DEPARTMENT OF HOUSING
Commonwealth of Puerto Rico

STRATEGIC PROJECTS FOR AFFORDABLE RENTAL HOUSING LOCATED IN GOVERNMENT-OWNED PROPERTIES IN TRANSIT-ORIENTED DEVELOPMENTS AND THE SAN JUAN WATERFRONT PROJECT

REQUEST FOR PROPOSALS 2016

TABLE OF CONTENTS

1. Introduction 2
2. Objectives 2
3. General Provisions. 4
4. Properties. 8
5. Incentives. 12
6. Process 25
7. Development Agreement through Completion 44
8. Fees 50
9. Exhibits 51

Strategic Projects for Affordable Rental Housing
Request for Proposals 2016
Puerto Rico Department of Housing

1. Introduction

The State Housing Plan: 2014-2018 lays out the need for affordable housing for the working population, single parent families, young adults, the elderly and for populations with special needs. The first and foremost need requiring a structured policy response under the Plan is the current shortage of housing at affordable prices for working families, the elderly, and young families seeking entry level housing that could minimize sprawl, as well as the travel and energy costs that impose a heavy burden upon moderate and low income families. Key among other strategies to effectively respond to these challenges are the:

- development of rental units to provide housing to very low through middle income young adults, working families and the elderly;

- identification of available public land suitable for affordable housing development and promote its development, leveraging public and private resources, especially in in the perimeter of the Tren Urbano stations where affordable transportation is easily accessible;

- utilization of innovative financing techniques and funding layering strategies, particularly of State tax incentives that can be used in combination with Federal incentives programs to stimulate private investment and leadership in providing affordable housing construction and increasing the supply of affordable housing; and,

- adoption of legislation that is consistent with the policy recommendations.

Accordingly, the Department of Housing (PRDH, or the Department) pursued the amendment of Act No. 73 of July 1, 2008, known as the *Economic Incentives Act for the Development of Puerto Rico*, which resulted in the enablement of a coordinated implementation framework for the highlighted strategies (please, refer to Exhibit I for Act 130-2016). Section 2(p)(5) includes under its definition of "strategic projects", units participating in public-private collaboration to build components of affordable rental housing, and related services and infrastructure, in transit-oriented developments in areas adjacent to mass transit systems or the San Juan Waterfront project, subject to a prior recommendation issued by the Department of Housing, and in accordance with a development plan for the area adopted by the Puerto Rico Planning Board. Among other municipal or state tax abatement incentives available under Act 73-2008, such projects would benefit from a tax credit in the amount of fifty percent (50%) of their eligible investment, which can be combined with Federal programs, as allowable.

2. Objectives

In order to meet the housing needs of very low, low, moderate and middle income families, and those of an increasing elderly population, the PRDH hereby requests proposals from qualified parties to engage in the acquisition of public properties and their development as strategic projects of affordable rental housing, and related services and infrastructure. Approximately, 165 *cuerdas* of government-owned land, distributed in 20 properties located in centrally located urban areas in San Juan, Guaynabo and Bayamón, are made available for development through this RFP.

As a result of this RFP or any subsequent RFP, and based upon the ensuing collaboration of public and private entities, the PRDH intends to facilitate the construction and operation of strategic projects of affordable rental housing comprising close to 6,000 new units in the upcoming years, and all required related facilities to promote vibrant, centrally located and well-connected urban communities. As such, the PRDH looks forward to tap into the potential of long-awaited developments and sizable public investments already made in public infrastructures. Among these, the RFP targets the implementation of the *Comunidad Río Bayamón Master Plan*, the *San Juan Waterfront Master Plan*, and the intervention in areas targeted for mixed-use developments located around the

Tren Urbano Stations in the Municipalities of San Juan, Bayamón and Guaynabo.

