



HOUSING AUTHORITY OF THE CITY OF WATERBURY

REQUEST FOR PROPOSALS

DEVELOPMENT OF REAL ESTATE

Issue Date: September 27, 2018
Submission Deadline: November 7, 2018: 12 noon
Submit to: Housing Authority of the City of Waterbury
2 Lakewood Rd, Waterbury CT 06704
Attention: Maureen Voghel

PART 1 – INTRODUCTION

1.1 THE WEST GROVE REDEVELOPMENT

The Waterbury Housing Authority (WHA) is seeking proposals from experienced development teams to act as WHA’s Development Partner (“Development Partner”) for the first phase of a multi-phase redevelopment of a city block currently occupied by multi-family homes and commercial / retail buildings, some blighted (West Grove Redevelopment”). A portion of the West Grove Redevelopment area is already fully owned by WHA and demolition efforts are ongoing (see Appendix A, Map; Appendix B, List of Properties).

The West Grove Street neighborhood is located on the West side of the City in Census Tract 3501, one block above West Main Street, Waterbury’s main artery from the West. It is located on a bus route, less than one mile from the Waterbury Green and less than one half mile from the Metro North Station.

Phase I calls for the construction of attached multi-family units no higher than four stories, in an open, green space which provides play space, grass and trees. WHA has determined that the buildings will reflect the surrounding area’s traditional style and architectural design. It is envisioned that the development will be comprised of a mix of project-based Section 8 vouchers and market rate units. Twenty-one parcels on Sperry, West Grove and Johnson Streets have been acquired. See Appendix B (List of Properties). Ten of these parcels contain blighted, nuisance properties that still must be demolished. WHA has received CDBG funds to complete the demolition. Demolition is expected to be complete by June 30, 2019. Environmental testing of the entire site will be required.

The WHA selection process under this Request for Proposals (RFP) will result in WHA’s selection of a Development Partner subject to the successful negotiation of a Development Agreement. WHA and/or its instrumentality or affiliate as designated by WHA (hereafter “WHA”) and the successful respondent shall serve as co-development partners. WHA shall play a significant role in each phase of the West Grove Redevelopment.

The successful respondent must demonstrate the ability and experience to assemble a pre-development team, prepare a successful financing application, oversee the construction and carry the project through lease up and stabilized operations. WHA envisions the West Grove Redevelopment being financed in part with equity from federal low income housing tax credits as well as other non-WHA sources of funds (including State of Connecticut resources, such as CHAMP funds) in addition to project based vouchers to be provided by WHA. WHA will review more favorably proposals that minimize the level of resources being requested from WHA and maximize economic benefits to WHA.

WHA plans to submit an application for the 2020 9% LIHTC funding round in the fall of 2019.

1.2 ORGANIZATIONAL BACKGROUND

The Waterbury Housing Authority was originally organized in 1946 for the purpose of building federal affordable housing. It is governed by a five-member Board of Commissioners appointed by the Mayor of Waterbury. Commissioners serve five-year terms.

The Executive Director and the staff of the WHA are responsible for the administration and management of the Authority. Waterbury Housing Authority currently owns and manages 789 federal public housing units, 155 of which are designated elderly, the rest are family units.

Waterbury Residential, Inc. was created in 2018 and is a 501(c) (3) affiliate of WHA. WHA seeks to use WRI and other entities controlled by or affiliated with WHA as development services entities as determined by WHA to be in the best interests of WHA and in accordance with all applicable legal requirements.

1.3 SECTION 3 AND MINORITY WOMEN BUSINESS ENTERPRISE PARTICIPATION

Section 3 is a provision of the Housing and Urban Development Act of 1968 and is intended to ensure that when employment or contracting opportunities are generated through HUD funding that require additional employees to be utilized, that preference must be given to low and very low income persons or business concerns residing in the community where the project is located.

The firm awarded the contract agrees to use its best efforts to subcontract and employ Section 3 and minority business enterprises and/or women business enterprises, certified and/ or recognized by WHA.

WHA is an equal opportunity employer and requires all of its contractors to comply with policies and regulations concerning equal employment opportunity. It is important for those responding to be aware that Section 3 differs distinctly from Minority and Women Owned Business Enterprises. Section 3 is both race and gender neutral. The preferences provided under the Section 3 regulations are based on income-level and location. The Section 3 Program was designed to encourage residents of public housing neighborhoods and the surrounding areas to direct new employment and contracting opportunities to low income

residents and the businesses that employ them. The purpose of Section 3 is not to hinder MBE and WBE participation, but to create opportunities for low and very-low income residents and women and minority owned businesses alike. WHA's goal for MBE/WBE participation is set at 10%.

