

INTRODUCTION

PREVENTING HOMELESSNESS FUNDING OPPORTUNITY (PHFO)

This PHFO loan application is procuring development projects that are eligible for funding appropriated under section 3205 of the American Rescue Plan Act of 2021 ("ARP") for the HOME Investment Partnerships Program (HOME). The **HOME-American Rescue Plan or HOME-ARP** funds appropriated are targeted to provide homelessness assistance and supportive services. The City of Cincinnati and its Department of Community and Economic Development (DCED), through the PHFO, is providing a portion of its HOME-ARP funding to residential developers, as financing loans, for the development of rental housing and non-congregate shelters. DCED intends to promulgate this funding opportunity and petition projects that will make positive, visible impacts on our communities. In achieving this, DCED is achieving Goal 3 of the Live Initiative Area of *Plan Cincinnati (2012)*¹ (pages 164-178) by providing a full spectrum of healthy housing options and improve housing quality and affordability.

HOW DOES PHFO WORK?

PHFO is a public gap financing tool that leverages private financing to develop quality housing geared toward eliminating and preventing Homelessness throughout the City. Through PHFO, DCED provides last-in, subordinated, fixed-interest, long-term loans of \$750,000 or more. Program participants must secure the remainder of project financing before the submission of a PHFO loan application. A sample project financing structure is listed below:

Source	Percent	Amount	Security
Bank/Private Loan	70%	\$ 700,000.00	1st Mortgage
PHFO Loan	20%	\$ 200,000.00	2nd Mortgage
Developer Equity	10%	\$ 100,000.00	n/a
Totals	100%	\$ 1,000,000.00	

PHFO loans shall be awarded on a need basis through a rigorous review and underwriting process. DCED staff will evaluate the project's financial need & capacity, neighborhood impact, and Developer's capability to complete the initial construction or rehabilitation and manage the project long term. In addition, staff will analyze the project and Developer's ability to meet City requirements and comply with all regulatory provisions of the HOME program as codified at [24 CFR Part 92](#), except as described in the U.S Department of Housing and Urban Development (HUD) Notice: CPD-21-10². All analysis and funding options will be presented to City leadership for final approval of the award. These project considerations listed above are not all-encompassing; Developers should not assume project reviews will be limited to that described.

Staff analysis and funding considerations will be presented to the Director of DCED, the City Manager, and the Mayor, who will have final authority of PHFO loan awards and the determination of awards meeting the City's objectives.

¹ Plan Cincinnati is available at <https://www.cincinnati-oh.gov/planning/plan-cincinnati/>

² HUD Notice CPD-21-10 and its Appendix are available at <https://www.hudexchange.info/resource/6479/notice-cpd-2110-requirements-for-the-use-of-funds-in-the-home-arp-program/>

WHO IS ELIGIBLE TO APPLY FOR PHFO LOANS?

For-profit & non-profit corporations, Community Development Corporations, Community Housing Development Organizations, partnerships, and proprietorships are all welcome to apply for the HOME-ARP fund through the PHFO application loans. Applicants must be capable of performing the duties required to place their proposed development in service and successfully manage the project in the term of affordability

WHAT ARE ELIGIBLE USES OF PHFO LOANS?

PHFO loan funds may be awarded to Rental or Non-Congregate Shelter Housing projects involving the acquisition, rehabilitation, or construction of affordable rental housing primarily for occupancy by households of individuals and families that meet the definition of one or more the qualifying populations. Funds awarded through the PHFO can only be used to acquire an existing building or the hard development costs associated with the project. PHFO loan funds CANNOT be used for pre-development, soft, or operating costs associated with a project.

HOW WILL FUNDS BE PAID?

All loans awarded will be paid out on a pro-rata basis during construction. Borrower's reimbursement requests will be limited to once in any thirty (30) day period, and the City will withhold a retainage to be released upon receipt of a Certificate of Occupancy, submission of all sworn affidavits and unconditional lien waivers, and satisfactory compliance with all other applicable City, State, and Federal requirements.

HOW DO I APPLY FOR A PHFO LOAN?

All parties interested in applying for a PHFO loan should visit ChooseCincy.com or contact the Department of Community & Economic Development at (513) 352-6146 to learn more.

