



**CITY OF EAST PALO ALTO**  
OFFICE OF THE CITY MANAGER  
2415 UNIVERSITY AVENUE  
EAST PALO ALTO, CA 94303

**Policy & Action  
Item: #10E**

**City Council Agenda Report**

**Date:** July 17, 2018  
**To:** Honorable Mayor and Members of the City Council  
**Via:** Carlos Martínez, City Manager   
**From:** Sean Charpentier, Assistant City Manager  
Victor Ramirez, Rent Stabilization Administrator  
Patrick Heisinger, Housing Manager  
**Subject:** Draft Affordable Housing RFP for 965 Weeks Street Property

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**Recommendation**

1. Accept the staff report regarding the potential development of the City-owned property located at 965 Weeks Street;
2. By motion: a) Authorize the City Manager to issue a Request for Proposals for development of a future affordable housing community located at 965 Weeks Street in accordance with the City Council priorities and scoring criteria further discussed in this memorandum; and, b) Authorize the City Manager to evaluate submitted proposals and return to City Council with the top proposals, as well as a recommendation for award.

**Alignment with City Council Strategic Plan**

These recommendations are primarily aligned with:

1. Priority #3: Increase Organizational Effectiveness and Efficiency
2. Priority #6: Create a Healthy and Safe Community

**Background**

On April 24, 2018, the City Council hosted a special meeting that featured discussion of a Study Session Item: EPA's Draft Affordable Housing Strategy. During the meeting, the City Council directed staff to return at a later date with a revised Affordable Housing Strategy ("Strategy") to be considered for possible approval and adoption. Staff intends to bring the updated Strategy to the City Council in Fall 2018.

However, during the discussion, the City Council discussed the City-owned 965 Weeks Street property (“Property”) and indicated that the Property should be developed for affordable housing on a schedule that is independent of (but consistent with) the broader Strategy adoption.

### **Council Direction Regarding the Property**

Specific feedback from City Council regarding the future development of the Property included:

- Direction to develop the Property with multi-family affordable apartments.
- Preference to pursue a Request for Proposals (“RFP”), rather than a Request for Qualifications (“RFQ”), in order to expedite the process and provide specific parameters for developers. (Target date - July 2018)
- Support for a mix of incomes (ranging from Extremely Low Income (“ELI”) to Low Income (“LI”)) and number of bedrooms (ranging from studios to 3-4 bedroom units). Area Median Income (“AMI”) targets should be consistent with the Facebook Agreement.
- Interest in establishing a local preference.
- Interest in maximizing density on the site.

On June 28, 2018, staff hosted two outreach meetings: 1) for members of the affordable housing development community, and 2) for the neighborhood and other community stakeholders.

### **Analysis**

#### **Proposed Approach**

Development of the Property may most efficiently be accomplished through a proposed approach that involves issuing an RFP with specific project parameters, collecting and reviewing received proposals according to recommended scoring criteria, and returning to City Council for consideration according to a recommended timeline. This proposed approach is described in detail below.

#### **RFP Process**

Staff recommends that the City issue an RFP to obtain proposals for developing the Property as multi-family affordable apartments. The purpose of the RFP process is to identify prospective developers that are qualified to partner with the City to develop the Property. The RFP process will allow the respondent developers to design a vision for the Property that meets the goals described in the City Council and community priorities, while remaining flexible enough to encourage creative solutions. Respondent developers will utilize their expertise, as well as their experience qualifying for various eligible funding sources.

The RFP will require respondents to demonstrate that the project they develop will:

- Reserve at least one-third of the units for ELI households, defined as those residents earning incomes at or below 30% of the AMI; in general, the 30% AMI requirement should be proportionate for each unit type.
- Maximize density on the Property;
- Include a mix of unit types, such as studios and units for larger families; in general, the unit mix should include the following parameters: Not more than 20% of the units should be one (1) bedrooms or studios and at least 20% of the units should be three (3) bedroom units;
- Propose flexible, inclusive tenant screening criteria for the purposes of screening tenants in, rather than out, innovative strategies to ensure that tenants are members of the local EPA community, and creative solutions for prioritizing low-income residents
- Include an East Palo Alto “live” and/or “work” preference (“Live/Work Preference”) for future tenants. Please see Attachment A – the Draft Live/Work Preference for City Sponsored Multi-Family Projects.
- Comply with the City’s First Source Hiring Program; and
- Be financially viable.

In addition, the proposal will provide information regarding:

- The respondent’s qualifications in developing and operating affordable housing;
- The financial capacity of the development team to perform;
- A public outreach plan to engage the neighborhood and other stakeholders throughout entitlement, development, and completion of the project;
- A comprehensive schedule for all phases of development and completion; and
- Acknowledgement that the City will ground lease the Property to the selected developer.

Note: At the conclusion of the RFP process, when the City Council has selected the developer for the Property, the City Council will be able to reevaluate and provide specific direction regarding the project. City Council may discuss, alter, and finalize the detailed project requirements, such as the project’s number of units, target AMI levels, and any preferences prior to approving a financial commitment. It is not necessary, at this time, to have every detail solidified for the project.

### Recommended Scoring Criteria

Staff recommends adoption of Minimum Threshold Requirements including:

1. **Developer Experience & Capacity** – The developer must show their successful experience in developing affordable rental housing. Experience must include successful operation of completed developments. In addition, the developer must demonstrate their capacity to perform the administrative, managerial, and operational function to oversee the work necessary to successfully effectuate the proposed

development. Respondents to the RFP must have developed and operated at least five (5) 100% affordable housing communities.

2. **Developer Compliance History** – The developer must demonstrate compliance with prior City loans. Developer compliance deficiencies must be corrected before any loan recommendation will be presented to the City Council for consideration.
3. **Audited Financials** – The developer must demonstrate that their organization, including all subsidiaries, are in good financial standing.

Developer proposals that do not meet the Minimum Threshold Requirements will not be considered according to the scoring criteria. A detailed description of the recommended scoring criteria is provided in Attachment B, and a brief summary of the recommended scoring criteria is provided below:

AREA	POINTS
Respondent Experience	Minimum Threshold Requirement – Pass/Fail
Compliance History	Minimum Threshold Requirement – Pass/Fail
Audited Financials	Minimum Threshold Requirement – Pass/Fail
Project Vision/Description	Maximum 30 Points
Total Number of Proposed Units	Maximum 20 Points
On-Site Services and Property Management Plan	Maximum 15 Points
Requested Financial Assistance from City	Maximum 10 Points
Project Timeline	Maximum 10 Points
Community Stakeholder Outreach/Engagement	Maximum 10 Points
Submission Quality	Maximum 5 Points

In addition to the detailed proposal elements described in the scoring criteria, respondent developers will be required to submit the following supplemental information as further demonstration of their ability to effectuate the project:

- Proforma for Execution of 4% and 9% Tax Credits.

Respondents shall submit two (2) proforma for the proposed project that show both a 4% and 9% tax credit execution, each with a corresponding timeline. Taking this information into account during the evaluation period will assist the City in selecting the appropriate development team and identifying the City’s eventual contribution for/to the Project, if applicable.

- Affordable Housing and Sustainable Communities (“AHSC”) Program.

