

Application For Financial Assistance Description of the Application Review and Scoring Process

Baltimore County DHCD seeks impactful proposals to produce new affordable housing units as well as projects that preserve existing affordable housing units reserved for low-income households.

The application process includes the submission of an Application for Financial Assistance, Form 202, Project Description and Development Team Narrative, as well as Application Checklist. These application materials can be found in DHCD's Affordable Housing Development Guide ("Development Guide") and are attachments to the Application for Financial Assistance ("Application"). The Application review and rating process is completed in three stages. The first stage is the Review to determine whether applications are complete and conform to the Eligibility Requirements outlined in the coming sections. Applications must meet every requirement or they will be deemed ineligible and will not be reviewed further. After completing an initial review, DHCD may reach out to applicants with questions about the Application. The second stage is the review process by DHCD. DHCD will review all materials of the Application to assess viability. DHCD may have further questions and will reach out to the applicant for more information. In the third stage, DHCD will score the development proposal against the Underwriting Scoring Criteria and Bonus Scoring Criteria. Projects that meet the eligibility requirements and score competitively will be recommended for funding and presented to DHCD's Loan Review Committee pre-approval.

ELIGIBILITY REQUIREMENTS

Applicant must submit documentation that fully demonstrates its compliance with each of the Eligibility Requirements outlined below. Failure to meet the eligibility requirements, or to document eligibility, will result in elimination of the application from funding consideration without further review.

1. Project Criteria

1. Eligible Project Type

- a. Production - Funding for new construction projects, or projects that rehabilitate vacant buildings, that produce units reserved for households at or below 80% of AMI.
- b. Preservation - Funding for the acquisition and rehabilitation of existing, occupied housing, where affordability will be preserved for existing low-income tenants at or below 80% of AMI.

2. Site Control

- a. Applicants must have site control proposed for development. This may be in the form of:
 - i. A current deed evidencing fee simple ownership.
 - ii. A lease option.
 - iii. A land or property disposition agreement.
 - iv. A contract of sale.

3. Entitlements and Development Review

The applicant must demonstrate that the proposed development is matter of right or that applicable zoning approvals have been applied for. For change in zoning, provide the PUD County Council Resolution or such other information demonstrating a change in zoning to support your proposed development, or reasonable evidence that such a

change can be obtained consistent with the development timeline, otherwise the project will be disqualified from further consideration.

Financial Criteria

1. Development Budget and Operating Expenses

The financial component of this application is the multi-tab spreadsheet titled "Form 202". Applicants will use this workbook to present the details of their proposals, such as the development budget, operating pro-forma, unit mix, sources and uses, tax credit calculation, if applicable, along with the other relevant tabs.

Applicants should pay attention to DHCD's construction and operating guidelines to ensure conformance. Applications exceeding the guidelines will require an explanation and waiver. Exceeding the guidelines by more than 15% may negatively affect the score.

2. Financing Letters of Interest or Commitment

Applicants must submit letters of interest or letters of commitment from all other financial sources, including predevelopment, construction, permanent financing sources, and equity sources including applications for allocations for LIHTC equity. If applicants haven't received Financing Letters, then provide an update on the status of obtaining such commitments.

3. Financial Information for Operating Projects

For existing and occupied buildings, additional information is required to describe the current status of the project including, among other things, the current debt structure, any existing operating subsidies, current occupancy, financial statements, and management reports including rent roll and delinquency report. Applicants must provide an explanation of the relationship between the existing and proposed financing.

Applicant Criteria

1. Development Team Threshold - The applicant must have the development team in place and provide complete information and documentation as outlined in the Application Checklist provided in the Development Guide or a plan to assemble the team and timeframe. The following team members should be identified: Owner, Guarantor, Developer, Development Consultant, Architect, General Contractor, Construction Manager, Management Agent, Resident/Support Services Provider.