PHFO LOAN PROGRAM

FUNDING AVAILABILITY

DCED intends to make \$6 million available to loan applicants through the use of HOME-ARP funds. Funds are intended to be awarded through a rolling application beginning in the Fall of 2021 (PHFO). By Federal regulation, the City must expend all HOME-ARP funds before September 30, 2030. Given said requirement, the City and DCED reserve the right to establish and subsequently postpone due dates for its convenience. The City and DCED also have the right to withdraw this solicitation at any time without prior notice. Finally, complete discretion to award all funds or a portion of funds at any time lies solely with the City and DCED.

DCED reserves the right to accept or reject any or all proposals submitted, in whole or in part. DCED also reserves the right to reject bids from applicants who are not in good standing with financial obligations to the City, existing project compliance, or poor property management, including public nuisance cases. Further, this request for proposals does not commit the City to award a contract or pay any costs associated with preparing proposals.

ELIGIBLE PROJECTS

Applicants should be reminded: PHFO loan funds may be awarded to Rental or Non-Congregate Shelter Housing projects involving the acquisition, rehabilitation, or construction of affordable rental housing primarily for occupancy by households of individuals and families that meet the definition of one or more of the "qualifying populations" as described below. Funds awarded through the PHFO can only be used to acquire an existing building or the hard development costs associated with the project. PHFO loan funds CANNOT be used for pre-development, soft, or operating costs associated with a project.

Qualifying Populations

HOME-ARP requires that funds be used to primarily benefit individuals and families that meet the definition of one or more of the "qualifying populations." Any individual or family who meets the criteria for these populations is eligible to receive assistance funded through HOME-ARP without meeting additional criteria. Development projects receiving funds through this solicitation will be required to serve one or more of the qualifying populations as described in [HUD Notice CPD-21-10 Section IV A](#). The qualifying populations identified in this section of the notice include:

- **Homeless**
- **At-Risk of Homelessness**
- **Fleeing or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking**
- **Other Populations** *where providing supportive services or assistance would prevent the family's Homelessness or serve those with the greatest risk of housing instability.*
- **Veterans and Families that include a Veteran Family Member** *that meet the criteria for one of the qualifying populations listed above.*

All income calculations to meet income criteria of a qualifying population or required for income determinations in HOME-ARP eligible activities must use the annual income definition in [24 CFR 5.609](#) per the requirements of [24 CFR 92.203\(a\)\(1\)](#).

Rental Housing

HOME-ARP funds may be used to acquire, rehabilitate, or construct affordable rental housing primarily for occupancy by households of individuals and families that meet the definition of one or more of the qualifying populations. Unlike the regular HOME Program, which targets HOME-assisted rental units based on tenant income, 70 percent of all HOME-ARP units must be occupied by households in the qualifying populations. Units that are not restricted to occupancy by qualifying populations are subject to income targeting and rent requirements established under the HOME-ARP Rental Program rules and are only permitted in projects with rental units restricted for occupancy by qualifying populations.

Eligible HOME-ARP rental housing includes "housing" as defined in [24 CFR 92.2](#), including but not limited to manufactured housing, single room occupancy (SRO) units, and permanent supportive housing. Emergency shelters, hotels, and motels (including those currently operating as non-congregate shelters), facilities such as nursing homes, residential treatment facilities, correctional facilities, halfway houses, and housing for students or dormitories do **NOT** constitute housing in the HOME-ARP program. However, HOME-ARP funds may be used to acquire and rehabilitate such structures into HOME-ARP rental housing.

Rental housing projects applying for HOME-ARP funding through the PHFO should meet the Targeting and Occupancy Requirements and property standards. In addition, projects of this type should be able to be financially feasible during the term of affordability with the HOME-ARP established rent limits. Furthermore, projects should have enough eligible costs to meet the city underwriting standards, the City minimum \$750,000 funding requirement, and HOME-ARP's Minimum amount of assistance requirement.

The HOME-ARP program's requirements and limitations to rental housing are more thoroughly defined in [HUD Notice CPD-21-10 Section IV. B](#).

Non-Congregate Shelter

A non-congregate shelter (NCS) is one or more buildings that provide private units or rooms as temporary shelter to individuals and families and do not require occupants to sign a lease or occupancy agreement. HOME-ARP funds may be used to acquire and develop HOME-ARP NCS for individuals and families in qualifying populations. This activity may include but is not limited to land acquisition and construction of HOME-ARP NCS or the acquisition and rehabilitation of existing structures such as motels, hotels, or other facilities for use HOME-ARP NCS.