The AHSC or “Cap and Trade” Program was established with the passage of Senate Bill 182 to implement Assembly Bill 32; the California Global Warming Solutions Act 2006. Respondents to the RFP will be required to submit a narrative opinion regarding the potential for securing funding for the project through the AHSC Program, based on their experience and analysis of the Property for potential AHSC eligibility.

- Density Bonus Considerations.

While proposals must comply with the current Zoning/General Plan requirements, the selected development team may apply for certain concessions under the State’s Density Bonus program. Respondents shall submit a narrative explanation of the concessions the development team would seek from the City, with specific details such as: which concessions (height, parking, set-back requirements); any resultant increase in the number of units for the project; and the AMI restrictions for the units that would be increased. A side by side comparison of the formal proposal with potential Density Bonus considerations is preferred.

Proposals will be rated according to adherence to the current Zoning Code and General Plan. Density Bonus considerations will be utilized once a development team has been selected.

After the RFP deadline has passed, staff will review and score each proposal based on the scoring criteria. Staff recommends that the highest scored project be reviewed with City Council, in order to identify a final selection.

Once a developer for the future affordable housing development has been selected, staff will return to the City Council for consideration of an Exclusive Negotiation Agreement (“ENA”). Approval of an ENA will allow the developer to pursue tax credit and other state/county funding.

### Timeline

Staff has drafted an aggressive yet feasible timeline necessary to identify a proposal for the City Council to consider in Fall 2018. The schedule assumes that the City Council gives direction to release the Draft RFP after the July 17, 2018 Council Meeting, either as proposed or as amended.

The goal would be to bring two developers, including a staff recommendation, to the City Council for the selection of a developer to enter into an ENA. This process will be extremely competitive with many qualified developers participating.

To achieve this outcome, staff recommends the actions listed below with deliverables that are due on the following dates:

DRAFT SCHEDULE	DATE
Host general outreach meeting for neighborhood/stakeholders	Week of June 25 <sup>th</sup>
Return to City Council for direction to issue an RFP	July 17 <sup>th</sup> , 2018
Issue RFP	Week of July 23 <sup>rd</sup> , 2018
Host mandatory Pre-Bidders Conference	Week of August 6 <sup>th</sup>
Deadline for respondents to submit questions	Week of August 17 <sup>th</sup>
EPA issues addendum responding to questions	Late-August 2018
RFP Due Date	September 7 <sup>th</sup>
Review Panel rates all submittals <sup>1</sup>	Week of September 10 <sup>th</sup>
Interviews with Highest Rated Development Teams <sup>2</sup>	Late-September 2018
Return to City Council with recommendation	November/December 2018
Negotiated and Execute an ENA	November 2018-February 2019
Environmental Review (CEQA) (Assumes Negative Dec)	February- May 2019
Tax Credit Application	Fall 2019
Closing of Construction Financing	Winter 2019
Start of Construction	Winter 2019
Project Completion	Spring 2021

### Community Meeting Feedback

On June 28, 2018, staff hosted an outreach meeting with affordable housing developers to obtain input regarding staff's proposal for the Property. During that meeting, attendees communicated support for the proposed approach and one attendee asked that the City consider implementing a set-aside for housing formerly homeless individuals. Further, a representative with Housing Choices, an organization tasked with locating housing opportunities for those with development disabilities, inquired about the possibility of establishing a set-aside for East Palo Alto residents with development disabilities. Housing Choices informed City staff that East Palo Alto is home to 285 individuals/families with development disabilities. Staff recommends that both of the before mentioned preferences be folded into the larger analysis that the City and various partners will undertake prior to the future development breaks ground.

Staff also hosted a community meeting on June 28, 2018, at City Hall. At the meeting, the attendees provided input regarding the City's intent to develop the Property as affordable housing and asked that the City continue to engage meaningfully with the community when

<sup>1</sup> The review panel will be comprised of City Staff, a County representative, and a few members of the community.

<sup>2</sup> The review panel will conduct interviews of the highest rated proposals/development teams.

the development moves forward. The City is committed to this engagement and will require the future developer to embark on a comprehensive outreach process to engage with the local neighborhood and other stakeholders.

Community feedback centered around the following themes and specific inquiries/requests:

1. Strong support for a Live/Work Preference, so that the resulting development houses the highest possible percentage of EPA residents (100% preferred), with the following suggestions –
  - Request that the threshold be considered as longer than six (6) months, or that a weighted preference be employed to offer greater advantage to longer-term residents;
  - Suggest a weighted preference to assist people who have attempted to secure affordable housing in previous developments but have been unsuccessful; and
  - Consider expanding preference to qualifying parents of children in the EPA school district, recognizing that they may not currently have stable housing.
2. Support for ensuring that the development house truly low-income residents –
  - Recognize that families may hold several jobs and technically report a higher than ELI income, but should still qualify for affordable housing; and
  - Recognize that households may currently be overcrowded and therefore report a higher household income, but still have need for stable housing.
3. Concern was expressed about unintended inequities that may have resulted from previous housing development efforts.
4. Other potential impacts that could be ameliorated include the current parking congestion in the neighborhood surrounding the Property.

Related to the concerns detailed above, attendees offered several suggestions for the RFP process that could provide additional assurances that the final outcome will meet the community's needs, including:

- Add to the scoring criteria to prioritize proposals that demonstrate experience with applying innovative resident preferences, specifically to avoid the screening constraints presented by tax credit funding limitations;
- Suggest adding references from current residents of other developments that the proposer has built and/or managed;
- Utilize data about housing outcomes that resulted from other recent local affordable housing developments to inform this process; and
- Ask developers to consider adopting more flexible tenant screening criteria.

During the meeting, staff informed the attendees that the City will work with the community and several key stakeholders to draft a Live/Work Preference for the City Council to consider prior to ground leasing the Property to a developer. Development of the policy will proceed concurrently to the proposed process of identifying a developer and leasing of the Property, which is likely to occur within a 12-18 month timeframe.

The RFP process will be designed to respond to the questions, concerns, and suggestions voiced by the community, and, as described above, City Council will have the opportunity to discuss and provide direction to the selected developer prior to any funding commitment.

### **Fiscal Impact**

None.

### **Public Notice**

Staff hosted a community meeting on June 28, 2018 at City Hall to obtain initial input from the neighborhood and other stakeholders about the City's intent to develop the Property as affordable housing. In addition, the public was provided notice of this agenda item by: 1) posting the City Council agenda on the City's official bulletin board outside City Hall; and 2) making the agenda and report available at the City's website and the San Mateo County Library, located at 2415 University Avenue in East Palo Alto. A letter was received and is included as attachment 4.

### **Environmental**

The action being considered does not constitute a "Project" within the meaning of the California Environmental Quality Act (CEQA), pursuant to CEQA Guideline section 15378 (b)(5), in that it is a government administrative activity that will not result in direct or indirect changes in the environment.

### **Attachments**

Attachment 1 – Draft Live/Work Preference for City Sponsored Multi-Family Projects

Attachment 2 – Detailed Scoring Criteria

B1. Minimum Threshold Requirements

B2. Full Proposal Scoring Criteria for Qualified Respondents

Attachment 3 – Draft RFP for the Development of 965 Weeks Street

Attachment 4 Letter Received from Resident

**Draft\* Live/Work Preference for City Sponsored Multi-Family Projects**

Preference will be given to applicants who currently reside or work in the City of East Palo Alto. Applicants must submit proof with their application in order to claim either preference.

