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**Naturally Occurring Affordable Housing (NOAH) Preservation Fund**

**Request for Proposals (RFP)**

**Application Window: April 4-29, 2024**

**City Staff Contact:**

Danielle Sindelar, Housing Project Manager

Department of Planning and Economic Development

Email: [Danielle.Sindelar@ci.stpaul.mn.us](mailto:Danielle.Sindelar@ci.stpaul.mn.us)

Phone: 651-266-6684

**All pre-application meetings must take place between April 4-29, 2024.**

**All application materials are due via email by 4:30pm CT on Monday, April 29, 2024.**

**Translation Services/Servicios De Traducción/Adeegyada Turjumaadda/Kev Txhais Lus**

If you require translation services for the application process, please contact Language Line at 1-800-367-9559 and enter the client code 509052 for assistance.

Si usted decide presentar una solicitud y necesita servicios de traducción para el proceso de solicitud, póngase en contacto con Language Line en el 1-800-367-9559 e introduzca el código de cliente 509052 para obtener ayuda.

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Yog koj xaiv thov thiab xav tau kev txhais lus rau txheej txheej sau ntawv thov, ces tiv toj rau Tus Xov Tooj Txhais Lus rau ntawm 1-800-367-9559 thiab ntaus neeg qhua tus qhauj 509052 yog tias xav tau kev pab.

**Application Checklist**

**Step 1: Demonstrate your knowledge of NOAH property finance & management**

* Attend in person NOAH proforma training, and
* Attend in person property management training.

***OR***

* Share a description of your relevant experience that could substitute for the trainings, such as attendance at other training opportunities or types of real estate experience.

*Note:* this year’s trainings are recommended but not required and are intended to offer an additional resource to emerging developers. The [City’s NOAH program website](http://www.stpaul.gov/noah) and the NOAH program guidelines includes a list of other trainings, cohorts and initiatives for emerging developers that have been offered in past years. Purchasing a rental property includes financial risk, and in general staff require that applicants to the program have some sort of prior preparation for such a venture prior to applying.

**Step 2: Schedule & attend your required pre-application meeting with staff**

* Identify the property you plan to acquire
* Identify your first mortgage lender bank
* Email [**Danielle.Sindelar@ci.stpaul.mn.us**](mailto:Danielle.Sindelar@ci.stpaul.mn.us)with your step 1 information and any scheduling preferences to set up your 45-minute pre-application meeting with staff.

***Note: All pre-application meetings must take place between April 4-29, 2024.***

* + In person meetings are available on Tuesdays and Wednesdays, and will be held at: City Hall Annex, 25 W 4th Street, 11th Floor Large Conference Room, Saint Paul, MN 55102
  + Virtual meetings are available any day of the week and will be held on Microsoft Teams.
  + *Note:*[**Saint Paul Public Libraries**](https://sppl.org/computers-technology/) provides free computer access, technology support services, technology classes, and computer accessibility kits.
* Invite first mortgage lender to the meeting. If the lender cannot attend, the applicant should have a representative from the lender send an email to City staff that confirms proforma assumptions about lender financing terms and demonstrates at least a soft intent to offer financing. A formal commitment letter will be required at the underwriting stage.
* Draft financial proforma for review and discussion at the meeting
* Attend pre-application meeting with City staff and first mortgage lender (if available)

**Step 3: Email materials to** [**Danielle.Sindelar@ci.stpaul.mn.us**](mailto:Danielle.Sindelar@ci.stpaul.mn.us) **by 4:30pm CT on April 29, 2024**

* Application form (this document)
* [Financial proforma template](http://www.stpaul.gov/noah)
* Rent roll - a current listing of units in the property including unit size (Studio, 1 BR, 2 BR, 3 BR, etc.) and the monthly rent amount.
  + *Note:*Resident names and incomes are not required. Please anonymize the rent roll.
* Expenses - documentation of 3 years of management and operating expenses for the property, or for a property of similar size, location and condition.
* Purchase agreement, or other evidence of site control for proposed acquisition - must be submitted along with all materials by the due date to be considered for financing.

***Note: borrowers are encouraged to include a termination clause within the purchase agreement in case the project is not selected for funding.***

**Program Overview**

Through the Naturally Occurring Affordable Housing (NOAH) Preservation Fund, the Housing and Redevelopment Authority of the City of Saint Paul (HRA) is offering 0% interest deferred subordinate mortgages of 20-30 years for acquisitions of rental properties with at least 3 units through a competitive application process. All loans are deferred, 0% interest loans that are fully repayable at the end of term.

