



APPLE AFFORDABLE HOUSING FUND RFI 2023 FREQUENTLY ASKED QUESTIONS

1. Executive Summary

- 1.1. RFI mentions this endeavor will address home ownership. Could you please clarify? Is there any insight on whether or not home ownership may come up in additional loans down the line? Can funding be used for "For-Sale" housing that also has long-term affordability covenants? Sales are restricted on the project from 80% to 120% AMI. Will there be future opportunities for funding of homeownership developments considering how it supports intergenerational wealth-building? Any ownership? If I understand your response, there is no funding for home ownership units of any type with this RFI? Is ownership versus rental preferred? Is this program only for rental units, or is this also available for developers who build units for purchase by the homebuyers?

While the introductory text of the RFI does mention homeownership, it does so in reference to Apple's \$2.5 billion commitment to addressing the affordable housing crisis in California. This particular RFI will NOT support affordable home ownership including construction/bridge loans (this applies both to single family homes and home ownership through multifamily housing developments such as residential condos); this RFI is designed to address the creation of new multifamily rental units.

- 1.2. Can I discuss my project with staff at the Housing Trust prior to applying?

We would like to ensure that everyone gets the same information, so please submit your questions via email to the designated email address. We receive many similar questions, so we are consolidating them and providing answers via a FAQ. Answers will be posted in the FAQ shortly thereafter.

- 1.3 Will this opportunity occur again? 2024?

The Fund seeks to review applications for the 2023 RFI. We encourage application submissions for this year's RFI process.

2. Threshold Criteria

- 2.1. If a project is missing one item from the Threshold criteria, will you still consider moving it forward?

Threshold criteria are minimum requirements; they must all be met.

- 2.2. Do I need to have all project docs / Borrower entity docs? Is it okay if the Sponsor entity is formed, but the Borrower entity is yet to be formed at the time of the application? We form single purpose entities during the closing phase of our LIHTC (low-income housing tax credit) deals. The principals and general partners and sponsor of the yet to be formed borrower entity can be identified during the RFI submission process. Do we have to form the borrower entity during the RFI process, or can we wait until the project is selected?

Not at this stage.

- 2.3. What if I do not have audited financials?

Our expectation is that a Sponsor will have audited financials should your project be selected to move forward to underwriting. Exceptions can be reviewed on a case-by-case basis. We will need to understand the underlying reason, and Sponsor will need to demonstrate they are able to satisfy all parties in the capital stack and project.

- 2.4. Can you share more about what constitutes relevant experience for the sponsor/borrower? Is it okay if they don't have experience across the whole spectrum of affordability?

The overarching theme is to be able to demonstrate proven success in navigating complex financing structures with established budgets and time constraints. Should your project be selected to move forward to underwriting, we will ask for a list of key staff and Board members, noting their tenure and experience, and key staff resumes, as well as: the number of years developing and operating affordable housing projects in CA; the number of completed projects in the last five years; and the number of completed projects similar to the one proposed. Bottom line, you should be able to demonstrate capacity to successfully complete the proposed project.

- 2.5. I have concerns about my ability to meet the threshold criteria related to sponsor/borrower track record. How do you think about experience of key staff outside of a particular company since this company is new? Is it okay if a partner is based out of state and has a mix of in state and out of state experience?

We want you to submit a proposal that works best for your contemplated project. Unique circumstances that require further explanation or additional detail to allow us to understand how you are able to meet threshold criteria or selection preferences can be filled in on the relevant free-form box in the "Project Description" section. Experience of principals/key staff resumes will be required should your project be selected to move forward to underwriting. We will also consider the experience of the project team, such as the general contractor, architects, and financial consultants.

- 2.6. Does Acquisition Rehab of an existing market-rate portfolio qualify as "new" affordable units? Are funds available for NOAH (naturally occurring affordable units)? Is the fund also considering existing apartments?

Yes, we may consider funding acquisition rehab of market-rate housing with naturally occurring affordable units to be converted into affordable housing with long term rental restrictions.

2.7. Are mixed-use sites eligible?

Yes, however, the selection preference criteria include cost efficiency, which excludes commercial space. Additionally, the purpose of the RFI is to support net new affordable units, so we would prefer a higher proportion of the development committed to residential than commercial uses.

2.8. The Proposal says 13 counties are eligible – will the remote counties really be considered?

Yes, proposals within all 13 counties will meet the location threshold criteria. However, there are other threshold criteria and selection preferences that will also be considered. We will review every proposal holistically.

2.9. Will you consider projects that include a long-term lease with a city? Is an appraisal required if it is a city-owned site being ground leased to the sponsor/borrower with no upfront ground lease payment?

Projects with long term leases with a city may be considered, and we will review on a case-by-case basis to ascertain an appropriate collateral/security loan structure which will determine if an appraisal is required.

2.10. Do we need to demonstrate the project is “shovel ready” by the time the application is due, or can we address the timeline of projected approvals in our proposal that will culminate in a readiness to enter a construction contract by the required date? Does the site have to be construction ready at the time of application? Or can we submit a timeline along with our application? Are entitlements required to submit the application? We have a project that we have a building permit on, however we do not have the equity requirement committed. How far along does the equity portion of the capital stack need to be, to be considered "shovel ready"?

