Housing Mitigation (HM) funds. Any amount up to approximately \$8 million in HM funds may be awarded through this RFP to support new construction and/or rehabilitation of housing affordable to lower-income households in Sunnyvale. This funding is intended to fill the financing gap between the projected total development costs, the applicant's available resources, and other available funding sources for affordable housing. Proposals for newly constructed housing and/or projects providing housing for special needs tenants, such as adults with developmental disabilities and those transitioning out of homelessness, will receive priority for funding available through this RFP.

All funding awards are made in the form of long-term deferred residual receipts loans or fully amortized loans secured by the subject property. Proposals that would require permanent displacement of current business or residential tenants are discouraged and will not be ranked as highly as proposals not permanently displacing tenants. Proposals requiring any temporary or permanent displacement of residential tenants must provide such tenants relocation assistance in compliance with California (and federal, if applicable) relocation laws.

Experienced affordable housing developers who meet the qualifications described in this RFP and have demonstrated their ability to design, build and manage quality affordable housing projects are encouraged to submit proposals. All proposals must be received by the Housing Division no later than **5:00 p.m. on March 21, 2014**. Applications submitted after this deadline will not be considered. Funding will be awarded by the City Council on a competitive basis to the top-ranked proposal(s) that successfully demonstrate how the proposed project would address the City's affordable housing needs and benefit the City as a whole. The City reserves the right to reject any or all proposals received if they do not meet the standards set forth herein or for any other reason in the City's sole discretion.

The City is seeking proposals that demonstrate an understanding of the community and its affordable housing needs, the unique attributes and opportunities of the neighborhood where the project would be located, a cost-effective use of available funding, a feasible implementation plan, successful experience in developing and managing affordable housing, and a commitment to an inclusive and informative public participation process.

## Funding Sources

Funding under this RFP will be provided from the City's HM fund. The City also receives limited funding from the federal Community Development Block Grant (CDBG) and HOME Investment

Partnership (HOME) programs. Those funds are awarded in smaller amounts through a separate RFP and require compliance with federal HUD regulations. **This RFP is for the City HM funds only.**

### **Minimum and Maximum Funding Awards**

Applicants may request an award of HM funds in any amount between \$200,000 and \$6 million per project. The City anticipates funding up to three projects through this RFP. Projects will be evaluated and ranked in part on the basis of City cost per unit, comparing such costs to those of recent, comparable projects in the area, tax credit standards, and similar measures of cost-effectiveness used in affordable housing development, with consideration of differing unit sizes, affordability levels, and unit tenure (i.e., rental versus for-sale). Funding is awarded only in the amount needed to bridge a demonstrated funding gap based on projected cash flows for the project and other available and customary financing sources for similar projects. Projects that do not demonstrate a concrete, significant and verifiable funding gap are not eligible for HM funds.

### **Eligible Applicants**

Eligible applicants include for-profit or nonprofit corporations, general or limited partnerships, joint ventures or limited liability companies. Applicants must have demonstrated experience and capacity in the development and management of affordable housing. Applicants shall have successfully completed a minimum of three affordable housing projects of similar size and complexity as the proposed project, located within Santa Clara County (preferred) or another county in Northern California within the past fifteen years, to be eligible to submit a proposal.

By submitting a proposal for funding through this RFP, applicants agree to competitively bid out all contracts for construction, rehabilitation, and major post-application contracts (i.e., construction management, environmental, and other contracts valued at \$10,000 or more) needed to complete the project. Proposals for design/build projects where applicant is the builder or an affiliate of builder, and/or applicant is not willing to competitively bid out project contracts for construction, etc., must disclose this information clearly in the project description, and explain how the proposal will be able to ensure a cost-effective project and a fair and competitive procurement process. Non-profit self-help housing developers (such as Habitat for Humanity) may act as general contractor and use volunteers pursuant to their standard practices but will be required to bid out any subcontracts or major consultant contracts needed to complete the project. Any proposals including federal or state funds as matching funds will be required to comply with applicable state and/or federal procurement, wage, and contracting requirements.