In return, the applicant/buyer agrees to a Declaration on the property that holds at least 80% of the units affordable at 60% Area Median Income (AMI) or below, including 20% of those units at 50% Area Median Income (AMI). More details on the maximum award amount that an applicant/buyer can request and incentives for preserving more units at deeper affordability levels are outlined later this page.

Please review the full program guidelines, available on the [City of Saint Paul website](http://www.stpaul.gov/noah). At a high level, the HRA and NOAH Preservation Fund seek to:

* Support acquisitions of “naturally occurring” affordable housing (NOAH) rental properties,
* Preserve NOAH units for at least 20 years,
* Better connect NOAH units to income-eligible renters,
* Continue to provide high-quality housing opportunities to low-income renters, and
* Mitigate displacement of low-income households.

**Funding Availability**

The NOAH Preservation Fund is funded by $3 million as an initial investment from the HRA [Housing Trust Fund](https://www.stpaul.gov/departments/planning-and-economic-development/housing/housing-trust-fund). If there are enough competitive proposals submitted through this RFP, staff are prepared to award the full $3 million balance across a mix of projects. If funds remain after this RFP, or additional funds are identified, another round will tentatively open later in 2024.

**Maximum Loan Amount**

Applicants can calculate the maximum loan amount they can request based on their project details as outlined in the table below. The maximum loan amount is determined by multiplying the number of affordable units (at least 80% of the building) by the per-unit loan maximum dollar amount based on the affordability commitment and building size. All loans are deferred, 0% interest loans that are fully repayable at the end of the 20-to-30-year loan term.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **1-49 units** | **50-199 units** | **200+ units** |
| **30% AMI** | $60,000 | $40,000 | $35,000 |
| **50% AMI** | $45,000 | $30,000 | $20,000 |
| **60% AMI** | $25,000 | $20,000 | $15,000 |

***Example 1:*** Eli is acquiring a 10-unit property and keeping all units affordable at 50% AMI. This means each unit is eligible for up to $45,000. Multiplying 10 affordable units by $45,000 amounts to $450,000, which is the maximum loan amount that Eli can request in the competitive application process.

***Example 2:*** Hazel is acquiring a 50-unit building and is keeping 80% of the units affordable at 60% AMI, which amounts to 40 units. Looking at the chart, each unit at 60% AMI in a building of 50-199 units is eligible for $20,000. Multiplying 40 affordable units by $20,000 amounts to $800,000, the total loan amount that Hazel can request during the competitive application process.

**Selection Process**

Applicants should review the underwriting guidelines carefully when preparing both the application form and financial proforma. The selection process will include the following review of projects by staff:

* **Threshold review:** review of each project to see if the proposal meets the HRA-approved program guidelines, including but not limited to:
  + Debt Coverage Ratio
  + Maximum Rents Proposed
  + Management and Operating Expense Records
  + Replacement and Operating Reserves
* **Alignment with affordable housing preservation priorities:** during each RFP round, staff will review each project to determine which projects are most closely aligned with the HRA's preservation priorities.
* **Financial feasibility review, including guidance on developing proforma assumptions:** Projects can best demonstrate financial feasibility through
  1. Relatively conservative assumptions about project income and expenses, as it is unlikely that a new operator of a NOAH property can drastically alter a project’s financial operating realities.
  2. Generous assumptions about the need for rehabilitation of the property, as most NOAH properties require maintenance or renovation. First mortgage financing or owner funds can be used to support capital repairs.
  3. A debt coverage ratio that provides sufficient cash flow to the project to hedge against the possibility of increased vacancy and/or increased maintenance costs or capital repairs, either immediately based on a capital needs assessment (CNA) or in the first few years after acquisition. Along those lines, the published underwriting guidelines indicate a minimum debt coverage ratio (DCR) of 1.11 in year one, and a maximum DCR of 1.25 in year one. In most cases, a project with a debt coverage ratio between 1.20 and 1.25 should have sufficient cash flow to manage risk without resulting in over subsidization of the project. Projects with a lower debt coverage ratio between 1.11 in Y1, and as low as 1.0 in Y2 and future years do still meet the minimum underwriting guidelines for the program, but applicants with limited cash flow projected should be prepared to explain how their project will manage the risk of increased costs or lower revenue.
* **Additional Feasibility review**: Staff review may also include meetings with members of the project team, visit project sites, consultation with references for the project team, and onsite examination of the building and site to assess feasibility and viability of the acquisition and proposed business plan.
* **HRA goal to select a mix of small and large projects:** The program is intended to support a mix of small and large projects. Approximately 2-3 projects will be selected per application cycle. This means that otherwise well-aligned projects may not be selected if there are more proposals than funding can support.

