

HOUSING AUTHORITY OF THE CITY AND COUNTY OF DENVER

SPECIAL LIMITED PARTNERSHIP DEVELOPMENT PARTICIPATION POLICY

1.0 INTRODUCTION

This policy is designed to provide guidance to private and non-profit affordable housing developers (“Developers”) regarding the procedure the Housing Authority of the City and County of Denver (“DHA”) will use to evaluate unsolicited Special Limited Partnership (SLP) development participation proposals from Developers.

DHA’s statutory mission is to provide safe and sanitary housing for low-income residents of Denver. The DHA Board of Commissioners (“Board”) has expanded this mission to include the promotion of adequate and affordable housing, economic opportunity and a suitable living environment free from discrimination.

Consequently, DHA will consider unsolicited participation proposals for the development of affordable and/or low-income housing. The application process is not a competitive process and each project will be evaluated on its’ individual merits. However, DHA reserves the right to accept or reject any proposals and to revise, change, modify or eliminate this policy at anytime, in its sole and absolute discretion.

2.0 BACKGROUND

In 2001, the Colorado legislature revised Section 29-4-226 of the Colorado Revised Statutes, which provides, in relevant part, that the portion of a project that is occupied by persons of low income and is owned by or leased to an entity: (I) that is wholly owned by an authority; (II) in which an authority has an ownership interest; or (III) in which an entity wholly owned by an authority has an ownership interest, is *exempt* from special assessments. Recently, several private and public sector developers have submitted unsolicited affordable housing proposals to the DHA, requesting that DHA partner with them to take advantage of this exemption. Because DHA has limited staff and financial resources, it is necessary to establish the procedures and criteria that DHA staff will use to evaluate and recommend proposals submitted by Developers to the DHA Board.

3.0 PROPOSAL SELECTION CRITERIA

- a) The proposed project must meet the following threshold criteria to be considered:
 - 1) Submission of the application and the application processing fee;
 - 2) Located within the City and County of Denver;
 - 3) The proposed project is not financially viable without DHA’s participation. DHA will not participate in the project merely to increase the Developer’s profit margin;

- 4) The proposed project includes affordable low-income units serving households earning less than 60% of the area medium income (AMI).
 - 5) No environmental or legal impediments are present that could delay or terminate the project.
- b) The proposed project will be evaluated on the following required elements:
- 1) A mission similar to DHA;
 - 2) At least 50% of the proposed construction or rehabilitation of affordable and/or low-income units will serve households earning less than 60% of AMI;
 - 3) The project must target some low-income units at 30% and 40% AMI;
 - 4) The affordable and/or low-income units remain affordable and/or low-income for an extended period of time;
 - 5) For existing, preservation projects, the Sources of Financing and/or investment in the low-income units are at risk of loss.
 - 6) The Developer's Fee and any other compensation must be reasonable given the project financials and will be evaluated based on its economic relationship to the other financial aspects of the project
- c) Other Criteria and information provided by the applicant that will be considered in the evaluation :
- 1) A non-profit entity is the general partner or managing member;
 - 2) Potential affect on LIHTC program and/or other public funds included in the project;
 - 3) Preference for neighborhood locations that do not concentrate low-income families;
 - 4) Quantifiably increases the economic diversity of a neighborhood;
 - 5) Inclusion of three (3) and/or four (4) bedroom low-income units;
 - 6) Provides units for Section 8 tenants; and
 - 7) Provides opportunities for DHA to manage the property, or provide other compensated services to the project.

4.0 PROCEDURE FOR PARTNER SELECTION

- a) Developer must submit the attached "Development Participation Proposal Form" which requires, among other things, that you submit the following documents:
 - 1) Detailed explanation of the proposed project which includes, but is not limited to, total number of units, address, rehabilitation or new construction, and number of phases;
 - 2) Development Source and Use budget;
 - 3) Unit mix, income restrictions, and rental rates;
 - 4) First year operating revenues and expenses;
 - 5) Detailed 15 year pro forma;

- 6) Developer compensation;
- 7) Statement regarding whether Developer, or its related entities, are involved or have reason to believe they will be involved in litigation;
- 8) Overview of financing components, including, types, terms and amounts of loans, and all other sources and uses;
- 9) Schedule number(s) and real estate tax assessment for last two years for the property to be developed;
- 10) Proposed Site Plan and conceptual design of project (for new construction); and
- 11) List of all partners including but not limited to architect, contractor, legal, accounting, property management, and financing. Also, identify and/or establish Minority and Women Owned (MBE/WBE) goals for such partners and employment opportunities for minority, women and/or low-income people.

The Development Participation Proposal Form can be downloaded from www.denverhousing.org.

- b) Upon submission of the Development Participation Proposal Form, Developer must pay a nominal non-refundable Application fee in the amount of \$500, to reimburse the DHA cost required to review and analyze the proposal.
- c) DHA staff will perform initial review and evaluation of the participation proposal. Based on the above criteria, staff will make a determination to decline the proposal, or forward the proposal for committee and board consideration.

5.0 CONSULTATION

- a) If staff views the project favorably, staff will consult with the City and Country of Denver, Department of Housing and Neighborhood Development Services (DHND) to receive timely input prior to making a recommendation to the Board of Commissioners.
- b) Staff will also determine if any additional review or input is desired from any other related and/or impacted entity and consult with that entity prior to making a recommendation to the Board of Commissioners.

6.0 BOARD APPROVAL

- a) Staff shall recommend participation proposals to the Board for approval.
- b) Staff will negotiate the final deal for Board approval that includes reimbursement of DHA costs of participation.
- c) Board approval shall be requested and granted prior to execution of documents.

- d) Upon Board approval to proceed, staff will complete due diligence including, but not limited to obtaining the following information:
- 1) Written narrative explaining the proposed partnership structure that includes DHA and a diagram;
 - 2) By-laws and Articles of Incorporation of development entity;
 - 3) Certificate of Good Standing;
 - 4) Tax credit preliminary reservation letter, if applicable;
 - 5) Detailed information regarding partners, investors, and development team members involved in the development;
 - 6) Development schedule;
 - 7) Name and experience of property management companies; and
 - 8) Other information pertaining to completing the project.