- To qualify for the “live” preference, the applicant must demonstrate that at least one adult (age 18 and over) has resided in the City of East Palo Alto for at least 6 months prior to application. A legal document, such as a current property lease, must be provided as proof of residence.
- To qualify for the “work” preference, at least one adult (age 18 and over) residing in the household must have been employed within the city limits for at least an average of 20 hours per week for the 6 months prior to application. Documentation from an employer must be provided in order to meet this requirement.

*\* The draft Live/Work Preference will be utilized for purposes of advancing the RFP for development of the Property, ensuring that respondents are aware of the City’s intent to pursue this preference. Staff will engage key stakeholders and bring a final draft of the Live/Work Preference to City Council prior to entering into any formal agreement with a developer.*



## Detailed Scoring Criteria

### **B1. Minimum Threshold Requirements**

Respondents must meet the qualifications in this section in order for their proposal to be considered.

#### Developer Team Experience

The Respondent must demonstrate sufficient experience and professional ability to complete the project. The Respondent must provide the following:

- a. A full description of the developer team that details the Respondent's experience developing affordable housing, and designing, entitling, and managing projects;
- b. Resumés of key personnel that describe their qualifications to facilitate the completion of the development;
- c. Respondent's organizational structure, including a clear explanation of their organizational chart/diagram for any proposed partnership or joint venture, showing structure and percentages of ownership and investment;
- d. (For team/joint venture proposals only) A draft partnership or joint venture agreement that describes the arrangement between entities in detail;
- e. Summary descriptions and photos of past affordable housing projects; and
- f. Information regarding at least five (5) 100% affordable housing communities that the Respondent has developed and operated.

#### Compliance History

Developers and or Service Providers who have any open compliance issues with the City of East Palo Alto will not be eligible to participate in this RFP. Developers with compliance deficiencies must be corrected before the award of this RFP will be presented to the City Council. A correction that results in a delay of more than 30 days will automatically disqualify the Respondent.

#### Audited Financials

The Respondent must demonstrate that their organization, including all subsidiaries, are in good financial standing.

## Detailed Scoring Criteria

### **B2. Full Proposal Scoring Criteria for Qualified Respondents**

Respondents that meet the Minimum Threshold Requirements must ensure that their proposal includes the following information, organized as detailed below.

#### 1. Project Vision/Description (30 Points Maximum):

The project description must include a narrative of the proposed project including:

- a. Development plan, the concept for designing, developing, and type of construction for the project.
- b. Statement of how many people will be housed and describe the housing configuration – i.e. number of proposed affordable units, proposed affordable rents, and affordability levels by unit.
- c. The Property Management Plan that clearly defines how the needs of the community would be met. All services and/or amenities should be geared to creating a healthy community that encourages interaction among all residents.
- d. Description of proposed community amenities.
- e. Project Financial Information including total project costs, cost per unit, and an estimate, if applicable, of what the Respondent may need from the City to complete the project. Further, the budget shall identify both the hard and soft costs associated with predevelopment, development, and site construction. The budget submittal must be provided in a concise, organized, and logical format. Finally, Respondents shall indicate any additional sources of funding that would lessen the need for City funding.
- f. A cash flow projection including the first fifteen (15) years of the project and the full amortization of all mortgage financing sources. The operating *pro forma* shall clearly provide all relevant revenue, operating cost, and financing assumptions.
- g. A conceptual plan for the site, which should be designed to encourage a sense of community. Respondents are not required to submit a detailed site plan with drawings for the site at this stage.
- h. Description of current zoning on the site and entitlement status. The narrative must include the Planning requirements (for example rezoning of the property) that would be required to effectuate the project, if applicable. The narrative must also describe the level of environmental review required of the project.
- i. Description of how the developer will adopt flexible, inclusive tenant screening criteria for the purposes of screening tenants in, rather than out; utilize innovative strategies to ensure that tenants are members of the local EPA community; and adopt creative solutions for prioritizing low-income residents

#### 2. Total Number of Proposed Units (20 Points Maximum)

More than 130 units in the project – 20 points

More than 100 units in the project – 10 points

All other proposals (fewer than 100 units) – 0 points

3. Requested Financial Assistance from the City (10 Points Maximum)

At or below \$30,000/unit - 10 points

At or below \$45,000/unit - 7 points

Greater than \$50,000/unit - 5 points

Note: City will average respondent's 4% and 9% figures

4. On-Site Services and Property Management Plan (10 Points Maximum)

Respondents must provide ample information regarding the on-site services that will be provided for residents and how the property would be managed. The On-Site Services and Property Management Plan should clearly define how the needs of the community would be met. All services and/or amenities should be tailored to the proposed population. Further, the Property Management Plan shall address how the Respondent will ensure the long-term viability of the project.

5. Project Timeline (10 Points Maximum)

Respondents must provide a development schedule for the entire proposed development. The Project Timeline should detail key milestones including: commencement of design, entitlement and permitting, site preparation, construction commencement, construction completion, and when occupancy may begin. Respondents should discuss what challenges they anticipate in completing the project, and how they will be held accountable for such dates and contingencies, if any, to the schedule.

Respondents shall provide a timeline for both a 4% and 9% tax credit process.

6. Community/Stakeholder Outreach and Engagement (10 Points Maximum):

- a. Design of a public outreach plan, including outreach to neighborhood groups and other stakeholders to provide ongoing updates on the progress of the overall project;
- b. Identify and elaborate on potential coordination needs with partners and stakeholder groups, including government entities, nonprofits or affordable housing advocates.
- c. Marketing/Outreach plan to inform East Palo Alto residents of the application process.

7. Submission Quality (5 points)

- a. Proposal is well-organized, professionally communicated, and meets all RFP specifications.

July 5, 2018

Sean Charpentier, Patrick Heisinger and City Council members:

After attending your meeting on the Weeks Street project I feel it important to again voice my concerns. I feel that the city is being manipulated by millions of dollars into thinking that there is a quick fix for a problem that cannot be fixed with one so called little affordable housing project in East Palo Alto. For the people who do not live in this city use dangling money as a lure without understanding the real needs of the residents. We have major parking problems on many of the streets, with no place to park on our own streets. On some streets there are campers, Taco Trucks, big rigs, work trucks taking up space that the residents need. No one can say that a new large complex will not add to this problem and say it with conviction and honesty, they don't live here and don't contend with the problem. Traffic has become a nightmare for many of us trying to leave home or return to it. Good people are leaving the city for better paying jobs, people who knew and understood the residents and took pride in their jobs and were people who knew how to get problems solved. Where are they now? We still have problems with drugs and the homeless. I am certain that these are not the only issues the city is faced with so it seems only wise that we tackle and solve the ones we have before we take on something that will come with monumental problems. This money does not seem to be offering better services or fixes for what we are already facing.

Thank you for your time and I hope some consideration.

