

## Arlington County FY 2019 Federal and Local Loan Funds NOFA Questions and Answers

*The following Questions and Answers include questions staff received as of June 13, 2018.*

1. Q- If the proposed project involves acquisition of a commercial property with current tenants, can the owner continue leasing to the commercial tenants or would the property have to remain vacant between the time the property is acquired and redeveloped?

**A- The County would not recommend continuing to lease space at any commercial property that will be acquired with Federal funds and held until redevelopment. First, any rent paid by commercial tenants of a property acquired with Federal funds during this period would be considered program income, which would need to be paid back to the County. Second, any work done to the property (i.e. maintenance or repair work) would be subject to Federal compliance requirements and the project developer would be required to go through a separate Environmental Review and compliance process prior to work being performed.**

*The following Questions and Answers include questions staff received as of June 8, 2018.*

1. Q- Will the County consider a CDBG loan for site acquisition? If the proposed project involves the acquisition and future conversion of commercial property to multifamily residential, what is the extent of Federal Environmental Review? In addition, if the property is acquired with Federal funds and redeveloped at a later date, would the Federal funds trigger any additional Environmental Review at redevelopment?

**A- Yes, the County will consider a CDBG loan for site acquisition.**

Any project that involves the acquisition of commercial property for general purpose, such as a planned housing activity, but the specific project scope is not yet identified, the applicant will be required to document the intended use of the property; the national objective expected to be met; and make a written commitment to use the property only for a specific project under that general use that will meet the specific national objective. More information can be found here:

<https://www.law.cornell.edu/cfr/text/24/570.505> and here:

<https://www.hudexchange.info/onecpd/assets/File/Basically-CDBG-State-Chapter-5-Purpose.pdf>

The scope of the Environmental Review for an acquisition project depends on the planned use of the acquired property. If the future planned use involves conversion or a change in use, the project will require an Environmental Assessment. More information about this process and timeframe can be found in answers from previous questions received.

If the property is acquired with Federal funds and redeveloped (either rehabilitated or demolished for the purpose of new construction) at a later date, the Environmental Assessment will be reassessed once the project scope has been determined.

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2. Q- What are the requirements for public hearings or meetings related to the Federal funds?

**A- The public meeting and consultation requirements largely depends on the scope of the project being proposed. A simple acquisition and minor rehabilitation project or any project that is deemed to be Exempt or Categorically Excluded, Not Subject to Part 58 (with no findings or mitigation issues) would likely require one or two public meetings in addition to the other required public meetings related to the development process.**

Substantial rehabilitation and new construction projects, as well as projects that involve conversion or a change in use, or any project deemed to be Categorically Excluded, Subject to Part 58 or projects that require an Environmental Assessment, require a more involved public process. An Environmental Assessment or a Categorically Excluded project that does not convert to Exempt requires a public notification and comment period in order to obtain a Request for Release of Funds (RROF) from HUD. With respect to the Section 106 process, the type of public involvement will depend upon various factors, including but not limited to, the nature and complexity of the project, the historic nature of the property or surrounding area, the potential impact, and the interest of the public. A finding of an adverse effect to historic properties requires an assessment of potential effects, consultation on ways to avoid the affect, and if not possible, then mitigation measures and drafting of a Memorandum of Agreement. Public engagement with consulting parties will be required throughout the process.

*The following Questions and Answers include questions staff received as of June 5, 2018.*

1. Q- For a hybrid 4%/9% project that exceeds the currently available funds and needs to be funded across two fiscal years, can the County commit Federal funds to both the 4% and 9% projects by March 2019, and then make a supplemental allocation of AHIF funds to the 4% project in FY 2020? Or would the 9% project need to incorporate all of the Federal funds, and the 4% project accept only AHIF funds?

**A - The County's most urgent need is to disburse CDBG as quickly as possible. The applicant should propose a timeline that meets this requirement – using whatever combination of CDBE, HOME, and AHIF that works best for the project. From staff perspective, either of the scenarios described in the question above would be considered.**

2. Q - What are the typical timelines for the required environmental, historic and site and neighborhood standards reviews? Are developers required to initiate these processes ahead of the County's funding decision in August 2018 in order to meet the project timeliness requirements?

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A - The timeline for required environmental review (including the NEPA / Section 106 historic review) depends on the scope of the project. An acquisition and minor rehabilitation project would likely take between 60-90 days depending upon the complexity and historic nature of the project. If the property or surrounding neighborhood are considered historic, this could potentially lengthen the review process. An environmental review of this scope may be able to be completed in-house by County staff.

