

**NOTICE OF FUNDING OPPORTUNITY
ARPA HOUSING DEVELOPMENT FUND
2023**



**CITY OF HARRISONBURG
VIRGINIA**

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City of Harrisonburg
ARPA Housing Development Fund
Notice of Funding Opportunity

I. INTRODUCTION

A. Background

The COVID-19 pandemic and subsequent economic disruption led to numerous challenges for individuals, families, and communities. For those already struggling with housing cost burden and instability, the pandemic exacerbated pre-existing disparities, compounded systemic barriers, and intensified hardships. This had a profound and disproportionate long-term negative effect on populations already experiencing a housing crisis, including communities of color, low-income households, and socially vulnerable groups.

State and Local Fiscal Recovery Funds (SLFRF) dollars are intended to help reduce barriers to equitable recovery from the pandemic for impacted and disproportionately impacted populations. Under the U.S. Department of Treasury’s Final Rule (31 CFR Part 35), “Development, repair, and operation of affordable housing and services or programs to increase long-term housing security” is an enumerated eligible response to the negative economic impacts of the pandemic. Activities to increase the supply of affordable high quality living units, and support stable housing and homeownership over the long term, are strongly encouraged under subsequent guidance.

The Harrisonburg City Council adopted priorities and spending plans for the City of Harrisonburg's \$23.8 million of ARPA in late 2022, including a \$2 million allocation to fund affordable housing development, following a robust public engagement process.

B. Purpose

The ARPA Housing Development Fund seeks to increase the long-term affordability, diverse supply, and overall production and preservation of safe, high quality, affordable housing in the City of Harrisonburg (the City). This fund aims to support ownership and rental housing opportunities, with a mix of development activities (new construction, rehabilitation, adaptive reuse).

Affordable housing is defined as a permanent residence in which monthly housing expenses (rent or mortgage payments, and basic utilities other than telephone) do not exceed 30 percent of the household’s monthly income. Income, rent, and sale price limits are detailed later in this document.

Developers, builders, owners, and community organizations are encouraged to apply in response to this Notice of Funding Opportunity (NOFO). Successful candidates that are selected as subrecipients will receive awards in accordance with the terms and conditions set forth in these guidelines. *NOTE: These funds are not available for direct assistance to individual households.*

C. ARPA Housing Development Fund Priorities

The City seeks proposals for activities that will increase long-term housing security and access to affordable, high-quality housing. Applicants must address at least one of these priorities in their proposed project:

Priority 1. Generate new units of long-term affordable housing for impacted populations

- Develop affordable rental or homeownership units through new construction

- Retrofit non-residential spaces into affordable rental or for sale housing with adaptive reuse
- Rehabilitate and convert market rate rentals into affordable units

Priority 2. Preserve existing affordable housing units to maintain affordability and housing stock

- Make capital improvements to existing multifamily projects that serve impacted populations
- Acquire and rehabilitate subsidized housing with expiring affordability restrictions

Priority 3. Create affordable homeownership opportunities

- Develop affordable for-sale units in new subdivisions or on multiple individual lots
- Convert vacant or nonresidential spaces into homeownership units (e.g., condominiums)

Applications that do not address one of these three priorities are not eligible to be considered for funding.

D. Award Format and Loan Details

The ARPA Housing Development Fund will generally support selected projects utilizing long-term loans in accordance with the specifications below. Depending on the proposed project, the applicant’s budget, and other details provided in the application, the award terms may vary on a case-by-case basis, and grants may be considered.

- Rental development including new construction, rehabilitation, acquisition, conversion, and renovation, is generally eligible for a 20-year fully amortized loan at 2% interest, with a commitment to a minimum 20-year affordability period.
- Homeownership development including new construction or acquisition and rehabilitation of vacant properties, is generally eligible for a forgivable loan, which would be secured through a lien enforceable for 20 years.
- Capital improvements to existing rentals including capital repairs, replacements, and upgrades, will be evaluated on a case-by-case basis. Maximum funding is \$10,000 per unit for multifamily projects.

1. LIHTC-Specific Contract Requirements

Project owners of any properties receiving SLFRF loans which also receive LIHTC financing must agree to waive their right to request a qualified contract as defined in Section 42(h)(6)(F) of the Internal Revenue Code and repay any loaned funds if the property becomes noncompliant.