**HRA Preservation Funding Priorities**

The HRA supports innovative approaches to NOAH preservation which leverage private capital, include traditional and non-traditional buyers, and preserve affordability without displacing existing residents. The NOAH Preservation Fund is intentionally flexible to support the variety of gap financing needs across different types of acquisitions. When evaluating project proposals, staff will consider the following priorities:

* Properties with a greater number of units in a building or assembled in a portfolio available for sale through a single closing.
* Properties with a feasible plan for a limited equity cooperative or other form of community ownership as described by the applicant.
* Acquisition of properties by small and emerging developers and owner/operators.
* Developers who participated in the City's Emerging and BIPOC Developer Training and Engagement Initiative, or in other community initiatives for emerging developers, such as the Urban Land Institute (ULI) Real Estate Diversity Initiative (ReDI), LISC Developers of Color Cohort, Greater Minnesota Housing Fund Emerging Developers program, etc. are encouraged to apply for funding.
* Deeper commitment to restricted rent requirements, either through longer period of affordability (e.g. 30 years) or more deeply affordable units, i.e. 30% AMI or 50% AMI units.
* Applications that maximize outside leverage such as mortgage financing, equity, or philanthropic sources and have lower subsidy per unit.
* Participation in other programs which provide housing opportunities to individuals with housing barriers such as criminal history.

**Resources**

Check [www.stpaul.gov/noah](http://www.stpaul.gov/noah) for a current list of resources. It will be maintained throughout the RFP application window as materials are found by City staff. Frequently asked questions (FAQs) will be updated throughout the application window on the website as well.

**Investment Disclaimer**

Real estate development carries significant financial risk. You are not guaranteed a profit and may experience a loss even if you receive all funds for which you apply. Market factors, delays and changes to the regulatory environment will impact your project(s). This is so even if the projections you make in your application are based on a full and correct understanding of the NOAH Preservation Fund requirements, current housing and real estate markets, and current federal, state and local regulatory requirements. Please read the RFP materials thoroughly and consult mentors/advisors as necessary.

**NOAH Preservation Fund Application**

All parts you need to fill out are highlighted in yellow.

A scoring worksheet is published on [www.stpaul.gov/noah](http://www.stpaul.gov/noah). Applicants do not need to complete the published scoresheet. Staff will assign a score to your project based on the submission of this application as well as all other supporting attachments outlined in step 3 of the application checklist.

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**Email** [**Danielle.Sindelar@ci.stpaul.mn.us**](mailto:Danielle.Sindelar@ci.stpaul.mn.us) **to ask questions, schedule your pre-application meeting, and submit your application materials.**

**Applicant Information**

1. Contact Name: [Type here]
2. Applicant Name: [Type here]
3. Applicant Type: [Type here, such as individual/small business/nonprofit/etc]
4. Telephone Number: [Type here]
5. Email Address: [Type here]
6. Address: [Type here]
7. Please share about who is on your project team and what they each do. This should include all relevant team members like a developer, project architect/draftsperson, general contractor, any development consultants, other folks in your organization that you’d like to highlight, etc.

[Type here]

**Acquisition Information**

1. Property Address(es): [Type here]
2. Property Identification Number(s): [Type here]

***Note:*** You can find the PIN by typing the address into the [Ramsey County Beacon website](https://beacon.schneidercorp.com/application.aspx?app=RamseyCountyMN&PageType=Search).

1. Total Number of Rental Units: [Type here]
2. Proposed Acquisition/Closing Date: [Type here]
3. First Mortgage Lender Bank: [Type here]
4. First Mortgage Lender Contact: [Type here]
5. Total Gap Financing Request for Saint Paul NOAH Loan: $\_\_\_\_\_\_\_\_\_\_\_

***Note:*** You can calculate your maximum loan amount using the chart on page 3 of this RFP.

1. Proposed Loan Term:  20-year  25-year  30-year
2. Proposed Affordability Commitment:

***Minimum Commitment:*** 60% of units affordable at 60% Area Median Income (AMI) or below and 20% of units affordable at 50% AMI or below (total 80% of units) for loan term.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 30% AMI Units | 50% AMI Units | 60% AMI Units | Market Rate Units |
| 0 (Studio) | X | X | X | X |
| 1 | X | X | X | X |
| 2 | X | X | X | X |
| 3 | X | X | X | X |
| 4 | X | X | X | X |
| Total | X | X | X | X |

**Applicant Eligibility**

Please check all boxes that apply below. Note that checking a box below will not automatically disqualify an application. However, if an applicant does answer yes to one or more of the questions below, they should be able to clearly demonstrate how they are currently working to rectify the situation in order to remain eligible to be considered for financing.