The RFP seeks to lever funding and resources from multiple sources, with underwriting criteria that will result in the development of a strategic project for affordable rental housing, and related services and infrastructure. In general terms, the PRDH seeks proposals that could meet and/or exceed all of the following threshold parameters:

- the proposal advances an economic offer that meets or exceeds the appraised value of the public property, or meets the threshold allowed by the corresponding public entity;
- the strategic project will be operated through an affordability period of no less than ten (10) years;
- the income of renter families do not exceed the amount of either 100% of the MRB income limits for the applicable household group and location (Exhibit II), or 115% of the AMFI for the applicable family size and location (Exhibit III);
- the proposed rents, including utility allowances (Exhibit IV), do not exceed 30% of the applicable family income limits;
- throughout the proposed term of the affordability period, 100% of the units remain restricted both in terms of family income and amount of rent;
- the project owner is able to execute the property closing agreement within the first year of the Development Agreement and to complete and place-in-service the project not later than three (3) years after the effective date of the Development Agreement, unless extended as provided, and to comply with the agreed to placed-in-service date;
- the proposal demonstrates through proper documentation the project's feasibility and sustainable financing structure supporting both its development and operation while adhering to the underwriting parameters for multifamily rental housing adopted by the National Council of State Housing Agencies (NCSHA), as described in this RFP;
- the project team has relevant documented experience in projects of similar scope or complexity for the provision of affordable housing;
- the project does not underutilizes the property and the development seeks to conform to the maximum allowable gross floor area, housing density and/or height under applicable code provisions; and,
- compliance with any other threshold parameter established by Administrative Order OA-HD-2016-10 (please, refer to Exhibit V), Act 73-2008 and those applicable under any Federal or State program that the respondent might intend to use for the project.

Successful respondents might obtain:

- the PRDH's recommendation to the Office of Industrial Tax Incentives of the Department of Economic Development and Commerce (DDEC), required to enable the issuance of a tax exemption decree for a strategic project of affordable rental housing;
- an award of a Development Agreement to be entered into with the PRDH and the public entity furnishing public property in transit-oriented developments and/or the San Juan Waterfront project;

- if the financing structure foresees the layering of non-competitive Low Income Housing Tax Credits (LIHTC) that require financing through tax-exempted Private Activity Bonds, the Puerto Rico Housing Financing Authority (PRHFA) issuance of an Inducement Resolution based on the information provided in the RFP application;

- if the financing structure foresees the layering of EB-5 equity or loans, expedited processing by the Commonwealth's Regional Center, based on the information provided in the RFP application;

- if the financing structure foresees the layering of income or property tax abatement incentives under Act 47-1987, the issuance of the Secretary's certification; and

- if the financing structure foresees the layering of income or property tax abatement incentives under Act 165-1996, the issuance of the Secretary's certification.

The general and/or any other provisions of the RFP remain subject to modification by the PRDH, and subject only to the interpretation of the PRDH, PRHFA and/or the government entities furnishing properties.

3. General Provisions.

3.1. Proposals will be accepted, evaluated and selected pursuant to the requirements of this RFP, the Administrative Order OA-HD-2016-10, applicable regulations, and the application package issued under the RFP. **A separate proposal must be filed for each proposed project and parcel**.

3.2. Respondents who submit a proposal are responsible for becoming fully informed regarding all circumstances, information, laws and any other matters that might, in any way, affect the respondent's roles and responsibilities in the project. Any failure to become fully knowledgeable of any other matters that might, in any way, affect the project will be at the respondent's sole risk. Neither the PRDH or the PRHFA, nor the government entities furnishing properties assume responsibility for assumptions or conclusions made by respondents on the basis of information provided in the this RFP, or through any other sources.

3.3. Before selecting a proposal, the PRDH will determine that the application is responsive to and in compliance with the RFP selection criteria, is otherwise in conformity with any applicable Federal or State program regulations and requirements, and that the supporting property transaction is approved by the appropriate government entity furnishing the property. The PRDH is not obligated to accept a proposal if, at its sole discretion, it is not in compliance with the requirements of this RFP, or includes a false or misleading statement, claim or information.

3.4. In order to ensure objective consultant performance and eliminate unfair competitive advantage, employees, consultants and contractors that develop or participate in drafting or review of specifications, requirements, statements of work, and requests for proposals must be excluded from competing in any capacity for such procurements. Any conflict of interest will immediately disqualify the respondent of any participation in the RFP. The developer shall identify and explain any identity of interest with any other party of the project (Doc Ref ID IV.014, and tab for "Identity of Interest" in Application, page 4).