E. Project Minimums and Maximums

Minimum project size per application is two affordable units. There is no total project funding cap. Applicants must adhere to any per-unit maximums specified in the Award Format and Loan Details section. Projects may consist of a variety of building styles (e.g., multifamily, single family, duplex, etc.).

F. Importance of Project Readiness

Per the Final Rule, SLFRF dollars must be obligated, defined as the locality having a signed contract with a subrecipient, by December 31, 2024 and expended by December 31, 2026. As such, project readiness is critical. Applicants should be prepared to demonstrate their experience and capacity with similar projects,

as well as project plans that feature realistic timelines and budgets, reflecting feasibility and readiness. Interested parties are encouraged to meet with City staff to discuss projects before application submittal.

G. Pre-Proposal Question and Answer Session

A pre-proposal information and question-and-answer session about the application process will be held virtually in Microsoft Teams on August 17, 2023 at 10:00 a.m. To receive the meeting link, attendees must register at www.surveymonkey.com/r/665Q2ZZ.

H. Schedule of Important Dates

Activity / Deadline	Date / Period
Issuance of Notice of Funding Opportunity	August 8, 2023
Pre-Application Q&A Session	August 17, 2023
Applications Open	August 21, 2023
Deadline for Questions / Post Questions	September 1, 2023
Applications Due by 11:59 pm	September 30, 2023

I. Contact Information

Interested parties are encouraged to meet with City staff to discuss projects before application submittal.

For questions about this Notice of Funding Opportunity, the Housing Fund, or the application process, please contact Housing Coordinator Liz Webb at 540-432-7701 or liz.webb@harrisonburgva.gov.

II. ARPA HOUSING DEVELOPMENT FUND ELIGIBILITY

Projects and applicants must meet certain eligibility criteria to be considered for funding. Projects and applicants that do not meet these standard requirements and at least one identified priority will not be considered.

- A. Eligible Applicants
- B. Eligible Beneficiaries
- C. Eligible Locations
- D. Demonstration of Site Control
- E. Project Minimums and Maximums
- F. SAM Registration
- G. Complete and Timely Submission
- H. Period of Performance
- I. Eligible Expenses

A. Eligible Applicants

Eligible applicants include:

- Private developers;
- Nonprofit entities with 501(c)(3) status;
- Public housing agencies;
- Property managers and owners; and
- Partnerships between nonprofits and private developers, owners, or property managers

B. Eligible Beneficiaries

To be eligible for funding, projects must demonstrate a long-term commitment to affordability for impacted households and communities, in one of the following ways:

1. Establish that the project is eligible to be funded under any of the following federal housing programs, and commit to adhere to that program’s income restrictions, affordability period, tenant protections, and housing quality standards:
 - o The Low-Income Housing Tax Credit (administered by Treasury);
 - o The Home Investment Partnerships Program (HOME, administered by HUD);
 - o The National Housing Trust Fund (HTF, administered by HUD);
 - o Project-Based Rental Assistance (PBRA) (administered by HUD); or
 - o Section 202 Supportive Housing for the Elderly Program (administered by HUD)
2. Commit to impose through a covenant, land use restriction agreement, or other enforceable legal requirement a maximum income of 65% area median income (AMI) for at least twenty (20) years for any rental unit. The table below shows the 2023 income limits at 65% AMI by household size.

2023 Income Limits for 65% Area Median Income by Household Size								
	1	2	3	4	5	6	7	8
65%	\$36,855	\$42,120	\$47,385	\$52,650	\$56,875	\$61,100	\$65,325	\$69,550

3. Justify that the project is a reasonably proportional response to the needs of populations identified as impacted or disproportionately impacted economically by the pandemic.

See [Appendix I](#) for details on justifying reasonably proportional response as well as income, rent, and affordability thresholds.

Mixed-use developments and mixed-income housing projects may be eligible, but funds can be used only to cover the costs attributable to affordable housing units. Contact staff for more information.

C. Eligible Locations

Housing must be located within the City of Harrisonburg limits.

D. Demonstration of Site Control

The applicant must have site control in the form of title, an option to purchase, a long-term lease, or other forms acceptable to the City at the time of application.

E. SAM Registration

To be eligible to receive funding, each applicant is required to:

1. Be registered in SAM.GOV (<https://sam.gov/content/home>) before submitting its application;
2. Provide a valid unique entity identifier in its application; and
3. Continue to maintain an active SAM registration with current information at all times during which it has an active federal subaward or an application or plan under consideration for a federally funded City program.