*James Hill*  
James Hill

65 Buchanan Court  
East Palo Alto, CA 94303

*We would still like to meet with you  
concerning the water restrictions for  
home owners to build on new property that  
they already own*

*650-630-6997 Rachel  
650 285 9551 James*

**DRAFT**



**REQUEST FOR PROPOSALS**

**AFFORDABLE HOUSING DEVELOPMENT  
965 WEEKS STREET  
EAST PALO ALTO, CALIFORNIA**

City of East Palo Alto  
Economic Development Department  
Housing Division

1960 Tate Street  
East Palo Alto, CA 94303

**July 2018**

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## REQUEST FOR PROPOSALS

### AFFORDABLE HOUSING DEVELOPMENT

#### 965 WEEKS STREET

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#### Attachments

- Exhibit A:** 965 Weeks Street Property Site Map
- Exhibit B:** General Plan Goals, Policies and Strategies
- Exhibit C:** Property Development Standards
- Exhibit D:** Underwriting and Cost Guidelines

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## I. INTRODUCTION

The Successor Housing Agency of the City of East Palo Alto (Agency) is seeking proposals for the development of affordable housing located on a City-owned 2.52 acre site located at 965 Weeks Street, East Palo Alto, CA (“Property”). The Property was purchased by the former Redevelopment Agency utilizing twenty percent affordable housing funds.

On April 24, 2018, the City Council hosted a special meeting that featured discussion of a Study Session Item: EPA’s Draft Affordable Housing Strategy (“Strategy”). During the meeting, the City Council indicated that the Property should be developed for affordable housing on a schedule that is independent of (but consistent with) the broader Strategy adoption. The City Council provided the following specific feedback regarding development of the Property:

- Direction to develop the Property with multi-family affordable apartments.
- Preference to pursue a Request for Proposals (“RFP”), rather than a Request for Qualifications (“RFQ”), in order to expedite the process and provide specific parameters for developers. (Target date - July 2018)
- Support for a mix of incomes (ranging from Extremely Low Income (“ELI”) to Low Income (“LI”)) and number of bedrooms (ranging from studios to 3-4 bedroom units). Area Median Income (“AMI”) targets should be consistent with the Facebook Agreement.
- Interest in establishing a local preference.
- Interest in maximizing density on the site.

On July 17, 2018, the City Council directed staff to issue an RFP to initiate the process of identifying a development team that would meet the above stated goals while developing affordable housing on the Property.

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## II. THE PROPERTY

### Site and Project Description

The Property (APNs 063-232-210, -220, -230) and is located at 965 Weeks Street in the City of East Palo Alto, San Mateo County (Exhibit A). The Property is vacant, measures approximately 2.52 acres, and forms the transition between the Weeks neighborhood, which has the largest concentration of existing historic properties, and the Ravenswood Industrial Area, which has a cluster of light industrial businesses. A Union Pacific Railroad (“UPR”) rail spur formerly connected the industrial area to regional markets and delineates the site’s northern property boundary as it curves 90 degrees, separating the Property from an existing fifty-one unit home ownership project. To the south, across Weeks Street, are single family townhomes.

Respondents shall be aware that the Property’s eastern most parcel may be partially located in the 500 Year Flood Zone.

The Ravenswood Industrial Area was rezoned upon the City’s adoption of the Ravenswood/4 Corners Transit Oriented Development (TOD) Specific Plan in 2012. Presently, the zoning is Urban Residential and would allow for up to one hundred units prior to any density bonuses. All public utilities including water, electric power, natural gas, sewer, telephone, and cable are immediately available to the site.

The developer must comply with General Plan Goals, Policies and Strategies (Exhibit B), as well as the City’s Zoning Code and Property Development Standards (Exhibit C).

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## III. PROJECT VISION AND SCOPE

Through this RFP, it is the intention of the City of East Palo Alto to address the need for increased affordable housing opportunities by developing a City-owned Property as affordable apartments. Responses must address all of the objectives listed in this RFP. The selected respondent will be expected to work collaboratively with other service provider(s), government agencies, and/or developer(s).

Each response must include a lead agency and provide information concerning the qualifications of any proposed partner(s). Responses must, in addition, provide sufficient detail about the proposal(s) to allow evaluation of project feasibility and effectiveness in achieving the stated objectives of this RFP.

Responsive proposals should include the following **elements**:

### **Vision**

A narrative description of how the project would respond to the particular needs of East Palo Alto, how the community would be engaged, and how the project would be managed. Additionally, proposers should provide a description of their strategy to gain community and business support for the proposed use or uses.

Respondents must include a conceptual plan for the Property, which should be designed to encourage a sense of community. Further, respondents should provide a description of current zoning on the site and entitlement status. The narrative must include the Planning requirements that would be required to effectuate the project, if applicable. The narrative must also describe the level of environmental review required of the project.

Finally, respondents must address the following items raised by community members at the outreach meeting held on June 28, 2018:

- How will the developer adopt flexible, inclusive tenant screening criteria for the purposes of screening tenants in, rather than out?
- How will the developer utilize innovative strategies to ensure that tenants are members of the local EPA community?
- How will the developer adopt creative solutions for prioritizing low-income residents?

### **Housing Units**

Total number of proposed units. Respondents must provide detailed information about the proposed unit mix, by AMI levels.

### **On-Site Services and Property Management Plan**

Respondents must provide ample information regarding the on-site services that will be provided for residents and how the property would be managed. The On-Site Services and Property

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Management Plan should clearly define how the future needs of all residents would be met. All services and/or amenities should be tailored to the proposed population.

## **Financing Plan**

Respondents must provide a financing plan that outlines potential funding sources for the project. The proposal should make assumptions about the ideal configuration of the housing-service development; identify what a potential financing package would look like based upon the respondent's experience with similar efforts including the identification of funding gaps and the preferred/possible source(s) of funding to address the funding gaps; provide an ideal scenario in terms of types of services to be provided and how these services will be funded; and provide an ideal development timeline based upon the respondent's experience developing similar projects.

Respondents must provide a financing plan for both 9% and 4% Tax Credits. For the 9% scenario, respondents must provide an estimated tie-breaker score based on the specifics of the proposal.

Note: As noted earlier, the City intends to ground lease the Property to the development team who will then develop the project. It is the City's goal to limit additional City subsidy into the project and therefore encourage the developer to obtain as many other funding sources possible to effectuate the project.

## **Development/Service Team**

A full description of the development/service team, that details the proposer's experience with this type of project, including affordable housing development and financing, project management, and property management experiences.

It is expected that proposals will involve collaborations of various developers, financiers, social service providers, and perhaps other types of entities. Each proposal should identify the individual or organization that will serve as the lead partner of such a collaborative, tasked with the responsibility of bringing the proposal to fruition, and ensuring the ongoing success of the housing and/or services.

## **City Council Priorities/Objectives for the Project**

Respondents must provide detailed information about how their proposal would satisfy the City Council's priorities discussed at the City Council Study Session held on April 24, 2018. Those priorities were:

- Direction to develop the Property with multi-family affordable apartments.
- Support for a mix of incomes (ranging from Extremely Low Income ("ELI") to Low Income ("LI")) and number of bedrooms (ranging from studios to 3-4 bedroom units). Area Median Income ("AMI") targets should be consistent with the Facebook Agreement.
- Interest in establishing a local preference.

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- Interest in maximizing density on the site.

Respondents must provide feedback on the priorities described above and should opine regarding any related considerations, such as potential legal issues, that the City of East Palo Alto should contemplate for the project.