Applicants should indicate if it has not identified a team member yet and provide a timeframe as to when such member will be identified. At least one of the key team members - Owner, Developer, or Development Consultant must have prior experience completing affordable housing projects of a similar type and scope as the project being proposed.

Reports and Plans

1. Appraisal - should provide sufficient value to support a loan-to-value ratio not to exceed 100% of value for all debt. An explanation and waiver will be required should the loan-to-value ratio exceed 100%.
2. Market Study and Demand Analysis- should support the assumptions used in the proposal.
3. Environmental Site Assessment
4. Architectural Plans and Cost Estimates - construction costs must be reflected in the Form 202.
5. Capital/Physical Needs Assessment - required to be completed for moderate rehabs.
6. Current Property Tax Bills.

Other documents may be requested for review by DHCD.

The above reports are a condition of loan closing. If the reports have been completed by the submission of the county application, include the reports as part of the submission. If the reports are being completed in connection with subsequent applications for financing including tax credits, the applicant shall provide the third-party reports, and financing commitments and any other updates prior to closing reflecting any material changes in the underwriting.

Compliance Criteria

1. Green Design and Building is optional but preferred.
2. Community Engagement Plan - DHCD is committed to the development of affordable housing across all areas of the county in an equitable and transparent manner. Applicants should inform their councilman and surrounding community about the planned project, and if preservation, a plan to address communications with current residents. The Project Description and Development Team Narrative should include the plan of community engagement. It is strongly recommended that the developer discuss and receive the support of its councilman for the proposed development.
3. Resident Relocation - for renovations that involve temporary or permanent relocation of residents, the applicant must submit a relocation strategy. All projects with county financing will be held to the standards of the Uniform Relocation Act.

Application Checklist -the Application Checklist contains all of the required materials and documents for an application. If information or documentation isn't available at the time of application, applicants are to provide an explanation and timeframe for submission.

SCORING CRITERIA

Applicants that meet all of the threshold eligibility requirements will be evaluated and scored. All Applications for Financing will be scored against the Underwriting Scoring Criteria and Bonus Scoring Criteria. Projects that score competitively will be recommended for funding and presented to DHCD's Loan Review Committee for pre-approval. The attached spreadsheet summarizes the Application Requirements and Underwriting and Bonus Scoring.

UNDERWRITING SCORING

1. Financial and Economic Feasibility (40 pts) -The Financial and Economic Feasibility score is a composite of several factors, listed below, and will be scored on these factors.

- a. Form 202 (20 pts) - contains realistic set of sources and uses, development budget, and proforma operating budget based on solid assumptions consistent with market studies and other reports.
 - b. Timeline (5 pts) -the timeline is complete and reflective of the underwriting data and reports.
 - c. Architectural Plans (5 pts) - provide all plans and documents that are available, and the status of the time frame to complete the plans together with a construction budget which aligns with the plans. The plans shall reflect all design characteristics such as unit mix, green building, and accessibility.
 - d. Firm Financing Commitments (10 pts) - status and timeline of financing commitments from all participating funders, and copies of all letters of intent and commitment letters, if available.
2. Development Team Capacity and Experience (35 pts)- development teams will be evaluated on their experience with and performance on comparable projects, on past performance, and capacity to deliver the proposed project, as well as maintain long term viability and compliance.
 - a. Sponsor/Developer/Owner/Development Consultant Capacity and Experience (10 pts)
 - b. General Contractor Capacity and Experience (5 pts)
 - c. Management Agent Capacity and Experience (5 pts)
 - d. Architect/Construction Manager Capacity and Experience (5 pts)
 - e. Overall Team Past Performance (10 pts)- DHCD will assess projects developed and managed by the development team. The team will provide a list of properties owned and managed including affordable housing properties. The owner will provide a REO Schedule.
3. Site Selection and Design Characteristics (5 pts) - site selection and project design must meet the needs of the occupants with appropriate unit design and onsite amenities. DHCD will review of project's site, location, architectural plans, building evaluation report, and the overall project narrative.
4. Acquisition Cost Reasonableness (5 pts) - Proposed property acquisition costs or property that has already been acquired must be reasonable and may not exceed the property's fair market value as evidenced by an appraisal.
5. Compliance with DHCD Development Finance Underwriting Criteria (5 pts)-the criteria is outlined in DHCD's Development Finance Underwriting Criteria included in the Development Guide.
 - a. Construction Cost Guidelines (2.5 pts)
 - b. Operating Cost Guidelines (2.5 pts)
6. Leverage (10 pts)
 - a. Overall Leverage (5 pts) - measures the extent to which DHCD loan funds are leveraged with other public and private resources.