3.5. The PRDH is committed to a fair, open process for prospective respondents to receive information about the competitive solicitation process. Prospective respondents and any team members will not discuss or communicate, directly or indirectly, with any other prospective respondent(s) or any director, officer, employee, consultant, advisor, agent or representative of any other prospective respondent(s), including any team member of such other prospective respondent regarding the preparation, content or representation of their proposals. These will be submitted without any connection (*i.e.*, arising through

an equity interest in or of a prospective respondent), knowledge, comparison of information, or arrangement, with any other prospective respondent or any director, officer, employee, consultant, advisor, agent or representative of any other prospective respondent, including any team member of such other prospective respondent.

3.6. The following conditions may constitute grounds for automatic disqualification of a respondent:

3.6.1. The respondent, and in the case of a legal entity, its directors or officers, and in the case of a private corporation, the stockholders with direct or substantial control over the corporate policy, and in the case of a partnership, its partners, and in the case of natural persons or legal entities, any other natural person or legal entity that is the alter ego or the passive economic agent thereof, has been formally convicted for acts of corruption, including any of the crimes listed in Act 458-2000, as amended, whether in Puerto Rico or in any jurisdiction of the United States of America or in any foreign country (Doc Ref ID IV.015).

3.6.2. The respondent is bankrupt or insolvent, or shall have made a general assignment for the benefit of its creditors, or any proceeding shall have been instituted by or against it seeking to adjudicate it bankrupt or insolvent, or seeking liquidation or winding up, protection, composition of its debts or any similar relief under any law relating to bankruptcy, insolvency or reorganization or relief of debtors.

3.6.3. The respondent has been convicted of a criminal offense relating to the conduct of his or its business or profession.

3.6.4. The respondent has not fulfilled its obligations relating to the payment of taxes under Puerto Rico laws or the relevant jurisdiction in which it maintains its principal operations.

3.6.5. The respondent is guilty of material misrepresentation in any information provided to the PRDH, the PRHFA, or the government entities furnishing properties.

3.6.6. After registration, the respondent will refrain from contacting any officials or related parties of the PRDH, PRHFA, or the government entities furnishing properties, via telephone or otherwise, and acknowledges such contact may serve as grounds for disqualification.

3.7. The proposal of a respondent to the RFP in no way limits that respondent's ability to add to, substitute, or subtract from its team members during this process, provided written notice is given to the PRDH and, in the case of any deletion or substitution of a team member who is identified in the respondent's response to this RFP, provided the prior written consent of the first is obtained, which consent may be withheld or delayed in the absolute discretion of the PRDH.

3.8. The PRDH and the government entities offering properties do not assume any responsibility for the completeness or the accuracy of specified technical and background information presented in this RFP, or otherwise distributed or made available during this RFP process. The information provided in this RFP, or any other written or oral information provided by the PRDH, PRHFA the government entities furnishing properties, and their officers, employees and consultants in connection with the project or the selection process is provided only for the convenience of the prospective respondents, and none of them shall have any liability in connection with such information or the selection process, all of which liability is expressly waived by the prospective Proponents. In no event may a respondent rely on any oral statement made by the PRDH, PRHFA or the government entities furnishing properties, or their agents, advisors, or consultants.

3.9. Should a prospective respondent find discrepancies in or omissions from this RFP, information provided by the PRDH, PRHFA or the government entities furnishing properties, or any related documents, the respondent shall immediately notify the PRDH in accordance with the protocol established under the RFP. The PRDH may, at its sole discretion, decide to address such discrepancy and/or omission by issuing an Addendum to all respondents.

3.10. By responding to this RFP, respondents acknowledge and consent to the following conditions relative to the procurement process. Without limitation, and in addition to other rights reserved by the PRDH in this RFP, the PRDH reserves and holds, at its sole discretion, the following rights and options to:

3.10.1. accept or reject any and all submittals, in whole or in part;

3.10.2. discuss, with all respondents, different or additional terms to those included in this RFP or received in any Proposal;

3.10.3. amend, withdraw, reissue or cancel this RFP in whole or in part, for all or a subset of properties, with or without substitution of another RFP if such determination is in the best interest of the PRDH or the government entities;

3.10.4. receive written questions concerning this RFP from respondents and to provide such questions and responses to all respondents;

3.10.5. require additional information from one or more respondents to supplement or clarify the RFP or proposals submitted;