## Other Items

- Respondents must assume that the City will ground lease the Property to the selected development team. Because the Property was purchased with former Redevelopment funds, prior to entering into a ground lease with the developer, a 33433 Study must be conducted. It is the City's expectation that the developer will complete this task during the future Exclusive Negotiation Agreement ("ENA") period.

## Disclaimer

The City reserves the right to accept or reject any item or group(s) of items within a response/proposal. The City also reserves the right to waive any informality or irregularity in any proposal. Additionally, the City may, for any reason, decide not to award an agreement as a result of this RFP or cancel the RFP. The City shall not be obligated to respond to any proposal submitted, nor be legally bound in any manner by submission of the proposal.

The City reserves the right to negotiate with any or all respondents on cost proposals, assigned staff, and deliverables.

The City reserves the right to verify any information provided during the RFP process and may contact references listed or any other persons known to have contracted with the respondent.

The City reserves the right, without limitation, to execute an agreement with one or more respondents based solely on the submitter's qualifications and proposal and any approved additions and to enter into an agreement with another agency in the event that the originally selected respondent defaults or fails to execute an agreement with the City.

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## IV. TIMELINE AND SUBMISSION/EVALUATION PROCESS

Dates and/or the process in this timeline may be changed by the City if deemed necessary. The City will make every effort to adhere to following anticipated schedule:

ITEM	DATE
Host general outreach meeting for neighborhood/stakeholders	Week of June 25, 2018
Return to City Council for direction to issue an RFP	July 17, 2018
Issue RFP	Week of July 23, 2018
Host mandatory Pre-Bidders Conference	Week of August 6, 2018
Deadline for respondents to submit questions	Week of August 17, 2018
EPA issues addendum responding to questions	Late-August 2018
RFP Due Date	September 7, 2018
Review Panel rates all submittals	Week of September 10, 2018
Interviews with Highest Rated Development Teams	Late-September 2018
Return to City Council with recommendation	October 2018

### RFP Release

This RFP is being issued by the City of East Palo Alto. Assistance will be provided to respondents via a written addendum that responds to questions submitted prior to the deadline. Respondents should e-mail questions to: [pheisinger@cityofepa.org](mailto:pheisinger@cityofepa.org). To encourage a fair process, individual or telephone consultations will not be accepted. All submitted questions will be document and submitted with the Addendum in accordance with the timeline described above.

### Deadline to Submit RFP Questions

Respondents may submit written questions to this RFP via email until Friday, August 17th, 2018. Respondents should e-mail questions to: [pheisinger@cityofepa.org](mailto:pheisinger@cityofepa.org). The City will not respond to questions submitted in any other manner or format.

### Responses to Questions

Written responses to emailed questions received by Friday, August 17th, 2018 regarding RFP substance will be issued as an addendum and posted to the City of East Palo Alto's website in late-August 2018.

### RFP Responses Due

Proposals must be submitted to the contact named below by September 7, 2018, at 12:00 p.m. Pacific Time. Submit one (1) original and four (4) copies of the proposal clearly marked as such. The outside of the box or package and the cover or title page of each proposal shall be marked as follows: RFP – 965 Weeks Street Development Proposal. In addition, include an electronic copy of your proposal on a USB Flash Drive, in PDF format.

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City will not accept proposals submitted in any other manner or format. Prior to submission, respondents should carefully check their applications to ensure that all of the responses to questions are complete and all attachments are included. No grace period will be allowed for missing components to be submitted. Respondents will not be allowed to submit missing documentation after the September 7, 2018, deadline. Any application that is late, fails to meet the eligibility requirements, or fails to follow submission instructions will not be considered. NOTE: Supplemental information necessary for clarification will only be accepted if it is requested by staff.

## Contact Information

	<p><b>City of East Palo Alto Community and Economic Development 1960 Tate Street East Palo Alto, CA 94303 Attn: Patrick Heisinger, Housing Manager</b></p> <p>Phone: (650) 853-3193 E-mail: <a href="mailto:pheisinger@cityofepa.org">pheisinger@cityofepa.org</a></p>
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All addenda and notices related to this procurement will be posted on the City's website.

## Proposal Evaluation

An Evaluation Panel will review and evaluate the proposals in September 2018 and make recommended selection(s) to the City Council in October 2018. The Evaluation Panel will evaluate proposals in accordance with scoring criteria published in this RFP.

## Notice of Results/Appeals Process

RFP respondents will be advised in writing if their application is not selected as a finalist. Respondents may appeal this decision, in writing, to the contact listed above.

The deadline for submitting an appeal letter will be included in the notification. Staff will respond to all appeals within five working days of the close of the appeals process. Staff's decision is final and no further appeal is available.

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## V. RFP COMPLETION REQUIREMENTS

In order to expedite the evaluation process, each response shall be organized in accordance with this section. Proposals that do not follow the specified format outlined below, or fail to provide the required documentation, may receive lower scores, or, if found to be non-responsive, be disqualified. In the event of any conflict between any of the response documents, resolution thereof shall be in the City's sole discretion. Responses shall include the following information in the format indicated:

### **Cover Letter**

Include a transmittal letter identifying the respondent's organization and the response package being submitted. Provide the name, title, address, telephone number, and fax number of the individual authorized to contractually bind the organization and be signed by the authorized individual. Include other important general information that is deemed significant enough to be highlighted.

### **Executive Summary**

Include a 3-page summary containing highlights of the proposed approach for achieving the Project Vision and Scope, describing how the project team would be organized, designed/developed, financed, operated, and how the respondent will ensure responsiveness to City staff and project requirements.

### **Narrative Response**

Narrative submissions shall be in accordance with the Project Vision and Scope and the Evaluation Criteria, each detailed in this RFP. Each narrative submission should not exceed twenty (20) pages. Organizational charts, resumes and financial documents do not count towards the page limit. Only the written responses to the Project Vision and Scope, addressing the Evaluation Criteria, detailed above count towards the page limit.

### **Elements to Address in Narrative Response**

A detailed description of response requirements is provided in section VI. Evaluation Criteria.

### **Financial Capacity**

In conjunction with the application evaluation, staff will perform a review and analysis of the respondent's audited financial statements. Respondents must provide audited financial statements for the most recent three years. Respondents may be disqualified from funding consideration if major concerns are raised through a review of the agency's financial capacity. The financial review will include an evaluation of:

- The agency's Audit Report to ensure it was prepared by a certified accounting firm and according to generally accepted accounting principles

City of East Palo Alto  
RFP 965 Weeks Street

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- Completeness of the Audit Report
- Liquidity, Safety and Efficiency Ratios
- Ability to Service Long Term Debt
- Auditor Opinion (Qualified, Unqualified, Threat of a Going Concern)
- Any “Reportable Conditions” or “Material Weaknesses” in the agency’s audits
- The agency’s response to any Management Letters and/or Reportable Conditions

## **Supplemental Information**

### Proforma for Execution of 4% and 9% Tax Credits

Respondents shall submit two (2) proforma for the proposed project that show both a 4% and 9% tax credit execution, each with a corresponding timeline. Taking this information into account during the evaluation period will assist the City in selecting the appropriate development team and identifying the City’s eventual contribution for/to the Project, if applicable.