The threshold is that construction will start by September 30, 2024. Priority will be given to projects that will be under construction by December 31, 2023, and serving the most vulnerable populations at the lowest Area Median Income (AMI) levels.

2.11. What constitutes 'long-term' with regards to maintaining an "affordable" unit designation?

All projects must commit to rental restrictions of at least 20 years from project completion for all proposed affordable units as a threshold criteria. Please see “Mix of Affordability” for selection preferences for affordable units.

2.12. We have a multi-phase development. Will you view the entire project as a whole, or will you only look at the phase being financed by the Apple funds when considering distance to transit threshold?

We will look at the underlying phase that is being proposed.

- 2.13. Are there minimum sustainability features the project needs to have to meet threshold?

The Fund seeks to encourage sustainable building and energy efficiency as a guideline. Therefore, submissions should include a narrative description of features and programs such as meeting Green Point or LEED standards to enhance selection preference. Projects that do not employ sustainable building methods with some minimum form of energy and water efficiency will not qualify.

- 2.14. Will renovation of existing units be eligible? If units are providing new accessibility and new deeper income targeting?

Substantial rehab projects can be considered. However, a reminder that one of the threshold criteria requires the creation of net new affordable units.

- 2.15. Are there any prohibitions on using funds for an affordable mobile home park?

Each project will be evaluated according to the selection preferences. The Fund seeks to review projects holistically, keeping the selection preferences in mind.

- 2.16. Can you provide any information on how the funding defines a transit-oriented project?

The Fund seeks to encourage projects that are well served by high quality transit. Projects incorporating a transit focus will be prioritized. Projects better served by transit are evidenced by being no more than 1/2 mile from a bus rapid transit station, light rail station, commuter rail station, ferry terminal, bus station, or public bus stop.

3. Selection Preferences

- 3.1. Are the preferences listed in priority order? Will a certain number of points be associated to each selection preference criteria? Are there any particular selection criteria that are more important than others?

Projects will be reviewed holistically.

- 3.2. One preference is looking for construction innovation. How can we be truly innovative if a threshold criteria is to have an established track record of developing and operating affordable housing of the same type?

The sponsor/borrower track record threshold criteria are mainly designed to assess experience in building multifamily affordable housing. While prior experience in a particular construction innovation would be desirable, it is not required. If any of your partners are experienced in the construction innovation, it would be beneficial for your proposal to make that experience clear in the "Project Description" section of the online form.

- 3.3. Is there a preference for the levels of affordability? (i.e., Is a greater percentage of ELI seen more favorable than the same percentage of LI or the same percentage of moderate?) Is there a preference between deep affordable built with public subsidy vs 80% AMI built with private equity?

All projects must have at least 75% of the total project units committed as affordable for 20 years (see “Threshold Criteria, Affordability Restrictions”). Additionally, projects that have a higher percentage of affordable units are preferable, and projects that include a higher percentage of ELI, VLI, and LI units are also preferable (see “Selection Preferences, Mix of Affordability”). All projects will be assessed holistically, and we will consider how the project meets all threshold and selection criteria. Priority will be given to projects that will be under construction by December 31, 2023 and serving the most vulnerable populations at the lowest Area Median Income (AMI) levels.

- 3.4. Is there a preference for senior vs. family housing?

As long as all of the threshold criteria are met, rental senior or family housing projects are eligible. We will review every proposal holistically with respect to selection preferences.

- 3.5. Can you define anti-displacement strategies? Are you referring to permanent relocation of tenants?

The Apple Affordable Housing Fund seeks to address the pressures of displacement being felt most acutely by the vulnerable members of our population, and would like to understand how this project will incorporate or contribute to anti-displacement strategies in conjunction with community engagement. Anti-displacement strategies can help communities manage neighborhood change resulting from new investment in housing, businesses, and infrastructure representative of increased market demand. The strategies are a function of the particular project and neighborhood.

- 3.6. If a proposed development met all threshold criteria and all other selection preferences, and if said development consisted of four new affordable units and one unit converted to affordable from market (5 total new affordable units), would you consider providing \$2million in construction/perm financing to such a 5-unit project? Are there any prohibitions on using funds for an affordable mobile home park? Micro-unit studios then could be acceptable unit type then? Is there a minimum or maximum project size or specific unit type?

All projects will be reviewed holistically. Proposals will NOT meet threshold criteria if they do not create any net new affordable housing units. Additionally, net new creation of affordable housing units is a selection criterion.

4. Loan Terms

- 4.1. Can the loan be used as pre-development/acquisition loan which would be paid back at Construction Loan Closing? Are there restrictions on what the loan is used for? Can the loan fund land acquisition? For example, we're in negotiations for an entitled site. Can the Apple funds be used for land acquisition and then roll into construction?

The goals of this particular RFP are for “shovel ready” projects that need funds to help “unstuck” a project to help “accelerate” a project timeline. We expect the availability of documents to demonstrate project readiness. For any unique circumstances that require further explanation or additional detail to allow us to understand how you are able to meet threshold criteria or selection preferences please use the relevant free-form box in the “Project Description” section.

