

**GEORGIA RENTAL ASSISTANCE DEMONSTRATION  
MULTI-SITE BOND PROGRAM DESCRIPTION**

**FEBRUARY 17, 2015**

**Background and Objectives of the Program**

The HUD Rental Assistance Demonstration (RAD) program is a vehicle for the conversion of public housing properties into Section 8 properties. Once converted, the Section 8 properties can be more easily recapitalized using debt and low income housing tax credits (LIHTCs). The 4% LIHTCs derived from private activity bond financing is particularly appealing, as this transaction structure generates more funding for recapitalization than debt-only structures and is more generally available than the competitive resource represented by the 9% LIHTCs.

To implement a 4% LIHTC transaction, however, requires an effort of significant scale to warrant the transaction costs associated with 4% LIHTC financing structures – the costs of the bond issuance, the cost of investor underwriting, the opportunity costs for investors, etc. Larger properties – 100 units or more – can achieve this scale. Similarly, larger owners can cluster a group of smaller properties to achieve scale.

Many public housing authority portfolios across the country are too small to warrant stand-alone LIHTC transactions. Similarly, the Public Housing Authorities (PHAs) themselves may lack familiarity with the LIHTC program or the staff capacity to undertake development or recapitalization transactions using complex financing structures.

The objective of the Multi-Site Bond Program (Program) is to overcome these obstacles, allowing smaller public housing properties and smaller PHAs to access the resources available in the LIHTC program. Specifically, this scheme seeks to match housing authorities and developer partners to implement a larger, multi-site 4% LIHTC and private activity bond transaction. Through this match process, the PHAs would be able to associate themselves with the unifying element – the developer partner – necessary to implement a multi-site bond transaction. The lender underwriting and the equity investor underwriting would focus on the developer's financials and capacity, rather than the capacity of each participating PHA. The process would be coordinated so that all of the properties in the transaction would close on a unified timetable. Finally, the developer would take responsibility for long-term operations and compliance, and would execute most or all of the transaction guaranties.

**Applicable Program Participants**

The participants in the Program will be PHAs and their developer partners (the Project Team) who plan to redevelop the PHAs' property/ies with the majority of units as RAD units (at least 80% of total units post-redevelopment). The PHAs must choose a developer partner from a small group of developers who have been qualified by DCA to participate in the Program. DCA

will issue a two-stage Developer Request for Qualifications (RFQ), with DCA administering the first stage qualifying the pool of developer partners and the PHAs, working with a program facilitator, administering the second stage to select developers from the pre-qualified pool.

### **Program Underwriting and Architectural Criteria**

If a Project Team proposes to use construction and/or permanent financing from the Federal Housing Administration or United States Department of Agriculture, then DCA will accept and utilize the underwriting and architectural criteria of these federal agencies. DCA's underwriting process will involve confirming that the proposed redevelopment of the properties, as reflected in the core application, meet the criteria set out in a firm commitment from the applicable federal agency as well as all tax credit program requirements.

If a Project Team proposes to use construction and/or permanent financing other than from a federal agency, then the properties must comply with the underwriting and architectural criteria in the current QAP. However, certain modifications of the criteria may be allowed by DCA, as follows:

1. **Scope of Rehabilitation:** The properties' scope of rehabilitation work must, at a minimum, satisfy the rehabilitation needs identified in the RAD Physical Conditions Assessment (RPCA). If the RPCA requires the replacement of an item within 15 years or less of the initial rehabilitation, then the item must be replaced in the initial rehabilitation unless approved by DCA. DCA may allow a reduction of the minimum per-unit rehabilitation hard cost based on the rehabilitation needs identified in the RPCA. DCA may modify additional architectural criteria and will provide a supplemental minimum list of rehabilitation standards.
2. DCA may modify additional underwriting and architectural criteria at its discretion.

Applicants will pay a flat fee of \$6,000 per project, which will cover all required waivers from DCA's requirements and the DCA final inspection.

### **Program Process**

The process of the Program is as follows:

1. The entity serving as the facilitator of communications among the PHAs for this Program (the "Facilitator") will reach out to potential PHA participants to explain the program and gauge potential interest in participating in the Program. The Facilitator will not request any binding commitment of interest at this time.
2. The Facilitator works with any PHAs then interested in the Program to solicit issues or qualification criteria that the PHAs recommend DCA address in the RFQ. The Facilitator will draft selection process language regarding the second stage of the process to be included in the DCA RFQ, and will communicate this information to DCA. To the extent PHAs have expressed interest in the Program, the Facilitator shall work with these PHAs in drafting the second stage selection process. Otherwise, the Facilitator will apply her own judgment in making recommendations for DCA and will attempt to get feedback from other PHAs that have previously participated in RAD.