Respondents shall use the Underwriting and Cost Guidelines (Exhibit D) to produce the 4% and 9% financial models for development of the Property.

### Affordable Housing and Sustainable Communities (“AHSC”) Program

The AHSC or “Cap and Trade” Program was established with the passage of Senate Bill 182 to implement Assembly Bill 32; the California Global Warming Solutions Act 2006. Respondents to the RFP will be required to submit a narrative opinion regarding the potential for securing funding for the project through the AHSC Program, based on their experience and analysis of the Property for potential AHSC eligibility.

### Density Bonus Considerations

While proposals must comply with the current Zoning/General Plan requirements, the selected development team may apply for certain concessions under the State’s Density Bonus program. Respondents shall submit a narrative explanation of the concessions the development team would seek from the City, with specific details such as: which concessions (height, parking, set-back requirements); any resultant increase in the number of units for the project; and the AMI restrictions for the units that would be increased. A side by side comparison of the formal proposal with potential Density Bonus considerations is preferred.

Proposals will be rated according to adherence to the current Zoning Code and General Plan. Density Bonus considerations will be utilized once a development team has been selected.

## **References**

Respondents must provide three references that can speak to your organization’s ability to successfully implement and administer the proposed development.

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## VI. EVALUATION CRITERIA

The Evaluation Criteria listed below will be utilized in the evaluation of the respondent's written proposals and/or demonstration/presentation accordingly. The expectation is that those proposals in the competitive range may be considered for contract award. The proposal should give clear, concise information in sufficient detail to allow an evaluation based on the criteria below. A respondent must be acceptable in all criteria for a contract to be awarded.

### A. Minimum Threshold Requirements

Respondents must meet the qualifications in this section in order for their proposal to be considered.

#### Developer Team Experience

The Respondent must demonstrate sufficient experience and professional ability to complete the project. The Respondent must provide the following:

1. A full description of the developer team that details the Respondent's experience developing affordable housing, and designing, entitling, and managing projects;
2. Resumes of key personnel that describe their qualifications to facilitate the completion of the development;
3. Respondent's organizational structure, including a clear explanation of their organizational chart/diagram for any proposed partnership or joint venture, showing structure and percentages of ownership and investment;
4. (For team/joint venture proposals only) A draft partnership or joint venture agreement that describes the arrangement between entities in detail;
5. Summary descriptions and photos of past affordable housing projects; and
6. Information regarding at least five (5) 100% affordable housing communities that the Respondent has developed and operated.

#### Compliance History

Developers and or service providers who have any open compliance issues with the City of East Palo Alto will not be eligible to participate in this RFP. Developers with compliance deficiencies must be corrected before the award of this RFP will be presented to the City Council. A correction that results in a delay of more than 30 days will automatically disqualify the Respondent.

#### Audited Financials

The respondent must demonstrate that their organization, including all subsidiaries, are in good financial standing.

### B. Scoring Criteria for Qualified Respondents

Respondents that meet the Minimum Threshold Requirements must ensure that their proposal

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includes the following information, organized as detailed below.

1. Project Vision/Description (30 Points Maximum):

The project description must include a narrative of the proposed project including:

- a. Development plan, the concept for designing, developing, and type of construction for the project.
- b. Statement of how many people will be housed and describe the housing configuration – i.e. number of proposed affordable units, proposed affordable rents, and affordability levels by unit.
- c. The Property Management Plan that clearly defines how the needs of the community would be met. All services and/or amenities should be geared to creating a healthy community that encourages interaction among all residents.
- d. Description of proposed community amenities.
- e. Project Financial Information including total project costs, cost per unit, and an estimate, if applicable, of what the Respondent may need from the City to complete the project. Further, the budget shall identify both the hard and soft costs associated with predevelopment, development, and site construction. The budget submittal must be provided in a concise, organized, and logical format. Finally, Respondents shall indicate any additional sources of funding that would lessen the need for City funding. Proforma for proposed execution of 4% and 9% tax credits must also be provided.
- f. A cash flow projection including the first fifteen (15) years of the project and the full amortization of all mortgage financing sources. The operating *pro forma* shall clearly provide all relevant revenue, operating cost, and financing assumptions.
- g. A conceptual plan for the site, which should be designed to encourage a sense of community. Respondents are not required to submit a detailed site plan with drawings for the site at this stage.
- h. Description of current zoning on the site and entitlement status. The narrative must include the Planning requirements (for example rezoning of the property) that would be required to effectuate the project, if applicable. The narrative must also describe the level of environmental review required of the project.

2. Total Number of Proposed Units (20 Points Maximum)

More than 130 units in the project – 20 points

More than 100 units in the project – 10 points

All other proposals (fewer than 100 units) – 0 points

3. Requested Financial Assistance from the City (10 Points Maximum)

At or below \$30,000/unit - 10 points

At or below \$45,000/unit - 7 points

Greater than \$50,000/unit - 5 points

Note: City will average respondents 4% and 9% figures

4. On-Site Services and Property Management Plan (15 Points Maximum)

Respondents must provide ample information regarding the on-site services that will be provided for residents and how the property would be managed. The On-Site Services and

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Property Management Plan should clearly define how the needs of the community would be met. All services and/or amenities should be tailored to the proposed population. Further, the Property Management Plan shall address how the Respondent will ensure the long-term viability of the project.

5. Project Timeline (10 Points Maximum)

Respondents must provide a development schedule for the entire proposed development. The Project Timeline should detail key milestones including: commencement of design, entitlement and permitting, site preparation, construction commencement, construction completion, and when occupancy may begin. Respondents should discuss what challenges they anticipate in completing the project, and how they will be held accountable for such dates and contingencies, if any, to the schedule.

Respondents shall provide a timeline for both a 4% and 9% tax credit process.

6. Community/Stakeholder Outreach and Engagement (10 Points Maximum):

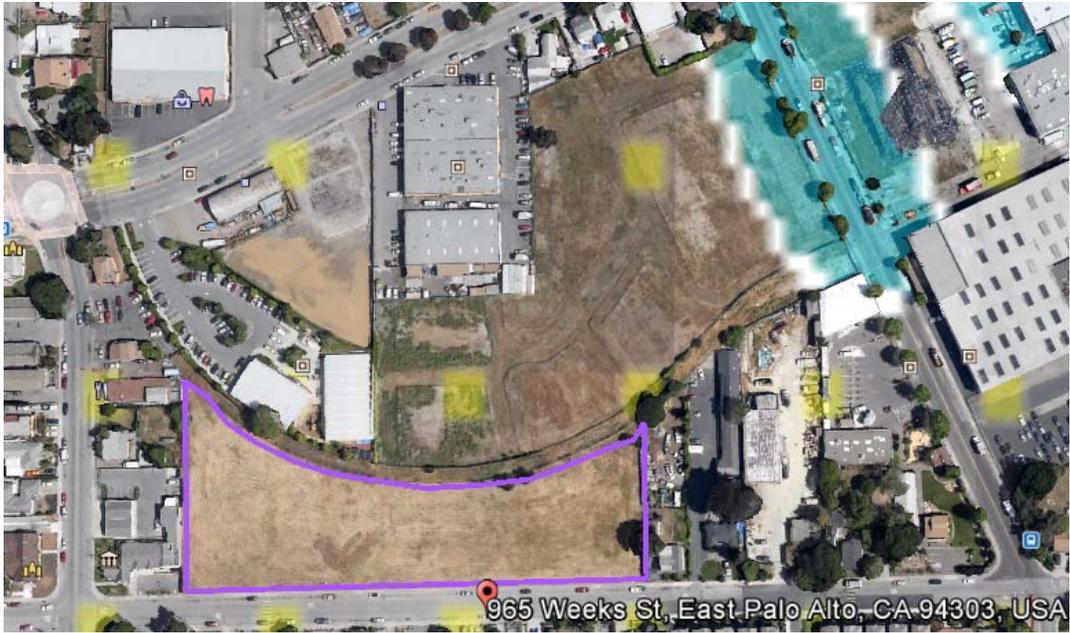
- a. Design of a public outreach plan, including outreach to neighborhood groups and other stakeholders to provide ongoing updates on the progress of the overall project;
- b. Identify and elaborate on potential coordination needs with partners and stakeholder groups, including government entities, nonprofits or affordable housing advocates.