PART II – PROJECT SCOPE

2.1 OVERVIEW

Once selected, the successful respondent will make a good faith effort to enter into a development agreement with WHA in conjunction with the West Grove Redevelopment. As noted, above, WHA will work with its Development Partner to redevelop the West Grove Redevelopment area utilizing single purpose limited partnership or limited liability entities for each phase of redevelopment utilizing federal low income housing tax credits (“LIHTCs”), project based vouchers and/or other financing resources. As such, working with WHA, the successful respondent will be required to propose corporate structures that maximize financial benefit and flexibility to achieve the best interests of WHA for each phase of the West Grove Redevelopment, to prepare plans for the West Grove Redevelopment that are financially feasible, that meet the goals of WHA and will be approved by the U.S. Department of Housing and Urban Development (HUD), CHFA, DOH and other agencies, financiers, funders, syndicators and investors, as required. The Development Partner's specific responsibilities are set forth in Section 3.2 of this RFP.

2.2 OWNERSHIP STRUCTURE(S), DEVELOPER FEES, AND CONTROL

WHA envisions serving through a related entity as a co-general partner or co-managing member of the owner entity for each stage of the West Grove Redevelopment. WHA is open to the Development Partner managing the Property through stabilized operations. WHA's management role will be a subject of negotiations. WHA shall receive a fair portion of the developer fee and cash flow for each phase and will view more favorably proposals that structure and budget such fees most beneficially for the WHA in light of WHA's contributions to the redevelopment. Additionally, the budget must include reimbursement of all Authority third-party costs and an Authority administrative fee to cover staff time allocable to the project. WHA expects its Development Partner to provide the construction, completion and operating deficit guarantees for the West Grove Redevelopment. Additionally, WHA or its designee(s) will at all times own the real property and improvements and envisions ultimately assuming responsibility for property management services as described in Section 2.5 of this RFP.

2.3 SUSTAINABLE DESIGN AND CONSTRUCTION

The selected Development Partner must have, as a member of the team, an architect who will be responsible for all documents related to design. The Development Partner will oversee construction; ensure completion in a timely and cost effective manner; and ensure that all required occupancy permits and other necessary approvals are obtained after construction completion.

The construction contract for each phase of the West Grove Redevelopment shall set forth either a fixed-price or a guaranteed maximum price, to be pre-approved by WHA and shall

provide for assignment to WHA in the event of termination of the relationship with the Development Partner. Respondents must demonstrate familiarity with environmental and sustainable practices and must be familiar with the green building design standards and guidelines.

2.4 PROPERTY MANAGEMENT

WHA shall ultimately serve as the property manager for the West Grove Redevelopment, but will entertain proposals whereby the Development Partner will serve as the property manager through a certain period, including through stabilized operations.

PART III- ROLES AND RESPONSIBILITIES

3.1 ROLE OF WHA

WHA will serve as the liaison for the selected Development Partner with the City of Waterbury, HUD and other governmental agencies. WHA will play the following key roles in the development process:

- **Housing Authority Role as Development Partner, Co-General Partner/Managing Member of LIHTC Owner Entity, and Property Manager.** WHA shall participate in each stage of the West Grove Redevelopment as set forth in Section 2.2 of this RFP. Also, WHA shall ultimately serve as the property manager as described in Section 2.4 of this RFP.
- **Ground Lessor.** The WHA envisions utilizing a ground lease agreement with each LIHTC owner entity for the West Grove Redevelopment.
- **Relocation.** The WHA will maintain responsibility for all relocation activities. The Housing Authority will work with its selected Development Partner to ensure all relocation activities are consistent with all federal, state and local requirements.
- **Cooperate with Developer to Obtain Low Income Housing Tax Credits and Other Funding.** The WHA will work with the Development Partner to obtain a complete funding package including Low Income Housing Tax Credits. The Development Partner will be responsible for preparing the LIHTC application for review, comment and approval of the WHA at least thirty (30) days prior to the submission deadline and for obtaining all threshold items and approvals including binding commitments for a complete funding package prior to submission. After receipt of the WHA's approval of an LIHTC application, the Development Partner shall be responsible for making timely application for tax credits. Ensuring that the financing application is rated and ranked will be a material obligation of the Development Partner.
- **Option/Right of First Refusal.** WHA shall hold an option and right of first refusal with each LIHTC investor and the Development Partner shall use best efforts to eliminate or minimize investor exit taxes due at the end of the compliance period. WHA shall have a right of first refusal to acquire the investor's interest in the single purpose entity upon the investor's exit at the minimum price permitted under applicable Internal Revenue Code provisions.