Substantial rehabilitation and new construction projects, as well as projects that involve conversion or a change in use, require a lengthier Environmental Assessment process, which can take 120 days or more and would likely require assistance from a consultant. Again, depending on the historic nature of the property and/or surrounding neighborhood, the review could likely take longer in order to comply with the County's Historical Affairs and Landmark Review Board (HALRB) and Historic Review process.

Site and neighborhood standards review are only applicable for substantial rehabilitation and new construction projects, and would be included in the Environmental Assessment process.

Developers are welcome to initiate any of these processes ahead of the funding decision, and staff would highly recommend consulting with a specialist if the project being proposed involves either substantial rehabilitation or new construction. These consultant costs can also be built into the project budget.

*The following Questions and Answers include questions staff received as of May 29, 2018.*

1. Q - How will staff score an application that proposes to only use 4% Low Income Housing Tax Credits (LIHTC) as opposed to a hybrid 9%/4% LIHTC project? Would a 4% LIHTC project be given equal footing with a 9% or hybrid 9%/4% LIHTC project?

A – There is no scoring category that would give additional points to a 9% LIHTC development over a different type of development (4% LIHTC or non-LIHTC development). The categories used for scoring the applications can be found [here](#).

*The following Questions and Answers include questions staff received as of May 8, 2018.*

1. Q - What is entailed with the "commitment" of funds by March 2019?  
A- For a commitment of Federal funds, all the Federal requirements, including Environmental Review (ER) must be completed, and a written agreement must be executed (settlement documents, such as Deed of Trust, etc., are not necessarily required to commit Federal funds). How long the ER takes will take depends on the project proposed, whether it is rehab or new construction, whether it is a historic property or in a historic district, etc. For the latter, it may involve extensive

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community meetings as well as hearings with the Historical Affairs and Landmark Review Board (HALRB). Applicants should have a good understanding of what Federal compliance requirements will be applicable to the project that is proposed.

2. Q- What does it mean to have “financing arranged?” Is it a firm commitment of funds? What about applications that include 9% low income housing tax credits (LIHTC) which cannot be guaranteed by March 2019, since tax credit notification will not happen until May 2019?  
A- Staff does not want to discourage any project from applying. “Financing arranged” typically means that tax credit financing has been secured. However, the County can issue a conditional commitment of Federal funds to projects applying for 9% tax credits in 2019. Otherwise, projects must be able to meet all Federal CDBG and HOME requirements noted above by March 2019.
3. Q- Is there a deadline for disbursement of funds?  
A- Staff would like to commit funds as soon as possible. Staff is in discussions with HUD regarding what disbursement dates are acceptable. Projects must be completed and placed in service by May 2023.
4. Q- There are no scoring guidelines for “Project Timeliness” related to use of the Federal funds. How will that be factored in? Will there be a preference for 4% tax credit projects over 9% projects?  
A- The timing preference for Federal funds is a threshold consideration. If a project presents a feasible (as determined by staff) use of Federal funds, it will be scored comparatively to the other projects that pass the threshold criteria.
5. Q- Since the HOME program requires a percentage of Low HOME Rents, can an applicant say how much of each pot of money they would prefer?  
A- Yes, an applicant can suggest the mix of funding they prefer. The CDBG funds are the most urgent.
6. Q- In the scoring for Family-sized units or Senior Housing, should we read that there are three ways to obtain the highest points – 50% or more of CAFs are family sized, OR 10% or more of CAFs are 3+ bedrooms, OR the project is age-restricted senior housing?  
A- No, there are just two categories for highest points – 1. 50% or more of CAFs are family sized, AND 10% or more of CAFs are 3+ bedrooms; OR 2. project is age-restricted senior housing.
7. Q- Do the expected available funds include the FY19 appropriation for the Affordable Housing Investment Fund (AHIF)?  
A- Yes, the anticipated available funds of \$7 to \$8 million in Federal and local loan funds for the FY19 NOFA include the FY19 County Board appropriation for AHIF.

