

CAPITAL FUNDING FOR THE REHABILITATION OF AFFORDABLE HOUSING GRANT APPLICATION EVALUATION PROCESS

The grant evaluation process was consistent and fair. All applications were evaluated using one scoring rubric designed for each funding opportunity. All reviewers were trained on scoring rubrics.

All applications were scored by a cross-district and/or a district/national team of reviewers.

For RLF applications, two Homeownership Management Consultants (one from within and one from outside the applying organization's district) and one National Homeownership Programs staff reviewed and scored the applications. Each reviewer scored the applications independently. Then, each review team held a concurrence call where the reviewers discussed their scores and reached consensus on a score for each application. Quality control for this process was provided by National Homeownership Programs and the Deputy Director of Field Operations.

For all Real Estate applications, because of the volume of applications, the process was slightly different. The applying organization's Real Estate Management Consultant and a national reviewer each scored the application. Each reviewer scored the applications independently. Then, each review team held a concurrence call where the reviewers discussed their scores and reached consensus on a score for each application. Quality control for this process was provided by National Real Estate Programs and the Deputy Director of Field Operations.

Elements to be Scored

It was anticipated that the amount of funding requested by NeighborWorks organizations will be substantially greater than the amount of funds available for award and that NeighborWorks America will receive a large number of high quality applications. Therefore, applicants are advised to pay strict attention to the following scoring elements:

For the "Revolving Loan Fund (RLF) – Rehabilitation Lending" application, the following elements will be scored:

Grants through this program provide capital funds for revolving loan fund for rehabilitation lending programs. This includes lending for owner occupied repairs where the borrower is the owner of the property to be rehabilitated and lending for the acquisition and rehabilitation of a home where the borrower will be the end owner of the property to be acquired and rehabilitated. Grants from this program can support the replacement of pre-1976 manufactured housing.

Additional threshold requirements

- Loan origination process must be Real Estate Settlement Procedures Act (RESPA) compliant
- Loan Servicing System with capacity to add additional loans

Program Feasibility (30 percent)

- Completed Budget Template: provide a completed budget template that identifies sources of funding for the entire loan fund, operating cost for the loan fund and rehab lending programmatic costs.
- Demonstrated Need: demonstrate the need for additional rehab capital as supported by market information and a current deployment ratio.

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- Demographics and Market: identify demographics and target markets that are currently or will be served by the program.
- Program Plan: provide a program plan that outlines how and when the RLF/Rehab funds will be deployed, including current loan loss reserve capacity or plans to recapitalize.

Organization Capacity (in excess of core capacity) (40 percent)

- Rehab Lending Experience: demonstrated and staffing experience in rehab lending and services, staffing structure, staff training, staff experience and individual/organizational certifications, including the lending service delivery model.
- Portfolio Performance/Delinquency Rate (for all loans in RLF)
- Costs: costs associated with RLF/Rehab loan origination and servicing
- Marketing/Outreach Strategy
- OHTS rating

Ability to Leverage non-NeighborWorks America Resources (10 percent)

- Leverage: the extent to which non-NeighborWorks America sources are funding the program's cost with the highest scores available for the most leverage. Lesser ratios will receive correspondingly lower scores but all leverage will be awarded some points.

Impact (20 percent)

- Community Impact: examines the relationship between the RLF/Rehab program and established Community Level Outcomes; serving to underserved markets tied to a demonstrated market need, and how the program is tied to a Foreclosure Prevention or Community Stabilization Strategy.
- Resident Impact: examines how the applicant will meet program goals regarding the demographics of residents to be served; and in terms of green elements, examines how the applicant will meet clear program goals that identify how the program will incorporate energy efficiency, weatherization, and healthy housing strategies.

For the “Real Estate: Rehab of Existing Portfolio Residential Rental Property” application, the following elements will be scored:

Grants through this program provide capital funds for the rehabilitation of residential rental property currently owned by the NeighborWorks organization. Grants from this program can support the replacement of pre-1976 manufactured housing.

NeighborWorks organizations are advised not to bundle projects into one application under the Real Estate: Rehab of Existing Portfolio Residential Rental Property category **unless** the projects are similar in nature such that the scope and / or geography includes items which will serve a common rehab goal or purpose, e.g. energy efficiency measures, where the total number of bundled units is less than 80. Please consult with your District's or Region's Real Estate Management Consultant before submitting a bundled application.

Project Feasibility (40 percent)

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- Demonstrated Project Need and Scope of Work: relates to property level factors at the proposed project site which are in need of improvement and the extent to which these property level factors are addressed in the scope of work. The scope of work should be directly linked to the items and activities that have been identified as requiring repair, replacement or upgrading.
- Budget and Scope of Work: evaluates the budget for the submitted scope of work and whether it is realistic and achievable and based on a Capital Needs Assessment performed by a qualified firm, individual, or independent contractor.
- Readiness to Begin Project and Complete on Time: demonstrated ability to begin the project immediately upon receipt of grant funds and complete by date certain.