- **Communications With/Submissions to HUD.** WHA will manage and take responsibility for all communication with HUD, and the preparation and submission of program documents and evidentiaries and obtain all HUD approvals. However, to the extent any such documents or evidentiaries are within the particular knowledge or responsibility of the Development Partner, WHA will expect the developer to prepare or assist in preparing such documents, at WHA's direction.
- **Legal Counsel.** The WHA has retained legal counsel for the West Grove Redevelopment for its sole use. The Development Partner(s) is responsible to obtain its own legal services.

3.2 ROLE OF THE DEVELOPMENT PARTNER

The Development Partner will work closely with WHA staff, public housing and community residents, stakeholders, and partners. The Development Partner will be responsible for ensuring that the plan for the West Grove Redevelopment is approved, financed, implemented and successfully completed. The role of the Development Partner shall include, but not be limited to, the following activities:

- **Capacity.** Providing the necessary staffing, expertise, supervision and guarantees to implement all aspects of the West Grove Redevelopment fully and expeditiously.
- **Development Team.** Assembling a team that covers the architectural, environmental review, market analysis, geo-technical studies, civil, mechanical and electrical engineering, construction management, construction and any other activities deemed necessary by the developer and/or WHA. Respondents are strongly encouraged to demonstrate participation of their team of team members with expertise in areas of relevance to the locale's development process, including LIHTC financing and construction matters.
- **Master Planning.** Developing a master plan for the West Grove Redevelopment in coordination with WHA, key stakeholders and residents. A final master plan shall be completed with a detailed development schedule.
- **Market Analysis and Appraisal.** Providing a detailed market study and appraisals as required to develop and obtain financing for the West Grove Redevelopment.
- **Design/Approvals.** Developing design and construction documents in accordance with the design criteria set forth further in this RFP. The WHA shall have final review and approval of all design and planning activities, as well as the selection of design professionals retained to execute the West Grove Redevelopment. The Development Partner shall ensure quality design and construction throughout the process. The Development Partner shall, to the satisfaction of the WHA, provide third-party construction phase monitoring to further ensure quality and performance. The Development Partner will also be responsible for obtaining City permits, zoning approvals and any other approvals that may be required.
- **Scheduling/Timing.** Establishing a regular schedule of team meetings, beginning immediately with pre-development, in which the WHA will participate. Moreover, the

Development Partner will be responsible for submitting monthly progress reports to WHA on the project status and schedule, including but not limited to design, permits, financing, resident coordination, etc. Development Partner shall develop and maintain a detailed schedule of events, predicated on financing deadlines, that includes pre-development activities, construction start, project stabilization and permanent loan close. Development Partner shall also create a critical path schedule for all phases of pre-development, construction, lease-up and stabilization.

- **Ownership Structure.** Working with WHA in proposing structures for the ownership entities for each phase of the West Grove Redevelopment which meet the needs of WHA in accordance with this RFP and specifically Section 2.2.
- **Financing.** Preparing and reviewing development and operating budgets, undertaking feasibility studies and any required financial planning activities necessary. The Development Partner will be expected to develop a financing plan that will provide all resources needed for redevelopment (including environmental remediation if required) and to take full responsibility for securing binding commitments for all financing sources in advance of a tax credit application. The Development Partner will be asked to analyze and evaluate the feasibility and viability of all development strategies and maintain accounting records and ensure redevelopment financing is available at the appropriate times and utilized in the appropriate manner. Ensuring that the first financing application submitted for 9% LIHTC credits is rated and ranked is a material obligation of the Development Partner.
- **Demolition.** The Development Partner will be responsible for securing of the site after demolition has been completed and before and until construction begins.
- **Guarantees.** Providing development, operating, and tax credit recapture guarantees, as required by lenders and equity investors. Also, the Development Partner shall provide a performance and completion guaranty to WHA. Development Partner acknowledges and agrees that each phase of the West Grove Redevelopment shall be structured such that WHA shall not provide any guarantees to lenders and equity investors prior to WHA becoming the sole general partner or managing member of the LIHTC owner entity of the West Grove Redevelopment. As part of the assumption of guaranty responsibilities once the WHA assumes control by becoming the sole general partner or managing member, the Development Partner shall indemnify and hold WHA harmless for any liability that arises related to the development and initial operating periods prior to WHA's assumption of control.
- **Tax Credit Application/Solicitation of Tax Credit Syndicator.** Preparing applications to obtain tax credit allocations in accordance with the Qualified Allocation Plan and shall provide the WHA with complete draft applications at least thirty (30) days prior to the submission deadline for WHA's review and approval.