7. Submission Quality (5 points)

- a. Proposal is well-organized, professionally communicated, and meets all RFP specifications.

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## Exhibit A 965 Weeks Street Property Site Map



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## Exhibit B

### Exhibit B: General Plan Goals, Policies and Strategies

Policy LU 3.2-Ensure that new development throughout the Plan Area maintains or improves the character of any adjacent residential neighborhood.

Goal LU-4-Development projects shall improve the quality of life in the Plan Area and draw residents and visitors to the Ravenswood/Four Corners.

Policy LU-4.7-Ensure that all new development adheres to the Specific Plan development standards as well as its design standards and guidelines.

Policy LU 4.10-Development should provide the minimum number of parking spaces necessary to avoid excessive parking lots, which impair community character. Ensure that buildings forms face onto streets and sidewalks to enhance the pedestrian environment and that parking areas are concentrated in the inner core of parcels.

Policy LU 5.5-Collaborate with developers, brokers and landowners to assemble separate parcels into larger parcel assemblages.

Policy LU 5.6-Encourage the use of Development Agreements to facilitate the implementation of the Specific Plan and to codify expectations about the development, fees, and entitlements and public and community improvements and benefits.

Policy 6.6-New development with sensitive receptors, such as housing and schools within a quarter mile of existing industrial uses that may produce potentially hazardous air emissions, shall include a targeted assessment of health risks through the CEQA process.

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## Exhibit C Property Development Standards

*Density:* 20-40 Dwelling Units Per Acre.

*Front Yard Setback:* 5 feet, to be dedicated to landscaping or publically accessible sidewalks

*Side Setback:* 5 Feet

*Exterior Side:* 5 Feet

*Rear Setback:* 20 Feet

*Maximum Height:* 3 Stories

*Maximum Floor to Floor Height:* 14 feet for residential and 16 feet for non-residential

*Parking:*

Residential-One parking space per dwelling unit for one-bedroom units and studios, .5 additional spaces for each additional bedroom.

Bicycle: 1 Class I per 3 units + 1 Class II per 15 units for residential

Shared Parking: For mixed use projects where parking is not segregated, parking may be reduced by 20 percent.

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## Exhibit D Underwriting and Cost Guidelines

For the purposes of the RFP, developers shall utilize the following underwriting and cost guidelines to produce financial models for the development of 965 Weeks Street in East Palo Alto.

Item	Amount	Notes
Partnership Management Fee	\$15,000 annually max before residual receipts. This fee may escalate at 3.5% per year.	<p>Paid from net cash flow. Fee should only be taken during the Tax Credit Compliance period (generally years 1-15).</p> <p>Payments above \$15,000 must either be made out of cash flow after residual receipts or from Borrower's % of residual receipts.</p>
Minimum Operating Expenses	<p>Must meet TCAC minimum requirements.</p> <p>Type - Family</p> <ul style="list-style-type: none"> <li>• 1-15 Units: \$6,900</li> <li>• 16-40 Units: \$7,400</li> <li>• 41+ Units: \$6,300</li> </ul> <p>Type – Senior</p> <ul style="list-style-type: none"> <li>• 1-15 Units: \$7,500</li> <li>• 16-40 Units: \$6,400</li> <li>• 41+ Units: \$4,900</li> </ul> <p>Type - Special Needs</p> <ul style="list-style-type: none"> <li>• 1-15 Units: \$7,000</li> <li>• 16-40 Units: \$7,700</li> <li>• 41+ Units: \$6,500</li> </ul> <p>Operating Expenses Escalation of 3.5%</p>	<p>Note that expenses do not include the following expenses:</p> <ul style="list-style-type: none"> <li>• Replacement/operating reserves</li> <li>• Debt service</li> <li>• Partnership management fees</li> <li>• Deferred developer fee</li> </ul>
Accounting/Audit Fees by Accountant - Capitalized	\$15,000 to \$25,000	Line item includes the cost certification, organization accounting and other accounting needs (i.e. interim financial and tax return preparation)
Accounting/ Audit Fees by Accountant Operating	\$7,500 to \$12,000	Audits are required for all properties. Therefore, all operating budgets must include this line item.
Affordability	The term of affordability for all funding sources is 55 years.	
Appraisal	\$15,000	<p>\$5,000 for acquisition</p> <p>\$10,000 for construction loan appraisal - Appraisal submitted must be within last 6 months.</p>
Architect's Fee	Varies between 4% to 10% of cost	
Attorney – Bank (Lender Legal Paid by Applicant)	\$30,000 - \$50,000	

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## Exhibit D Underwriting and Cost Guidelines

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Item	Amount	Notes
Attorney Developer	\$50,000 - \$100,000	Developer's Bond attorney costs are included. Cost varies depending on complexity of deal and Tax Opinion Letter requirements.  Developer's attorney reviews acquisition, loan, tax credit investment / syndication and partnership documents, bond documents and other business issues.
Attorney Syndication	\$35,000 -\$45,000	Syndication attorney represents the tax credit investor. Should be included in gross equity number.
Attorney(s) – Bond deals	\$40,000 - \$50,000	This applies to total bond legal cost.
Bond deals cost of issuance	Min: \$300,000 Max: 4-6% of Bond amount	
Cash Flow		20 year cash flow must be provided and projects must demonstrate positive cash flow during that period.
Consultant	See Developer Fee	Disallow cost of in-house person
Construction Period Financing		The preferred usage of funds during the construction period.
Construction Manager Fee	\$80,000	CM is consultant who is not part of the GC's contract. If CM is part of Developer's staff, then this cost is part of Developer Fee.
Debt Coverage Ratio	Year 1: Maximum DCR of 1.15, unless a senior lender has a higher requirement  Remaining Years: 1.15 minimum DCR, unless a senior lender has a higher requirement	

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## Exhibit D Underwriting and Cost Guidelines