### **Eligible Projects**

Each applicant/developer may propose only one housing project under this RFP. Eligible projects include new construction or acquisition with or without rehabilitation, for the purpose of developing affordable housing for extremely low-, very low- and low-income households. Development of emergency shelters is not eligible for HM funding because it is not permanent affordable housing.

Mixed-use projects (containing both residential and non-residential space) are eligible, as well as mixed-income projects (containing both affordable and market-rate rental units). Generally, for mixed-use projects, approximately two-thirds or more of the project's total floor area should be residential. For both mixed-use and mixed-income projects, the City funds may only be used

to pay for any funding gap attributable to the affordable housing units. All other development costs must be funded with other sources. Projects intending to seek a density bonus may request HM funds only for affordable units that are in addition to the number of affordable units committed to obtain the requested density bonus.

### **Selection Criteria and Scoring**

The City will evaluate proposals based on the goals and housing priorities listed below, as well as the goals and objectives described in the City's Housing Element. All proposals will be reviewed for consistency with these goals and priorities, which are a guide to the types of projects the City is especially interested in funding. The housing priorities do not preclude other types of projects, and the City may decide to fund exceptional projects that are not on the priority list. Project scores will not be based on a certain number of points for each individual goal and priority listed below. Proposals will be scored on their general merits using the scoring sheet attached to this RFP. These scores will be considered by the Commission and Council, but will not necessarily be the sole factor in funding decisions.

#### Project Goals

- Housing units will remain affordable for at least 55 years;
- The project's management plan promotes a healthy living environment for tenants and a compatible relationship with neighbors.
- The project is consistent with the goals and objectives of the Housing Element of the City's General Plan;
- The project costs are reasonable, the project is soundly underwritten, and it can reasonably be expected to be successful in securing funding from highly competitive sources;
- The project will allow the City to spend housing funds expeditiously;
- The project site is near transit and services and is convenient for the target population;
- The project site can be developed to at least 70% of the maximum density allowed by its current zoning district and land use designation;
- The project design is attractive, compatible with its surroundings, and will incorporate "Green" building practices and materials to the extent possible;
- The project is compatible with the site's surroundings and neighborhood setting;
- The project would not permanently displace current residents and/or businesses from the project site.
- The project incorporates appropriate community spaces, amenities and services for the target population; and

- The development team has demonstrated experience with successful affordable housing projects and the capacity to work cooperatively with the community in the design and development of the project.
- The applicant/developer is able to obtain all other funding needed and required permits within approximately two years of City funding award, and begin development of the project within a year of securing all necessary funding.

#### Housing Priorities

- Rental housing affordable to extremely low- and very low-income households earning 50 percent or less of the area median income.
- Rental housing properties reserving at least 5% of the units for developmentally disabled adults and/or households transitioning out of homelessness (“homeless applicants”).
- Rental housing with on-site supportive services to stabilize transitioning homeless or special needs families or individuals, such as child care, vocational counseling, and/or health care.
- Newly constructed rental housing projects with at least 15% of units affordable to lower income households.
- For-sale housing affordable to very low- and lower-income, first-time home buyer households earning 80 percent or less of the area median income.
- Projects that provide dual benefits by developing affordable housing and improving an underutilized or poorly maintained property, or by providing housing near employment centers or transit stations.
- Projects that support transit ridership at existing transit facilities, due to their location within ½ mile of Caltrain or light rail stations or within ¼ mile of an express or multi-route bus stop.

## **APPLICATION PROCESS**

### **Submittal Requirements**

Applicants must submit the following materials:

- One (1) original and two (2) copies of a complete application using the attached form, with all required supporting materials attached. Please do not use binders, staples, or spiral-binding. Use only binder clips, tab dividers, and envelopes to hold materials together. Copies may be double-sided.
- All application materials must also be submitted on a CD-ROM or thumb drive in the form of one or more .pdf and/or .jpg files, each of which is not larger than 5MB per file.
- Applications must be received by the Housing Division by 5:00 p.m. on March 21, 2014. Postmarks will not be accepted.

**NOTE:** Pursuant to the California Public Records Act, all documents submitted in response to this RFP will be considered public records and will be made available to the public upon request. Proposals received may be posted on the city's website as part of the review process. Please do not submit any information to the City that you would like to keep confidential.