Non-congregate shelter projects, apply for HOME-ARP funding through the PHFO, should be able to meet all requirements of the HOME program as codified at [24 CFR Part 92](#), except as described in the HUD Notice CPD-21-10. Specifically, projects must be able to meet the admission and occupancy requirements for HOME-ARP. In addition, to qualify as a non-congregate shelter, the project must comply with all

necessary Property and Habitability Standards outlined in [HUD Notice CPD-21-10 Section IV E \(7\)](#) as more explicitly described under the *Minimum HOME-ARP NCS Property Standards*.

Furthermore, projects should have enough eligible costs to meet the city underwriting standards and the City minimum of \$750,000 funding requirement.

Non-congregate shelters should be able to continue operation as an NCS during the specified Restricted Use Period. These restricted use periods are 15-years for new construction and 10-years for both rehabilitation and acquisition only. The ARP authorizes the conversion of HOME-ARP NCS units into permanent housing or permanent affordable housing during the restricted use period. A project can only be converted after the minimum use period defined in [HUD Notice CPD-21-10 Section IV E 11](#).

The HOME-ARP program's requirements and limitations to rental housing are more thoroughly defined in [HUD Notice CPD-21-10 Section IV. E](#).

EVALUATION CRITERIA

PHFO loans are awarded on a need basis through a rigorous underwriting review. Underwriting is the performance of due diligence by the City to evaluate the critical elements of the development or rehabilitation proposal and assess any risk factors. The evaluation entails a multi-level review of essential aspects of the decision-making process to determine the eligibility and viability of the proposed project to ensure that:

1. The development proposal meets all of the submission requirements of the PHFO.
2. The submitted project is consistent with Plan Cincinnati, the City's Consolidated Plan Strategic Plan Goals, and the HOME-ARP Allocation Plan.
3. The funding request is feasible.
4. There is a market demand for the proposed development.
5. The proposal meets HUD Site and Neighborhood Standards requirements under [24 cfr 983.57](#).
6. The Developer has the experience and capacity to complete the proposed development.
7. The proposal conforms to the HOME program requirements, HOME-ARP program requirements, City requirements, and all applicable Federal, State, and Local laws and regulations.
8. The costs associated with the development portion of the proposal are eligible, necessary, reasonable, and financially feasible.
9. The projected operational cost is necessary and reasonable, and that the proposed development is sustainable for the duration of the affordability period or restricted use period.
10. The sources and uses of funds statements completed in the PHFO application and the lender commitments provided as attachments to the Application reflect sufficient resources to complete the proposed development.
11. The total amount of government assistance is not more than is necessary to produce the project.

Once all the above have been determined satisfactorily, projects will be presented to the Director of DCED, the City Manager, and the Mayor, who will have final authority of PHFO loan awards and the determination of awards meeting the City's objectives.

APPLICATION & SUBMISSION

The *PHFO Application* can be found at www.choosecincy.com. Please note that the Application requires, at a minimum, Microsoft Excel 2003. If this is an issue for the applicant, please get in touch with DCED staff.

Application packets should include one (1) printed and signed *Summary & Certification* page from the PHFO 2021 Application, an electronic version of the PHFO2022 Application (either on CD or USB drive), and all necessary attachments.

All application submissions must be delivered to the Department of Community & Economic Development (805 Central Avenue, Suite 700, Centennial II, Cincinnati, Ohio 45202) "Attention: PHFO" no less than six (6) months before the anticipated construction start date.

STAFF CONTACTS

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EXHIBITS

- Exhibit A: Procurement Handbook for Developers and Subrecipients

EXHIBIT A:

Procurement Handbook for Developers & Subrecipients

If awarded a PHFO loan, projects may be subject to the following City of Cincinnati procurement requirements:

- Meet & Confer
- Selection of Subcontractors
- Debarred Contractor Search
- S/M/WBE Goals
- Section 3
- Prevailing Wage
- Wage Enforcement
- Living Wage
- Equal Employment Opportunity (EEO)
- Preconstruction Meeting

For more information on any of these requirements, applicants should consult the City's [Procurement Handbook for Developers & Subrecipients](#).³

³ Actual URL for Procurement Handbook is <https://choosecincy.com/wp-content/uploads/2019/02/Exhibit-B-Procurement-Handbook.pdf>