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Item	Amount	Notes
<p>Developer Fee – Capitalized As defined per TCAC (Section 10302) to include: all development consultant fee, processing agent, fees, developer overhead and profit, construction management oversight fees if provided by developer, personal guarantee fees, syndicator consulting fees &amp; reserves in excess of those customarily required by lenders.</p>	<p>Total Fee: 9% credits per TCAC (Sec. 10327(c)(2)(A))</p> <ul style="list-style-type: none"> <li>• Max included in project costs: lesser of 15% of eligible basis or \$2M; or</li> <li>• Max included in eligible basis; lesser of 15% of projects eligible basis or \$1.4M.</li> </ul> <p>4% credits per TCAC (Sec. 10327(c)(2)(B)):</p> <ul style="list-style-type: none"> <li>• Lesser of 15% of basis or \$2.5M</li> </ul> <p>(Noted above are the TCAC requirements as of the publishing date herein. Please take into account any amendments to TCAC regulations.</p>	
Developer Fee Deferred	Developer Fee (only for tax credit projects) can be deferred for the purpose of paying other development costs. 10 years is the maximum deferral period, unless a longer period is allowed in the partnership agreement.	TCAC limits deferred costs to 7.5% of unadjusted eligible basis and, unless required by a State or local public funding source, deferred developer costs may not be in excess of 50% of the developer fee [CTAC Regulations Section 10327(C)(2)(d)]
Development Consultant - Outside (including but not limited to financial consultant, project mgt, entitlement consultant, brokerage fee for site acq.)	\$75,000 to \$100,000	Consultants who are not part of Developer’s in-house staff (incl but not limited to financial consultant, project mgt, entitlement consultant, brokerage fee for site acq.); otherwise, consultant fees must be paid from the project’s Developer Fee. The sum of the Development Consultant Fee + the Developer Fee must be less than the Developer fee cap per TCAC.
Disbursement Agents / Service	Cost of service is approximately 1-2% of Construction contract	
Fees – Loan Compliance	Annual monitoring fee of \$100 per unit per year.	

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## Exhibit D Underwriting and Cost Guidelines

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Item	Amount	Notes
General Conditions + Overhead + Profit	14%	These combined line items should not exceed more than 14% of cost of construction (site work and structures) per TCAC (Sec. 10327(c)(1))  At project completion, the overhead and profit % must reflect the % agreed to /allowed at underwriting.
Hard Cost Contingency	New Construction: 5% - 10% (40+ units) or 10% (less than 40 units) Rehab: 10% to 15%	Depends on size of project and whether site has environmental remediation issues.
Hard Cost for Rehab	The min rehab cost must be at least 15% of TCD (excluding land) devoted to rehab.	Rehab work must include replacement of at least two major building systems.
Holding Costs	\$5,000 - \$10,000/year for vacant building or vacant land	Includes security cost & insurance
Income – Rent/Unit Mix/ Income Restrictions/ Occupancy Standards	Rent: TCAC Affordability, income, rents and associated occupancy standards apply.  •	Borrower is expected to construct the project and restrict the tenant incomes as presented in the Unit Mix and Rents section of the application. Modification will be allowed on a case-by-case basis.
Income Escalation	2.5%/year	Commonly underwriters assume a 1% spread between Income Escalation Factor and Expense Escalation factor.
Leasing (Lease Up) Expense	Equates to the negative cash flow during the lease-up period	The lease-up time period assumption should be noted in the Development Budget. Marketing expenses are not included here, but are broken out separately.
Leasing (Lease Up) Fee		This is the fee for actual third party costs paid to a property manager or direct costs for tenant screening.  If this expense is included in your budget, the fee must be explained.
Management Fee (Property)	\$60 per unit per month (pupm) max to Property Management Company.	Item should not include On-site Manager (full-time or part-time) salary or unit rent.
Marketing	\$10,000 max	Expenses such as advertising and promotion incurred during the Lease-Up period in order to attract tenants.
Offsite Improvements	Range: \$5,000 - \$10,000/unit	
Operating Reserves – Capitalized	For all projects: 3 months of operating expenses and 3 months of debt service, unless senior lender has a higher requirement.	May be subject to the requirements of other lenders.

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## Exhibit D Underwriting and Cost Guidelines

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Item	Amount	Notes
Partnership Management Fee	\$15,000/year max before residual receipts. This fee may escalate at 3.5% per year.	Only applies to Tax Credit Projects Fee should only be taken during the Tax Credit Compliance period (generally years 1 - 15) Payments above \$15,000 must either be made out of cash flow after residual receipts or from Borrower's 50% of residual receipts.
Prevailing Wage Apply?	Yes.	Acquisition alone does not trigger prevailing wage.
Property tax expense – Capitalized and Operating Period	1 1/4% of acquisition cost; any tax refunds must go into reserves.	Property taxes should be greatly reduced after receiving welfare exemption and should be reflected in cash flow.
Replacement Reserve	Greater of: 1. Multifamily & Special Needs: <ul style="list-style-type: none"> <li>• Min \$300/u/year (new)</li> <li>• Min. \$250/u/year (rehab)</li> </ul> Seniors & SRO <ul style="list-style-type: none"> <li>• Min \$250/u/year (new)</li> <li>• Min. \$300/u/year (rehab)</li> </ul> Or 2. A senior lender's requirement	
Residual Receipts	50-50 split between the Borrower and the other public lenders	The 50% public lender portion is split proportionately and shared between the public lenders.
Soft Cost Contingency	2% - 4% of soft cost	
Tax Credit – Price Price/Factor	Range: 4% & 9% Credits: \$0.85 to \$1.00 per credit	
Vacancy Rate	Family & Senior: 5%/year Special Needs & SRO: 10%/year Mixed Population: blended rate (between 5% and 10%) with justification	See TCAC's Regulations for vacancy rates.



## CITY OF EAST PALO ALTO

OFFICE OF THE CITY MANAGER

2415 UNIVERSITY AVENUE

EAST PALO ALTO, CA 94303

**Policy & Action**

**Item: #10F**

### City Council Agenda Report

**Date:** July 17, 2018  
**To:** Honorable Mayor and Members of the City Council  
**Via:** Carlos Martínez, City Manager   
**From:** Sean Charpentier, Assistant City Manager  
Hanson Hom, Special Projects Manager  
**Subject:** RV Safe Parking Pilot Program: Resolution Declaring a Shelter Crisis, Authorizing a License and Grant Agreement with Project WeHOPE, Allocating Measure “O” Funds for Program Operations and Site Improvements, and Authorizing a Request for Bids for Site Preparation Work on City Property at 1798 Bay Road

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### Recommendation

Approve a Resolution:

1. Declaring a shelter crisis per Government Code Section 8698;
2. Authorizing the City Manager to enter into a License and Grant Agreement, in a form approved by the City Attorney, with Project WeHOPE to operate a RV Safe Parking Pilot Program for a one-year term at 1798 Bay Road;
3. Allocating a maximum amount of \$318,500 from the City’s Measure “O” Fund for the RV Safe Parking Pilot Program for the following purposes:
  - a. A grant of up to \$218,500 to Project WeHOPE for program administration and operations;
  - b. An amount of up to \$100,000 for site preparation and basic improvements at 1798 Bay Road; and
4. Authorizing the City Manager to issue a request for bids for site preparation work on City property at 1798 Bay Road with an engineer’s estimate not exceeding \$100,000.

### Alignment with City Council Strategic Plan

This recommendation is primarily aligned with:

- Priority #1: Enhance Public Safety/ Emergency Preparedness
- Priority #2: Increase Organizational Effectiveness and Efficiency