3. Each RAD-participating PHA procures a HUD-compliant RPCA. To participate in the Program, the PHA must use an RPCA provider that is on DCA's list of approved PNA providers and has either 1) completed at least 5 RPCAs that have been submitted to HUD for review and comment or 2) completed at least 2 RPCAs for transactions that have completed the RAD conversion process. For PHAs not yet determining whether to participate in the Program, it is recommended that the PHA adopt this baseline qualification standard to avoid the need to procure a second RPCA if they subsequently decide to participate in the Program.
4. DCA oversees and completes the Developer RFQ process, incorporating – at DCA's discretion – some or all of the issues and qualification criteria the Facilitator, with input from the PHAs, recommended. (See also the qualifications specified in paragraphs 10 and 11 of the companion proposed term sheet).
5. DCA determines qualified developer partners for the Program based on the criteria described in the Developer RFQ documents and publishes the list of qualified developer partners.
6. The Facilitator reaches out to potential PHA participants – including both those that expressed interest previously as well as those that did not – to solicit interest in the Program. A prospective PHA completes and submits a form to the Facilitator identifying its desire to participate in the Program as well as the potential number of projects and units to be included. In this form, the PHA certifies either a) that it is prepared to be the bond-issuing agency but if the borrower (developer) prefers that another agency issue the bonds, the PHA will not object to that selection, or b) that it would rather not be the bond-issuing agency. Other than this certification of willingness to allow another agency to be the bond issuer, the form is non-binding and will affirm the PHA's right to withdraw from the Program.
7. The Facilitator confers with the participating PHAs and, as appropriate, recommends any last minute adjustments to the second stage process of the DCA RFQ. DCA, at its discretion, incorporates some or all of the recommendations in an Addendum to the RFQ.
8. The Facilitator collects the draft RPCAs from potential PHA participants and distributes them to the qualified developer partners.
9. The qualified developer partners compile the second-stage submission under the RFQ, which includes copies of the qualifications materials as well as materials introducing themselves and expressing their proposed partnership structure (including owner, developer, and property manager roles/responsibilities, compensation, guaranty structure, etc.). The qualified developer partners submit this package to the participating PHAs via the Facilitator.
10. The Facilitator coordinates Concept Meetings with potential developer partners and the PHAs. At this meeting, the PHA will describe its property/ies, including its redevelopment goals in order to introduce the developer partners to the property/ies.
11. If desired, each PHA will host a site visit/s, in concert with the Facilitator, for interested developer partners.
12. Working with the Facilitator, the PHAs determine whether to pursue a consensus-based selection process or a voting-based selection process. The PHAs may also determine to pursue a consensus-based process and then subsequently shift to a voting-based process. The detailed mechanism for these two alternative selection processes are described in paragraphs 17-24 of the companion proposed term sheet.

13. The developer partner drafts an initial financial feasibility analysis and if the multi-site transaction appears feasible, the developer notifies DCA of its intent to submit a 4% LIHTC application in the future. If the multi-site transaction does not appear feasible, the developer may opt out of the program entirely. The developer partner may not exclude specific PHA properties.
14. If any developer partner opts out, the Facilitator may request a meeting to discuss the developer partner's reasons for opting out of the program. Working with the Facilitator, the PHAs may select their second choice developer partner, again using either a consensus-based or a voting-based selection process. Where necessary, the remaining developer partners may update their initial feasibility analysis, confirming their participation or opting out of the program.
15. The developer partner selects the bond-issuing agency, informed by the PHAs' preferences.
16. The Project Team members selected by the PHAs are: the RPCA providers (selected by each PHA) and the PHA transaction counsel (selected collaboratively by the PHAs working with a single developer, as a group).
17. The Project Team members selected by the developer are: the lender, the investor, the developer counsel, the architect(s), the general contractor(s) and due diligence vendors. The PHAs may provide input to these selections but decision-making authority rests with the developer partner.
18. The Project Team engages in the normal course of the development process for the LIHTC/bond transaction. This process will include each PHA holding a TEFRA hearing, which is an official action that is required to issue the bonds.

**Abbreviated Program Timeline**

The process of the Program is as follows:

	Duration (in days)	Deadline or Completion
• Program Launch; HUD issuance of CHAPs	0	Day 1
• PHAs and Facilitator provide input into draft of RFQ regarding second stage selection process	15 from Program Launch	Day 15
• Issuance of Developer Selection RFQ	15 from input on second stage of selection process	Day 30
• Deadline for PHA notice to proceed to RPCA Provider (completion of procurement and contract negotiation)	45 from launch	Day 45
• Deadline for Developers' First Stage Responses	30 from RFQ issue	Day 60
• DCA publishes list of Qualified Developers	15 from RFQ due	Day 75
• HUD deadline for completion of RPCAs by PHAs	90 from CHAP	Day 90

<ul style="list-style-type: none"> <li>• PHA Expression of Interest in the Program and PHA suggestions for the contents of the RFQ</li> </ul>	1 day from submission of RPCA to HUD	Day 91
<ul style="list-style-type: none"> <li>• Deadline for delivery of RPCAs to Qualified Developers</li> </ul>	15 days from PHA Expression of Interest	Day 105
<ul style="list-style-type: none"> <li>• DCA issues addendum listing interested PHAs and, if necessary, providing revisions to RFQ</li> </ul>	15 days from PHA Expression of Interest	Day 105
<ul style="list-style-type: none"> <li>• Deadline for Developers' Second Stage Responses (Case Statement and Developer Marketing)</li> </ul>	30 days from DCA addendum to RFQ	Day 135
<ul style="list-style-type: none"> <li>• Concept Meetings, Site Visits, Mutual Due Diligence between PHAs and Developers</li> </ul>	21 days from developer second stage responses	Day 156
<ul style="list-style-type: none"> <li>• PHA Developer Selection from among Qualified Developers (PHAs may elect to opt-out of the program at this point)</li> </ul>	30 days from developer second stage responses	Day 165
<ul style="list-style-type: none"> <li>• Deadline for Developer Opt-Out (completion of developers' financial feasibility analysis)</li> </ul>	15 days from PHA developer selection	Day 180
<ul style="list-style-type: none"> <li>• If a developer opted out, PHAs select from remaining Candidate Developers</li> </ul>	7 days from developer opt-out	Day 187
<ul style="list-style-type: none"> <li>• Deadline for Developer Opt-Out (revised financial feasibility analysis)</li> </ul>	7 days from PHA's second selection	Day 195
<ul style="list-style-type: none"> <li>• Project Teams in place and begin 4% LIHTC transaction</li> </ul>	1 day from match	Day 181 or Day 196