- 4.2. Will there be prepayment penalties?

There will be no prepayment penalties; however, affordability restrictions will remain.

- 4.3. Is the maximum loan amount a hard cap? Are applications allowed to request less than \$2M?

The loan terms are parameters. Projects will be reviewed holistically, considering all of the selection preferences.

- 4.4. What is the timing of the loan?

The timing of the loan will depend on the specifics of each project. We are unable to evaluate timing issues prior to receiving a proposal. Loans will be closed concurrent with construction loan closing.

- 4.5. Can I pay the interest reserve out of pocket instead of funding with loan proceeds? If the loan is a full 20 years what interest reserve will be required?

A full Interest reserve during the construction period is required at time of loan closing. Repayment structure upon conversion to perm will depend on the underlying details of the project.

- 4.6. At or before the end of the 20-year period, would you consider re-syndication or refinance as a take-out source assuming the loan is not fully amortizing?

Take-out financing source will be reviewed based on feasibility and reasonableness. Any source identified should include narrative to that extent.

- 4.7. Will the Apple Loan subordinate to other project lenders? For the security of the loan, can it be subordinate to the security on our private placement perm/construction loan for the project?

We anticipate that each project will have different capital requirements, and intend for lending criteria to be used as a guideline and not a prescription. Specific loan terms will be reviewed on a case-by-case basis and as information is received. We recognize subordination may be a viable alternative.

4.8. Will the funds require prevailing wages?

The Threshold Criteria outlines the minimum requirements that must be met in order for a proposal to move forward. While the fund does not specifically require prevailing wage, other funding sources in the capital stack may.

4.9. Will interest accrue during construction?

Yes, interest will accrue during construction, and a full interest reserve for the construction period will be required. The interest reserve can be capitalized from the loan.

4.10. Is there a preference for a senior loan vs. a mezzanine loan?

Regarding loan seniority, specific loan terms will be reviewed on a case-by-case basis and as information is received.

4.11. Can you please confirm whether the stated 2% interest rate will be charged on a simple or compound basis?

The interest rate will be charged on a simple basis.

4.12. Does the maximum term of 20 years include the construction period? For example, if our construction period is 2 years, and we start paying down the loan at year 3, would we then have 20 years to pay it off, or would we have 17 years? Why is the construction to perm loan term set for a max of 20 years as opposed to 30?

The maximum term of 20 years includes the construction period.

4.13. In what cases would HTSV consider providing an award that exceeds \$5M?

The loan terms are parameters. Projects will be reviewed holistically, considering all of the selection preferences, including Apple Affordable Housing Fund loan dollars per unit and per square foot, and efficient use of Apple Affordable Housing Fund resources.

4.14. Is there a typical range for request amounts, or a list of past awardees that we could take a look at?

Please see <https://housingtrustsv.org/tag/apple-affordable-housing-fund/> to learn about some previous awardees.

4.15. For the Construction to Permanent loan product, can the principal and interest payable during the permanent period be structured as residual receipts? Will the Fund offer residual receipts as a repayment option?

The Fund will be seeking projects with repayment from either an identified takeout source or amortizing principal and interest payments.

- 4.16 Can you provide any information on debt service coverage ratio requirements for any of the construction loan types?

Each project will be evaluated holistically; we encourage the submission of applications, however, the minimum debt service coverage ratio is 1.15:1.0.

5. Application Process

- 5.1. Is there a specific application and checklist of required supporting documents needed?

Yes, should your project be selected to move forward with underwriting, we will provide a due diligence checklist that includes typical lender requirements, such as Sponsor's audited financials, appraisal, and environmental reports, as well as specific items unique to your project.

- 5.2. We have already been in contact already on these loans – will I automatically be considered for these funds?

No. You need to apply by submitting the RFI online form.

- 5.3. When you say no more than two applications per sponsor, does that include Joint Ventures and 50% administrative GP roles with various non-profit MGP sponsors?

There is no limit on how many times an organization can appear as a partner. If applying as a partnership, the lead organization should be listed on the form as the Sponsor. An organization can only apply as a lead organization twice. All communication will be to the lead organization.

- 5.4. How should non-profits respond to MBE/WBE or Veteran status as non-profits are not owned?

For a non-profit, please select minority-owned business, women-owned-business, or veteran-owned business if the executive director and at least 50% of the board of directors identify as Minorities, Women, or Veterans.

- 5.5. Would you recommend we mention that our project will require 10% of our contractors and sub-contractors be Veteran-owned businesses due to Veterans Housing and Homelessness Prevention funding in our application?

In the "Project Description" response field, we encourage applicants to share any project's features as an affordable housing project, including unique partnerships to support residents and the community.

- 5.6. Funding Sources, are we to list foundation/corporate/government grants? Or, are you just asking for information on loans in that section?

Please share all sources of funding for the project, including grants and loans.

- 5.7. Are you processing the requests on a first come first serve basis?

All applications will be reviewed at the same time, after the application deadline of July 19th.

5.8 Is there a character/word limit for project description? Or an expectation?

There is no character/word limit for the project description section of the application.