Ability to Leverage non-NeighborWorks America Resources (10 percent)

- Leverage: measures the extent to which non-NeighborWorks America sources fund the project's rehabilitation hard costs. The highest scores will be given to projects with the most leverage. For example, applicants will receive the maximum points available if the non-NeighborWorks America resources exceed the requested NeighborWorks America resources, yielding a leverage ratio of 1:1 or higher. Lower ratios will receive correspondingly lower scores but all leverage will be awarded some points.

Organization Capacity (in excess of core capacity) (25 percent)

- Development Capacity: examines the track record of the development team (staff and key consultants) to complete the project and the track record of the NeighborWorks organization and its key development partners in completing projects of similar scope and budget in the recent past.
- OHTS Rating

Impact (25percent)

- Asset Management Impact: examines if the applicant indicated why the proposed property was selected for rehabilitation, the needs that will be addressed, and how the improved property performance relates to the proposed rehabilitation work. Examines if the property financial statements and pro forma reflect property improvement. Any available Asset Management Plan should be attached.
- Community Impact: examines the extent to which the proposed rehabilitation will increase resident satisfaction at the property as well as the number of units that are income restricted at the property
- Resident Impact: examines the extent to which the proposed rehabilitation will provide financial benefit to residents or how resident health will be improved based on use of the green elements in energy and water efficiency, healthy living and indoor air quality.

For the “Real Estate: Rehab of New Acquisition Residential Rental Property” application, the following elements will be scored:

Grants from this program provide capital funds for the rehabilitation of projects that will be acquired or have recently been acquired by the NeighborWorks organization, and will be rehabilitated as residential rental property. Grants from this program can support the replacement of pre-1976 manufactured housing

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NeighborWorks organizations are advised not to bundle projects into one application under the Real Estate: Rehab of New Acquisition Residential Rental Property category **unless** the projects are similar in nature such that the scope and / or geography includes items which will serve a common rehab goal or purpose, e.g. energy efficiency measures, where the total number of bundled units is less than 80. Please consult with your District's Real Estate Management Consultant before submitting a bundled application.

Project Feasibility (50 percent)

- Development Budget and Scope of Work: evaluates the applicant's proposed scope of work and the direct relationship to physical factors at the property which are demonstrated or documented as in need of improvement through a capital needs assessment or contractor bid, including the extent to which the proposed project budget is realistic and achievable.
- Market analysis: examines market data provided by the applicant to determine if it supports the development assumptions, with the highest scores to be awarded where the market assumptions are corroborated by a third party market study.
- Financing: examines the percentage of acquisition and rehabilitation financing which is committed to the project as demonstrated in supporting documentation. Applications will be evaluated based on the percentage of the total rehabilitation financing that the applicant demonstrates is committed to the project.
- Readiness to Begin Project and Complete on Time: based on the demonstrated ability of the applicant to gain control of the property, begin the project soon after grant award, and complete by December 31, 2012; evaluates past performance in meeting project deadlines.
- Project Sustainability: examines the net operating income, debt service coverage, and reserve funding for the project
- Asset Management and Growth Strategy: examines how the proposed acquisition and rehabilitation fits into the NeighborWorks organization's growth strategy and if the applicant has a plan to deal with that growth. Any available current asset management plan should be attached.

Ability to Leverage non-NeighborWorks America Resources (10 percent)

- Leverage: measures the extent to which non-NeighborWorks America sources fund the project's rehabilitation hard costs. For example where the ratio of non NeighborWorks America funds to NeighborWorks America funds is 5:1 or more, the application will receive the highest possible scores. Lower ratios will receive correspondingly lower scores but all leverage will be awarded some points.

Organization Capacity (in excess of the core capacity) (20 percent)

- Development Capacity: examines whether applicant's development team has the capacity and experience to complete the project and that the project development team (staff and key consultants) has completed *a project of similar size and scope within the recent past*.
- OHTS rating

Impact (20 percent)

- Community Impact: examines the relationship between the proposed project and established Community Level Outcomes, community stabilization strategies and/or how the project will deal with a particular problem property in the community. This section also examines the number of units that are income restricted at the property.

- **Resident Impact:** examines any financial benefits to residents from the rehabilitation or the extent of the proposed green elements in the scope of work that address energy efficiency, water conservation, or indoor air quality, including any development toward a Green Standard.