The City may not make a Federal subaward to an applicant until the applicant has complied with all applicable unique entity identifier and SAM requirements, and, if an applicant has not fully complied

with the requirements by the time the City is ready to make an award, the City may determine that the applicant is not qualified to receive an award and use that determination as a basis for making an award to another applicant.

Applicants are encouraged to begin the SAM.GOV registration process as soon as possible to allow for processing time.

F. Complete and Timely Submission

A complete application must be received by the deadline.

G. Period of Performance

Funds must be obligated by December 31, 2024 and expended by December 31, 2026. Therefore, the City aims to announce awards by November 1, 2023 and enter contract with awardees by December 31, 2023.

While current SLFRF guidance does not mandate a deadline by which housing projects must be completed and occupied, the City has established deadlines for project milestones. Applicants' submitted timelines are expected to meet the following activity deadlines to be eligible for funding:

Milestone	Deadline
Must receive site plan application by	June 30, 2024
Construction starts by	January 1, 2026
Terminate if construction not started by	June 30, 2026
Report complete expenditure of funds by	October 31, 2026

H. Eligible Expenses

Generally, activities funded with SLFRF funds are subject to the Cost Principles for federal funding outlined in the Uniform Guidance at Section 2 CFR Part 200.

Eligible project expenses include, but are not limited to, the following:

- Site acquisition (existing structures or vacant land);
- Predevelopment costs, such as surveys, engineering, site plans, permits, and fees;
- Site preparation or improvement, including demolition¹ and infrastructure costs; and
- Construction and rehabilitation costs (materials, labor, contractors).

Ineligible expenses include, but are not limited to, the following:

- Costs associated with creating market rate housing and/or commercial spaces;
- Reimbursement for past expenses;
- Projects not for housing supply (e.g., emergency shelter; rental assistance; supportive services);
- Nonfederal match for other federal programs;
- Financial reserves, refinancing, and loan guarantees; and
- Administrative and indirect/overhead costs

¹ Demolition that requires relocation and/or causes a reduction of existing, occupiable residential units may be ineligible. Please contact the Housing Coordinator if you have specific questions.

III. SUBMISSION AND REVIEW PROCESS

A. Submission Process

The standard and supporting documents that must be submitted with the application will be outlined in the online application and on the Housing Development Fund webpage when available.

Applicants will be required to submit their applications through the SurveyMonkey site. The application link will be available on the City's website at <https://harrisonburgva.gov/housing-development-fund>.

The City will not accept paper or emailed applications except under very special circumstances. If special consideration is needed, the Housing Coordinator must approve a waiver of this requirement in advance.

B. Submission Deadline

Applications are due before 11:59 p.m. EST on September 30, 2023.

C. Review and Selection Process

The process of review and selection of proposals will be overseen by the Housing Coordinator as follows:

1. The Housing Coordinator will preliminarily screen applications for inclusion of all required components; alignment with NOFO guidelines; and compliance with funding criteria. Incomplete and ineligible applications will be disqualified.
2. Eligible proposals will be reviewed and scored by an ARPA Housing Development Fund evaluation committee. The evaluation committee will score applications based on the rubric available on the ARPA Housing Development Fund webpage.
3. The evaluation committee will recommend awards on the basis of the scores and availability of funding. There is no guarantee that all eligible project proposals will be funded.

D. Award Notification

Award notification is expected prior to November 1, 2023.

Disbursement of funding is contingent upon a project receiving final approval and compliance with zoning, land development, etc.

IV. ARPA HOUSING DEVELOPMENT FUND AWARD PROCESS

A. Administration of Contract

All accepted proposals will be required to sign a contract with the city regarding the use of ARPA funds and Scope of Work for the project. Awards will be subject to a contract between the subrecipient and the City of Harrisonburg setting forth among other terms, payment, insurance, assignments of contracts and or subcontracts, assignment of plans and specifications and federal reporting requirements for use of funds for affordable housing development as the same may be from time to time amended by the Department of the Treasury.

Recipients must follow the applicable provisions of the Uniform Guidance regarding property standards (2 CFR 200.310-316), local codes and procurement policies, and all other applicable local, state, and federal rules. All projects must comply with Equal Housing Opportunity and Fair Housing laws.

B. Award Timing & Disbursement

Awards are contingent upon final approval and compliance with zoning, land development, etc.