### **Funding Application Review**

#### Step One

Staff will review all the proposals for completeness and to verify that both the applicant and the proposed project are eligible. Proposals from applicants without the City's minimum required experience or qualifications will not be considered. All proposals must be complete and contain all the required information and attachments when submitted. Incomplete proposals will not be considered. Staff may contact applicants to request correction of minor clerical errors and/or omissions at staff's discretion, in which case applicants may have three days to submit requested items. Staff may invite applicants for brief interviews to clarify or discuss any aspects of proposal at staff's discretion. Staff will forward those proposals deemed eligible and complete to the Commission and Council for final review and selection as described below.

#### Step Two

Eligible proposals will be reviewed by the Housing and Human Services Commission at a meeting in April or May, and will be scored and ranked by the Commissioners using the scoring sheets attached to this RFP. Applicants may briefly present their proposals, in five minutes or less, to the Commission. Meeting attendance by the applicants is recommended but not required. Commissioners may ask questions of the applicants following the presentations, and then hold a public hearing on the proposals before deliberating on funding recommendations. The Commission will recommend an award of a specific amount of available HM funds to the top-ranked one or more projects to the extent funding is available and projects are desirable, or may decline to fund any of the proposals and direct staff to re-issue the RFP at a later date.

#### Step Three

The Commission's funding recommendations will be forwarded to the Council, which will hold a public hearing and make the final decision regarding funding awards at a Council meeting in May or June.

### **Conditional Funding Award**

Following Council approval, successful applicants will be provided with a "conditional funding award" which includes a reservation of HM funds in the City's budget for up to one year, while the applicant completes the project design, entitlement and environmental review process, and applies for other funding needed. The term of the conditional funding award may be extended upon applicant request and at the City's sole discretion. A final funding commitment will be executed only if and after the applicant has obtained required entitlements and met other conditions noted in the conditional funding award, such as securing all other required funding for the project, other than an award of tax credits.

### **Environmental Review**

All funding awards approved by Council will be awarded conditioned upon the applicant's ability to obtain required land use entitlements (planning permits), which requires environmental review for compliance with the California Environmental Quality Act (CEQA). CEQA reviews are completed by the City after land use entitlement applications are received, and prior to approval of entitlements. If federal funding is also involved, a federal environmental review under the National Environmental Protection Act (NEPA) will be conducted by the agency awarding federal funds, which may be the City or another public agency such as HUD or the Housing Authority. If applicants are unable to secure required entitlements within one year of conditional funding award (or longer period, if extended by the City), the conditional funding award will expire, and applicant may choose to reapply under a subsequent RFP.

Applicants must refrain from undertaking any activities, including acquisition, grading, displacement of tenants, or any construction activity, that would limit the choice of reasonable alternatives between the time of proposal submittal and the City's completion of its CEQA (and possibly NEPA) environmental review of the project. Applicants are advised to work with their own legal counsel to structure any contemplated option to purchase the project site in such a way as to minimize applicant's financial risk in the event that applicants are not able to obtain required entitlements and/or adequate funding for the project.

### **Applicant Workshop**

Applicants are encouraged to attend the Applicant Workshop for more information about the RFP and the application and evaluation process, followed by a question and answer session. **Please RSVP** if you plan to attend, by calling (408) 730-7250 or emailing: [Housing@sunnyvale.ca.gov](mailto:Housing@sunnyvale.ca.gov) with your name, organization name, and phone number.