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- This is the estimated amount remaining if the County Board approves an AHIF request to finance the Queens Court development this fall, which was selected as the staff recommendation from the FY18 NOFA funding round.
8. Q- If the County Board approved AHIF funding for a development that submitted a March 2018 9% LIHTC application to VHDA, but that development does not receive a 9% tax credit allocation from VHDA, will the AHIF funds be released and awarded through this NOFA?  
**A- Since the 9% LIHTC final results will not be known until June, staff have not made any determination about that issue.**
9. Q- Would you consider phasing the funding for a LIHTC hybrid 9/4% project if there is not enough funds this year to cover both projects?  
**A- Yes.**
10. Q- How would a project that is a potential acquisition be scored regarding design elements such as energy star certification since the design may not be known?  
**A- Staff would look at what is planned for the project and what is intended.**
11. Q- Will each component of a LIHTC hybrid 9%/4% project be scored as a separate project, as was done in last year's NOFA?  
**A- Yes, the process will be the same as last year. For hybrid 9%/4% LIHTC developments, a NOFA application should be submitted for the 9% LIHTC component and a separate application should be submitted for the 4% LIHTC component. Staff will score each application separately and then average the scores together for the final score.**
12. Q- To clarify, County staff is saying that it is not a deal-breaker to submit proposals that include a 9% tax credit application in 2019?  
**A- Yes, that's correct, however the application must meet all Federal requirements as stated in the application.**
13. Q- Since the NOFA includes Federal funds, does the Community Development Citizens Advisory Committee (CDCAC) need to approve the projects?  
**A- When CDBG or HOME funds are used to fund a development project, the Annual HUD Action Plan is amended to include that specific project. CDCAC considers the recommendation that the Action Plan be amended to include the selected development. The Citizens Advisory Commission on Housing is the body that considers the funding recommendation to the County Board.**
14. Q- Will projects funded through this NOFA be required to follow the HUD Residential Antidisplacement and Relocation Assistance Plan.

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A- Yes, any County funded projects will follow adopted County policies, including those concerning tenant relocation and assistance.

*The following Questions and Answers include questions staff received as of April 25, 2018.*

1. Q- What is the maximum HOME subsidy per unit?

A-

BR Type	Per unit maximum subsidy
OBR	\$162,057
1 BR	\$185,776
2 BR	\$225,901
3 BR	\$292,245

2. Q- How many units can use HOME without triggering the Davis Bacon requirement?

A- Up to eleven units can receive HOME subsidy without triggering Davis Back requirements.

3. Q- In regards to the “Site Control” criteria listed on the Scoring Guidance document, will a title report showing the vested owner, the organizational documents for the partnership, Managing General Partner and Limited Partnership be sufficient for full points?

A- Yes.

4. Q- In regards to the “Repayment Schedule” criteria on the Scoring Guidance document, for the full points in repayment is the residual receipt split 50/50 between the County and deferred developer fee or can it be 100% deferred developer fee and then 50/50 between the County and Seller notes?

A- A residual receipts split that prioritizes the deferred developer fee will not be sufficient for full points. Furthermore, a 50/50 split between County and deferred developer fee does not guarantee full points. For example, an applicant might propose a 60/40 split that favors the County loan and that would receive the highest point award for that category in comparison to a project that proposes a 50/50 split. Please note the project has to be financially feasible in all areas; including deferred developer fee payback time constraint criteria related to tax credit rules.

5. Q- Is the manager’s unit treated as a Committed Affordable Unit (CAF) or as unrestricted/market rate?

A- If the manager’s unit is income restricted, it would be a CAF.

6. Q- When are applications due and when will scores be published?

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A- Applications are due June 15, 2018 and developer notification will be August 2018. More information can be found here:  
<https://housing.arlingtonva.us/development/affordable-housing-investment-fund/>

7. Q- Is there a fixed limit on the amount of funding that can be requested? If there will be approx. \$7.0M to \$8.0M available in this round, and a hybrid 4%/9% Low Income Housing Tax Credit (LIHTC) project needs more than this, will staff consider funding the 9% project from the currently available funds, and the 4% from the next fiscal year? Or will an application that exceeds the currently available funds be rejected?

**A-Staff will consider a phased funding request, however due to Federal timeliness requirements the first phase of the request must include use of the Federal funds. The Federal funds must be committed by March 2019. Commitment means the project's financing package has been established, loan agreement finalized, NEPA Environmental Review complete, other Federal compliance requirements finalized, and the project has received County Board approval.**

8. Q- If there is a hard limit on funding requests, when will that exact number be established?

**A-There is not a hard limit on funding requests, however requests must be able to utilize Federal funds and meet certain timeliness requirements (see answer to #7 above).**

9. Q- Do you have a breakdown of HOME vs CDBG funds that will be available?

**A-As of now staff is estimating approximately \$2.0M in HOME funds and \$3.0M in CDBG funds.**

10. Q- For a 4%/9% LIHTC project, does the applicant need to utilize Federal funds on both projects? Or could the applicant allocate all the Federal funds to just one side?

**A-Federal funds can be used for just one side of a 9%/4% application. However, see question #7 above for additional criteria.**

11. Q- Will staff require the submission of a 9% LIHTC self score sheet and financial statements as part of the application this year?

**A-Yes, staff requires submission of an audited financial statement or equivalent for all projects. For projects intending to apply for 9% LIHTC, a 9% LIHTC self-score sheet is required.**