C. Compliance and Reporting Requirements

Successful applicants will be required to provide periodic and final project reports, verifications, and documentation during the development of the project. During the development phase of the project, successful applicants will also be expected to produce and meet agreed-upon development timelines. Failure to comply with these requirements may result in the recapture of awarded funds. The need for ongoing inspections and reporting during the affordability period will be determined by City staff and if warranted may be outlined in the ARPA Housing Development Fund agreement.

Requirements and frequency of reporting will be dependent upon award type and the funding source. Expectations will be outlined following award. Given the use of ARPA dollars, long-term loan awardees may be committed to ongoing performance and compliance reporting, and additional proof of expenses and/or procurement requirements may apply.

1. Single Audit Requirements

Subrecipients will be required to comply with the Federal Standards, 2 CFR Part 200, Subpart E Cost Principles, and Subpart F Audit Requirement for Federal Awards. Subrecipients will comply and agree to adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation of all costs incurred.

Audits of States, Local Governments, and Non-Profit Organizations, specifically require all non-federal entities that expend more than \$500,000 in federal awards during their fiscal year shall be subject to an audit under the Single Audit Act and its implementing regulation at 2 CFR Part 200, Subpart F. The most current approved audit must be submitted. If it is not available, notate within the proposal as to why.

V. EVALUATION CRITERIA

Applications that are determined eligible will be evaluated for overall feasibility, prioritizing projects that demonstrate the experience and capacity; timeline and budget; and site readiness to successfully produce and support affordable housing in accordance with expenditure and eligibility deadlines and requirements. The Evaluation Committee will additionally review applications for the degree to which the proposed activities demonstrate:

- Contribution to affordable housing
- Consistency with identified housing needs
- Effective uses and leveraging of funds
- Project design and innovation
- Community engagement and public participation processes

	Points
<p>1. <u>Experience and Capacity</u></p> <ul style="list-style-type: none"> • Mission/experience serving target populations and providing affordable housing • Identification of team members to oversee necessary components of the proposed activity (e.g., developer, contractor, property management, etc.) • Relevant experience of identified project team staff, contractors, and partners • Organizational capacity and infrastructure to manage proposed activities including development, property management, affordable housing finance, federal procurement requirements, compliance, reporting, and quality controls • Successful track record with similar accomplishments and past projects 	20
<p>2. <u>Timeline and Budget</u></p> <ul style="list-style-type: none"> • Thorough and detailed narrative description of proposed activities • Viable timeline aligned with milestone expectations • Reasonable, eligible project expenditures that make efficient use of funds • Sustainable budget and financial model, based on realistic assumptions • Underwriting demonstrates adequate debt coverage ratio • Net operating income and sufficient operating and capital reserves are reflected • Project budget worksheet and narrative are thorough in listing other resources • Levels and percentages of funding already committed are well documented with realistic timeframes for stacking other funding sources as applicable 	20
<p>3. <u>Site Readiness</u></p> <ul style="list-style-type: none"> • Zoning compliance in place with uses for proposed project allowed by right • Ownership or other means of demonstrating site control • Level of readiness of site planning materials such as appraisals, floor plans, etc. 	10
<p>4. <u>Consistency with Identified Housing Needs</u></p> <ul style="list-style-type: none"> • Demonstration of need for the project based on design, overall size, unit mix, building style (e.g., multifamily, duplex, etc.), type (ownership or rental) • Demonstration of need of the intended beneficiary (impacted population) the project will serve (e.g., seniors, veterans, extremely low-income households) • Project location suitability justification based on proximity to transit, schools, employment, and other amenities • Project contribution to equity, furthering of fair housing, deconcentration of poverty, and reducing barriers to housing stability 	15
<p>5. <u>Contribution to Affordable Housing and Effective Leveraging and Use of Funds</u></p> <ul style="list-style-type: none"> • Supply (total number of affordable units created or preserved) • Depth of Affordability (rent limit or sale price) • Period or Term of Affordability (in years) • Level of need (income level served) • Maximization of other available funding sources, demonstration of match, and use of per-unit subsidy to leverage maximum contribution to affordable housing • Utilization of low-interest loan (or adequate justification of requested format) • Preservation, rehabilitation, and infill (4-12 unit) projects 	25
<p>6. <u>Innovative Project Design</u></p> <ul style="list-style-type: none"> • Accessibility including the number or percent of ADA units • Universal design features • Energy efficiency (e.g., LEED, EarthCraft) and sustainability including solar panels • Development and community amenities consistent with market rate housing 	5