For the “Real Estate: Single Family Acquisition Rehab Program” application, the following elements will be scored:

Grants from this program provide capital funds to support programs for the rehabilitation of single family properties that will be acquired or have recently been acquired by the NeighborWorks organization, and will be rehabilitated, and sold to homeowners. Grants from this program can support the replacement of pre-1976 manufactured housing.

Program Feasibility (40 percent)

- **Development Budget and Scope of Work:** examines if the budget and scope of work are realistic and achievable and if the budget and scope of work are based on past actual construction budgets and scopes of work.
- **Development Cash Flow:** examines the extent to which the development cash flow projections are month-to-month, and shows positive cash flows through the development period.
- **Program Sustainability:** determines if the proposed development program will generate net revenue for the organization.
- **Market Analysis and Marketing Strategy:** examines the market information provided by the applicant to determine if it strongly supports the projected sales schedule and demonstrate that the NeighborWorks organization clearly understands the market for the proposed units.
- **Unsold Inventory:** evaluates the relationship between the number of units proposed for the program and any inventory of unsold homes developed by the applicant that have been on the market for more than 90 days.
- **Financing:** examines if the acquisition, construction and grant financing required to support the proposed program of is committed. A line of credit or similar expression of readiness to finance will be considered.
- **Readiness to Begin Project and Compete on Time:** examines the applicant’s ability to acquire sites upon receipt of funds and the applicant’s ability to complete the project by December 2012.

Ability to Leverage non-NeighborWorks America Resources (10 percent)

- **Leverage:** measures the extent to which non-NeighborWorks America sources fund the project’s rehabilitation hard costs. For example where the ratio of non NeighborWorks America funds to NeighborWorks America funds is 5:1 or more, the application will receive the highest possible scores. Lower ratios will receive correspondingly lower scores but all leverage will be awarded some points.

Organization Capacity (in excess of core capacity) (30 percent)

Development Capacity: examines whether the project development team (applicant staff and key consultants) has demonstrated experience of completing an acquisition, rehabilitation and resale program of similar size and scope in the recent past and if the applicant has addressed the risks related to the program

- **OHTS rating**

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Impact (20 percent)

- Community Impact: examines the relationship between the proposed project and established Community Level Outcomes, a community stabilization strategy, or how the project will deal with a particular problem property in the community.
- Resident Impact: examines the number of units in the proposed program that are projected to be income restricted, as well as the green elements proposed in the scope of work such as energy and water efficiency, healthy living, and indoor air quality or the attainment of a specific green standard or certificate.

Decision-making process

One hundred forty-one (141) NeighborWorks organizations requested \$53,550,601.17, and two NeighborWorks-affiliated capital corporations requested an additional \$4 million to support rehabilitation of housing units. Therefore, the funding opportunity was oversubscribed by over a 1.7:1 margin. Awards were set to approximately match demand for the funding in all categories except “Existing Portfolio,” where the quantity and quality of applications warranted a greater percentage of awards. The following table summarizes the demand by category and awards.

	Requested Amount	Percent of Requests	Recommended Amount	Percent of Total Recommendation
Existing Portfolio	\$30,692,981	57%	\$21,481,127	61%
Rental Acquisition	\$4,373,000	8%	\$2,954,874	8%
For Sale Acquisition and Rehabilitation	\$6,770,075	13%	\$3,473,364	10%
RLF (Lending)	\$11,714,545	22%	\$7,020,636	20%
	\$53,550,601			
		TOTAL:	\$34,930,000	

Award Principles:

- Recommendation amounts in each funding opportunity are driven by demand. To achieve the demand calculation, recommended award amounts were set at 90% of request and 65% of request for Existing Portfolio and Rental Acquisition. For Single Family Acquisition Rehabilitation, recommended award amounts were set at 95% of request, 65% of request, and 45% of request; and, for RLF, recommended award amounts were set at 95% of request, 80% of request, and 70% of request, depending upon how the application scored.
- Using these award amounts, floor or minimum scores were set for each funding opportunity for each percentage that came closest to matching demand by including applications above the floor or minimum score. (i.e. each award amount percentage had a separate floor or minimum score.)
- NeighborWorks organizations projecting to serve “Rural 20” areas¹ received five (5) additional preference points for rural, or a percent of 5 points if the less than 100% of total units in the program were to serve this market.

¹ The USDA definition of rural for 502 programs: (1) open country which is not part of or associated with an urban area. (2) Any town, village, city, or place, including the immediate adjacent densely settled area, which is not part of or associated with an urban area and which: (a) Has a population not in excess of 10,000 if it is rural in character; or (b) Has a population in excess of 10,000 but not in excess of 20,000, is not contained within a Metropolitan Statistical Area, and has a serious lack of mortgage credit for low- and moderate-income households as determined by the Secretary of Agriculture and the Secretary of HUD.