**Applicant Workshop**  
Tuesday, March 4<sup>th</sup>, 2014 at 3:30pm  
West Conference Room  
Sunnyvale City Hall  
456 W. Olive Avenue, Sunnyvale, CA 94087

### **Proposal Schedule**

The tentative schedule for evaluating and selecting proposals is provided below. **This schedule may change at any time.** Applicants will be notified of any schedule changes via email and updates on the Housing Division home page: *Housing.inSunnyvale.com*

Issue RFP:	February 27, 2014
Informational Workshop:	March 4, 2014
Proposals Due:	March 21, 2014
Commission Hearing:	April 23, 2014
City Council Hearing:	May 6 or 13, 2014
Issuance of Conditional Award(s):	On or after July 1, 2014

### **CONTACT INFORMATION**

Questions regarding this RFP may be directed to Katrina Ardina, Housing Analyst, by calling 408-730-7451 or by e-mail to [kardina@sunnyvale.ca.gov](mailto:kardina@sunnyvale.ca.gov)

**CHANGES TO RFP PROCESS**

The City of Sunnyvale reserves the right to request additional information from applicants, reject any and all submittals, waive any irregularities in the submittal requirements, or cancel, suspend or amend the provisions of this RFP at any time. If such an action occurs, the City will notify all applicants, and any other parties requesting such notice, by posting updates on the Housing Division home page of the City's website.

NOTE: Due to uncertainty with email delivery due to spam filtering and various technological issues outside staff's control, the City cannot guarantee all applicants will receive timely updates by email, therefore please check the website below frequently for updates regarding this RFP, or call the Housing Division for the latest information, at (408) 730-7250.

***[Housing.inSunnyvale.com](http://Housing.inSunnyvale.com)***



**PROPOSAL SCORING**

<b>Category</b>	<b>Maximum Points</b>
<p><b>1. Organizational Capacity and Relevant Experience</b> Organization’s staff, board members and project team are well qualified to complete and operate project, considering years of relevant experience and number of similar projects completed.</p>	<b>15</b>
<p><b>2. Project Need</b> Project clearly addresses one or more goals or needs identified in Housing Element. Stated need for project and proposed project are supported by letters from community members or organizations other than applicant. Proposed project would provide significant public benefits, such as increased affordability compared to existing conditions at the site, or addressing an urgent housing need in the community. Up to ten of 20 points in this category will be awarded only to proposals committing to reserve at least 5% of units for developmentally disabled adults, other adults with a serious physical or mental disability, and/or adults transitioning out of homelessness. Proposals must address how units reserved for such tenants will be made affordable to those with incomes between 0% to 30% of AMI (i.e., through use of project-based subsidies or other means).</p>	<b>20</b>
<p><b>3. Project Design and Readiness</b> Project design (physical and operational) is cost-effective, feasible, compatible with the neighborhood, and effective in meeting the stated goals and objectives. Applicant is ready and able to apply for planning permits and other financing upon issuance of conditional funding award, and has or will have site control by that time (July 1, 2014). For rehabilitation-only projects: all lien-holders, owners, and/or agencies with an ownership or security interest in the property have reviewed and approved this proposal, and are willing to provide any required written approvals of the proposed rehabilitation project within 90 days of funding award.</p>	<b>15</b>
<p><b>4. Budget and Financial Management</b> Financial management points based on clean financial audits and a strong record of financial and regulatory compliance at other projects owned or managed by applicant. Budget scores based on realistic cost estimates and budget for development and operation of project, and projected competitiveness of project costs in tax credit applications, etc.</p>	<b>15</b>
<p><b>5. Percentage of Matching Funds (Leverage)</b> Points awarded based on the following formula: 5 points for the minimum required match (25%); 10 points for a 50% match; and 15 points for a match of 75% or more. Proposals with match ratios in between these percentages will be awarded 1 point for every 5% of match up to 15 points maximum. Matching percentage is determined by the percent of project cost to be funded by sources other than the requested City funds, according to applicant’s proposed project budget.</p>	<b>15</b>
<p><b>6. Affordability Level</b> Percentage of units in the project that will be reserved for extremely low income (ELI) and very low income (VLI) households. Points will be awarded as follows: Up to 10 points shall be awarded for the percentage of ELI units, and up to 10 points for the percent of VLI units. In each category, 1 point will be awarded for every 5 percent of ELI/VLI units, as applicable, up to a maximum of 10 points for 50% ELI or VLI units, as applicable (e.g., to earn a score of 20 points, the project would need to include 50% ELI and 50% VLI units). Unit affordability is based on restricted rent limits, not current occupants’ income levels.</p>	<b>20</b>
<b>Total Points Available</b>	<b>100</b>