<p>7. <u>Community Engagement and Public Participation</u></p> <ul style="list-style-type: none"> • Meaningful community engagement either planned or completed, that includes a process for stakeholders including impacted and underrepresented groups to influence the project • Use of collaborate partnerships to build capacity and further equitable outcomes 	5
Total	100

VI. APPENDIX I: ELIGIBLE BENEFICIARIES AND PARAMETERS

A. Reasonably Proportional Response Justification

Projects are presumptively eligible by either (1) meeting restrictions and eligibility for a designated federal program or (2) rental units committed to restrict to 65% Area Median Income (AMI) over a 20-year affordability period. Projects may serve households and communities at greater incomes , if applicants provide adequate justification that the activity is a reasonably proportional response to the needs of populations identified as impacted or disproportionately impacted economically by the pandemic.

The City will consider whether proposed activities demonstrate a reasonable response to the needs of an impacted population based on applicant-submitted justification. Impact may be demonstrated and defined by geography (e.g., qualified census tracts) and/or population (e.g., using indicators such as social vulnerability index categories for factors such as disability, language proficiency, etc.). See [page 32 of the SLFRF Final Rule Overview](#) for details, and call the Housing Coordinator with any specific questions.

B. Affordability Period

In general, the *minimum* affordability period for proposed projects is 20 years, which must be enforceable by a lien or other demonstrated means that is acceptable to the City. Due to the goal of long-term impact, any shorter affordability periods, if proposed, would require substantial justification from the applicant.

C. Income Limits

Harrisonburg Metropolitan Statistical Area income limits are based on annually published HUD data. 30% AMI is considered extremely low income, 50% AMI very low income, 80% low income, and 120% AMI moderate income. Some AMI limits are provided below, and additional information can be found at www.huduser.gov/portal/datasets/il.html.

For applicant-justified eligibility, *maximum* household income is 80% AMI for rental housing and 120% AMI for homeownership, if a proportional response to an impacted population is demonstrated.

2023	Area Median Income Limits by Household Size							
	1	2	3	4	5	6	7	8
30%	\$17,010	\$19,440	\$21,870	\$24,300	\$26,250	\$28,200	\$30,150	\$32,100
50%	\$28,350	\$32,400	\$36,450	\$40,500	\$43,750	\$47,000	\$50,250	\$53,500
60%	\$34,020	\$38,880	\$43,740	\$48,600	\$52,500	\$56,400	\$60,300	\$64,200
65%	\$36,855	\$42,120	\$47,385	\$52,650	\$56,875	\$61,100	\$65,325	\$69,550
80%	\$45,360	\$51,840	\$58,320	\$64,800	\$70,000	\$75,200	\$80,400	\$85,600
100%	\$56,700	\$64,800	\$72,900	\$81,000	\$87,500	\$94,000	\$100,500	\$107,000
120%	\$68,040	\$77,760	\$87,480	\$97,200	\$105,000	\$112,800	\$120,600	\$128,400

D. Sale Price Limits for Homeownership

Sales price/loan limit must meet eligibility limits for a Virginia Housing loan. At the time of posting, the limit for Harrisonburg is \$330,000. See www.virginiahousing.com/partners/lenders/lending-limits-requirements for details.

E. Maximum Rents

Rent affordability generally means that what the tenant pays (including a modest allowance for any utilities not included in the rent such as heat, power, water, sewer, and trash collection) is no more than thirty (30) percent of their household income. For projects eligible under federal housing program(s), the most restrictive applicable program’s rent limits would apply. For rental units serving up to 65% AMI, the maximum rents will generally be considered if they correspond to the designated AMI rent (e.g., 65% AMI with 65% AMI rents). For applicant-justified eligibility, applicants may justify the use of HUD Fair Market Rents or AMI-level rents, so long as a proportional response to an impacted population is demonstrated.

For subsidized units (project-based vouchers or housing choice vouchers), rent amounts authorized by the Harrisonburg Redevelopment & Housing Authority will be considered affordable and thus eligible.

2023 Rents by Unit Size (including utilities)					
	Efficiency	1-BR	2-BR	3-BR	4-BR
Fair Market Rents	\$775	\$780	\$1,027	\$1,366	\$1,749
LIHTC 50% AMI Rents	\$708	\$759	\$911	\$1,053	\$1,175
LIHTC 65% AMI Rents	\$921	\$987	\$1,184	\$1,369	\$1,527