3.10.6. request revised proposals based on clarified terms and conditions of the RFP or a proposed Development Agreement;

3.10.7. request to visit and examine any of the projects referenced in the proposals by the respondents and other operations by the respondent to assess its construction or operation, as might be pertinent;

3.10.8. waive any defect or technicality in any proposals received;

3.10.9. eliminate any respondent that submits a nonconforming, non-responsive, incomplete, inadequate or conditional proposal;

3.10.10. select respondent(s) submitting proposals that are determined by the PRDH, in its sole discretion, to be in the best interest of the PRDH based in whole or in part on the evaluation criteria described in this RFP;

3.10.11. take any action affecting the RFP process, or the subject matter of this RFP, that would be in the best interests of the PRDH or the government entities offering properties;

3.10.12. investigate the technical and financial qualifications of the respondents using sources in addition to those included in the RFP or the proposals;

3.10.13. issue a separate RFP or enter into contracts independently of this RFP process and to negotiate separately with any respondent or third party, in the best interest of the PRDH or the government agencies furnishing properties;

3.10.14. subsequent to the submission of proposals under the RFP, in the exercise of its sole and absolute discretion, request respondents to provide best and final offers, and/or may conduct other additional competitive proceedings with respect to the transactions covered by this RFP;

3.10.15. use any proposals submitted as a basis for negotiation with respondents or other parties as the PRDH deems appropriate;

3.10.16. award or execute a Development Agreement if the PRDH or the government agencies offering properties determine, on their sole discretion, that it is in the best interests of the PRDH or the government entities to rescind the process at any time;

3.10.17. not issue a notice to proceed after execution of any contract; and,

3.10.18. exercise any other right reserved or afforded to the PRDH or the government entities offering properties under any law or this RFP.

3.11. By participating in this RFP process, each respondent agrees to indemnify and hold harmless the PRDH, PRHFA and the government entities furnishing properties and their officers, employees, contractors and advisors from and against any and all real estate and other brokerage fees or commissions, finder's fees, and any other forms of compensation related in any way to activities undertaken by any person as a result of such person's efforts towards and/or participation in this RFP process or the submission by such person of a proposal, and liabilities, losses, costs, and expenses (including reasonable attorney's fees and expenses) incurred by any indemnified party as a result of, or in connection with, any claim asserted or arising as a result of, or in connection with, this RFP process. This includes any and all activities related to exclusive negotiations with any selected respondent by the PRDH, PRHFA and the government entities furnishing properties.

3.12. Respondents shall not have any claim against the PRDH, the government entities offering properties or their officials or any of their officers, employees, agents or advisors, for any action taken or not taken by the PRDH, PRHFA or the government entities offering properties in connection with the RFP. No officer, agent, representative, advisor or employee of the PRDH, PRHFA or the government entities offering properties shall be charged personally by the respondent with any liability or held liable to it under any term or provision of this RFP or any of the documents related to this RFP.

3.13. In the event that any or all proposals are rejected, or this RFP is modified, suspended or cancelled for any reason, neither the PRDH or PRHFA, nor the government entities furnishing properties, nor any of their officers, employees, contractors or advisors will be liable, under any circumstances.

3.14. The PRDH accepts no liability for the costs and expenses incurred by any respondent in responding to this RFP, responses to clarification requests and re-submittals, meetings, and subsequent negotiations. Each respondent that enters into this RFP process shall prepare the required materials and submittals at its own expense and with the express understanding that the respondent cannot make any claims whatsoever for reimbursement from the PRDH, PRHFA or the government entities furnishing properties for the costs and expenses associated with the process. All such costs and expenses shall be borne solely by each respondent.

3.15. All proposals and subsequent submittals received in response to this RFP will become the property of the PRDH and will not be returned. The documents and other records submitted to the PRDH, PRHFA or the government entities furnishing properties are part of the public record and subject to public disclosure; accordingly, information submitted should be expected to be subject to public availability. Furthermore, each respondent recognizes and agrees that the PRDH, PRHFA and the government entities furnishing properties will not be responsible or liable in any way for any losses that the respondent may suffer from the disclosure of information or materials to third parties.