- b. Subsidy Leverage (5 pts)- additional leverage available to projects including grants, subsidies, and subordinate financing that decrease the project's funding gap and decrease the amount of DHCD financial assistance. Examples of subsidy leverage include grants, deferred developer fee, sponsor equity or loans, subordinate seller notes, among other sources.

BONUS SCORING

1. Demographic (20 pts)
 - a. Family-Oriented Units (5 pts)-3+ bedrooms. This score awards points to projects that provide more units with three or more bedrooms.
 - b. Income Levels Served (10 pts) -at or below 80% of AMI. This score awards points to projects with units at or below 80% of AMI. Projects with a higher% of affordable units and deeper affordability will receive greater weighting. For example, units at 30% affordability will receive greater weighting.
 - c. Housing Opportunities for Persons with Disabilities - The County seeks to increase accessible, affordable, and independent housing opportunities in its communities. This score awards points that designate units for occupancy at affordable rents specifically for persons with disabilities.
 - d. UFAS eligible or Accessible units (5 pts)-This score awards points to projects that provide UFAS eligible or Accessible units.
2. Applicant (5 pts)
 - a. Non-Profit Participant- at or over 51%. This score will be determined from the Applicant's response to the Development Team Member section awarding points for projects in which a 501(c)(3) Qualified Non-profit Organization materially participates in the ownership, development and operations of the project.
3. Location/Programs (10 pts)
 - a. VCA Eligible (5 pts) - the criteria awards preference points for projects based on location. DHCD seeks to create or preserve more affordable housing in areas of opportunity or VCA eligible areas. For information on the VCA eligible areas see the Development Guide which contains a map of the VCA Eligible Areas as well as a link to the VCA Agreement which includes Exhibit F, Tables A and B containing VCA eligible census tracts. Points will be awarded to projects which are located in VCA eligible areas.
 - b. Areas of Opportunity (5 pts)
4. Maximum Impact of DHCD Resources (50 pts)
 - a. Preservation or Production (5 pts)- points will be awarded to projects that are preserving or producing affordable housing.
 - b. Green Building (5 pts) - points will be awarded to projects that satisfy Green Building Act requirements.
 - c. Affordability Period (5 pts) - Projects are awarded points if the affordability period equals or exceeds 30 years.

- d. Emerging Developers (10 pts) - this award points to smaller developers that may not have the experience nor resources of larger developers and that face hurdles obtaining financing.
- e. Small, Faith-Based, BIPOC, or Female-Led Partners (10 pts)- awarding points for the promotion of developments with Small, Faith-Based, or Female-Led Partners.
- f. Innovative Affordable Housing Solutions (5 pts) -awarding points to projects demonstrating ambitious, feasible, and creative solutions to housing affordability issues.
- g. Integrated Permanent Supportive Housing (PSH) (5 pts)-These points are available to Production and Preservation and there is no limit on the number or% of units.
- h. Communities with Resident Services Programming (5 pts) - points are awarded for high-quality, property-wide resident services designed to improve the quality of life of residents, empower residents, and support broader community-building goals. The proposed Resident Services plan should outline a thoughtful approach to coordinating and managing all resident services and programming.