The Development Partner with input from the WHA, shall prepare equity solicitations which outline, among other things, the following: the nature of the West Grove Redevelopment; the unit mix; the development budget; the development schedule; the operating assumptions, including the requirements and use restrictions of the various

funding sources; the proposed ownership and developer structure; that the Development Partner shall be the sole guarantor of obligations to the equity investor until WHA assumes control in accordance with this RFP; and the potential contractor and property management arrangements. Prior to distributing the solicitation for equity proposals, the Development Partner and WHA shall jointly compile a list of prospective equity investors to which the solicitation shall be provided. Once the proposals are received, the Development Partner will analyze each proposal, compare them, and provide a recommendation to the WHA as to why the WHA should select a particular proposal. The Developer will then negotiate with the prospective equity investor(s) and use its best efforts to maximize the amount of equity provided based on this type of ownership/control/guaranty structure, while also considering, among other things, the timing of the equity payments, the reserve requirements, as well as the liquidity, net worth and guaranty requirements. No proposal which seeks to require guarantees from WHA, other than those outlined in this RFP, or as otherwise agreed to in writing by WHA, will be accepted. WHA shall have the discretion, not to be unreasonably withheld, to decline a particular Equity Investor.

- **Assisting WHA with HUD.** While WHA shall be primarily responsible for interactions with HUD, the Development Partner, at WHA's request, shall assist WHA with the preparation of program documents and evidentiaries and obtaining HUD approvals. To the extent any such documents or evidentiaries are within the particular knowledge or responsibility of the Development Partner, WHA will expect the developer to prepare or assist in preparing such documents, at WHA's direction.
- **Coordination.** Coordinating all development activities, including reporting and budget requirements, with WHA.
- **Predevelopment.** Implementing and coordinating all predevelopment activities, including hazardous materials testing, funding, abatement, site improvements, securing all threshold items and approvals required by CHFA and DOH as necessary, and securing a complete funding package including binding commitment from all financing sources prior to application submission,. The Development Partner shall also fund and remain solely financially responsible for all predevelopment activities and third party efforts for the West Grove Redevelopment unless otherwise agreed to in writing by WHA.
- **Submissions/Reporting.** Preparing any and all required submissions to HUD, state, local or other agencies and funding sources, as may be required. The submissions are subject to WHA review and approval and WHA shall make any submissions to HUD. Submit monthly status reports to the WHA in areas of design, construction, management, financing, project status and scheduling. The selected Development Partner(s) shall also make written and verbal presentations to the WHA as requested. Compliance with the MBE/WBE hiring/training of low-income residents (Section 3) and resident owned businesses must be a part of the monthly status report.
- **Resident/Local Employment and Contracting.** Developing a strategy in coordination with WHA for fostering the hiring of local businesses and individuals, Section 3 employment, training and contracting opportunities throughout the West Grove Redevelopment process that are consistent with the requirements of Section 3 of the

Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u) and aimed at improving the economic circumstances of individuals, households and companies in the City of Waterbury.

- **MBE/WBE.** Developing a strategy to maximize the contracting opportunities for MBE/WBE firms in accordance with the requirements of this RFP, the policies of WHA, and applicable federal, state and local requirements.
- **Construction.** Ensuring the West Grove Redevelopment is constructed and managed with the highest quality materials and workmanship. The Development Partner will be required to implement quality assurance and control measures to ensure effective performance by all parties in all aspects of the program. Development Partner shall provide appropriate guaranties for the completion of the project in a timely and cost effective manner and ensure that all occupancy permits and necessary approvals are obtained after construction for timely operation of the development. The Development Partner must submit a procurement process that meets the overall Redevelopment goals for review and approval by WHA.
- **Coordination.** Coordinating, conducting, and documenting all meetings with any and all public housing residents and resident associations in the surrounding neighborhood, city agencies, officials, HUD, WHA staff, businesses in the area, and any other stakeholders. Development Partner shall facilitate and foster the involvement of public housing residents in the implementation of the West Grove Redevelopment effort. In cooperation with WHA, Development Partner shall keep residents informed of the status of the West Grove Redevelopment effort, plan for providing job opportunities for residents during and after implementation, and assist/encourage resident businesses.
- **Supportive Services (if and as needed).** Identifying and securing appropriate detailed financial information to support the revitalization and any supportive service initiatives identified.
- **Long Term Affordability of Rental Property.** The developer must devise a means to ensure the long-term affordability of the rental property used by low to moderate income residents, in conjunction with WHA.
- **Marketing Plan.** The developer is expected to create an effective lease-up strategy to obtain rapid initial occupancy and maintain ongoing high occupancy of all residential units.
- **Option/Right of First Refusal.** Securing an option/right of first refusal for the WHA with each LIHTC investor and eliminate, minimize investor exit taxes due based on the investor projections (as approved by WHA).
- **Maximize Financial Resources to the WHA.** The WHA expects the Development Partner to detail strategies to maximize the fees to be paid the WHA in unrestricted cash from non-Authority development sources for the West Grove Redevelopment. WHA shall receive a fair portion of the developer fee to be negotiated and cash flow for each phase and will more favorably view proposals that structure and budget such fees most