Do you/your organization own a vacant building that is not registered with the City or otherwise in compliance with the City’s [Vacant Buildings Program](https://www.stpaul.gov/departments/safety-inspections/rent-buy-sell-property/vacant-buildings/vacant-building-program)?

Do you/your organization own a Grade C or D rental property without a plan for correction approved by the City’s [Department of Safety and Inspections](https://www.stpaul.gov/departments/safety-inspections/rent-buy-sell-property/renting-property) (DSI)?

Do you/your organization have an uncured default with a City of Saint Paul redevelopment or financing project?

Have you/your organization been in bankruptcy or defaulted on any loan, bond, or mortgage commitment that is still active on your credit report?

If you checked any of the boxes above, please provide more context on your situation and how you plan to approach your funding for this project if awarded gap financing.

[Type here]

**Financial Capacity to Acquire the Proposed Property**

The development team is able to share financial statements showing income, assets, and liabilities for the underwriting process. If applying as a company, this includes for any individuals who have a controlling share.

Given the City NOAH loan is for acquisition only, the development team believes that they will be able to secure sufficient project financing or assets (not including the City NOAH loan) to address any and all maintenance and capital repair needs that may be described in a capital needs assessment (CNA) of the property, which will be prepared prior to closing on the loan.

**Real Estate Development Experience**

Note: this program supports and encourages applications from emerging developers, and there are a variety of training opportunities for newer developers to gain background in acquiring NOAH properties. Attendance at trainings is not required, but if no prior trainings have been attended, applicants must demonstrate direct or indirect experience that prepares them to acquire a rental property.

A member of the development team attended the Greater Minnesota Housing Fund (GMHF) Small NOAH Proforma Training on March 6, 2024 (recommended but not required)

If no, please describe your experience or other educational events you’ve attended related to financial proformas. Additionally, please email GMHF at [events@gmhf.com](mailto:events@gmhf.com) to be added to the waitlist for the next training.

[Type here]

☐ A member of the development team attended a property management training, either the Multi Housing Association (MHA) Property Management Fundamentals course on March 5, 2024 or the GMHF & MHA New Property Owner Seminar on March 27, 2024 (Recommended but not required).

If no, please describe your experience or other educational events you’ve attended related to rental property management.

[Type here]

☐ A member of the development team has experience in real estate development, finance, construction and/or management. Do you own or manage a similarly sized project? If applicable, please mention any experience in real estate ownership, operations, or development serving low-income (60% Area Median Income (AMI) or below) renters. (Applicants without direct experience in this area should describe similar types of experience that demonstrates their ability to successfully acquire, own and manage a rental property with affordability requirements).

[Type here]

Describe the sources/types of capital you’re using for this project, including acquisition, rehabilitation, operation, and maintenance activities. This question is mainly intended as an opportunity for additional narrative to explain the sources listed on your financial proforma.

[Type here]

**Compliance Reporting Capacity**

Applicants are required to demonstrate adequate capacity to complete annual compliance reporting. Although experience is not required, applicants should be able to describe their capacity for completing this reporting on an annual basis and should be comfortable with that requirement.

1. If your project is selected for a loan, you will be required to conduct income certifications for the affordable units at the time of new tenant move-in and report them to the City annually. Do you have any experience with affordable housing compliance reporting? What is your plan for undertaking these activities?

[Type here]

**Application Preferences in Alignment with HRA Preservation Priorities**

A published score sheet includes point categories based on the priorities below, as well as based on other aspects of this application document.

☐ Current residents will not be displaced, either temporarily or permanently, because of the acquisition plan

If they will, please submit a tenant relocation plan as a separate document.

☐ Does the development team plan to establish a limited equity cooperative or similar form of community ownership for the property

☐ Development team plans to participate in other programs which provide housing opportunities to individuals with housing barriers, such as criminal history

☐ Applicant is a small or emerging residential developer, in that your total real estate portfolio 5 or fewer projects, and a total of total of less than 100 units of housing owned, and/or less than 10,000 Sq. ft. of commercial space owned

☐ A member of the development team participated in a public or community initiative for emerging developers

***Such as:*** City of Saint Paul Emerging and BIPOC Developer Training and Engagement Initative, Urban Land Institute (ULI) Real Estate Diversity Initiative (ReDI), LISC Developers of Color Cohort, Greater Minnesota Housing Fund Emerging Developers Program.

If yes, which program: [Type here]

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