3.16. This RFP does not commit the PRDH to enter into a contract or proceed with the Project as described herein. Neither PRDH nor the government entities furnishing properties make any guarantees except as might be set forth in the Development Agreement. In no event shall the PRDH or the government entities furnishing properties be bound by, or liable for, any obligations with respect to the Development Agreement until such time (if at all) as a contract, in form and substance satisfactory to the PRDH and the government entities furnishing properties, has been executed and authorized by the PRDH and the government entities furnishing properties and, then, only to the extent set forth therein. Project owners will be solely responsible for all guarantees of completion, working capital, operating deficits or program compliance required by investors, lenders or public entities.

3.17. The PRDH may select a successful respondent on the basis of the proposal received, without further discussions. Therefore, each initial offer should contain the respondent's complete qualifications and best offer in terms of affordability, economic offer, financial feasibility, readiness, urban and building qualities and technical standpoint, among other considerations.

4. Properties.

As mentioned, the *State Housing Plan: 2014-2018* highlights the availability and cost of land as one of the major obstacles to the development of affordable housing, with the result that housing programs are progressively forced to opt for urban peripheries thus inducing a high markup cost of transport and services for middle, moderate, low and very-low income families. Aiming to promote affordable housing in central locations close to mass transit systems, the Plan identifies as a priority action, the development of public properties on the perimeter of the Tren Urbano system.

The PRDH has entered into agreements with the Government Development Bank (GDB), the Puerto Rico Lands Administration (PRLA) and the Puerto Rico Sewer and Aqueduct Authority (PRASA) to request economic offers to transact the following government-owned properties for their development as strategic projects for affordable rental housing, pursuant to Act 173-2008, as amended:

ID	Description	Location	App. Area (SQM)	Owner
1	CODREMAR	Fernández Juncos Ave. (PR-1), north of Club Naútico de San Juan, east of FDA facilities, in Puerta de Tierra	9,628.59	GDB
2	Parada 23 Lot	Corner of Fernández Juncos Ave. (PR-35) and Del Parque St., in Santurce	9,937.69	PRLA
3	DTPW/PRHWA Temporary Parking in Sagrado Corazón Station	Block south of west headhouse of the Sagrado Corazón Station of Tren Urbano, in Santurce bound by: Rexach Ave. to the North; Muñoz Rivera Ave. to the South; Fernández Juncos Ave. (PR-35) to the East; and Sagrado Corazón Blvd to the West	20,809.03	GDB
4	AEE Lot, Nuevo Centro	Block bound by a residential development to the North; Carlos Chardón Ave. to the South; Hostos Ave. to the East;	17,460.65	PRLA

ID	Description	Location	App. Area (SQM)	Owner
		and José Oliver Ave. to the West; in Hato Rey		
5	Navy Lot, Nuevo Centro	South of Comisión Estatal de Elecciones building; North of Torre Municipal building; East of Arterial Hostos Ave.; in Hato Rey	11,794.88	PRLA
6	Bolivia	Corner of Bolivia St. and Uruguay St., in Hato Rey	1,050.98	PRLA
7	Former McCraken Yards and Shops	52 Guayama St., in Hato Rey	29,556.57	PRASA
8	Hermanas Fano Lot	Corner of Ponce de León Ave. (PR-25) and Coll y Toste St., to the East of the Centro Judicial de San Juan building.	16,337.88	PRLA
9	Sears Lot	Block bound by Coll y Toste St. to the North; Jesús T. Piñero Ave. (PR-17) to the South; Añasco St. (Tren Urbano guideway) to the East; and Muñoz Rivera Ave. (PR-1) to the West; in Hato Rey	34,588.32	GDB
10	Hogar Insular de Niños Lot	Interior Rd. PR-19 (at Sirio St.), Los Frailes Ward, in Guaynabo	317,031.00	PRLA
11-1	Parcel 1	Río Bayamón Community, Norte Ave., in Bayamón	26,130.25	GDB
11-2	Parcel 2	Río Bayamón Community, Norte Ave., in Bayamón	9,445.38	GDB
11-3	Parcel 3	Río Bayamón Community, Norte Ave., in Bayamón	22,487.17	GDB
11-4	Parcel 4	Río Bayamón Community, Norte Ave., in Bayamón	27,328.11	GDB
11-5	Parcel 5	Río Bayamón Community, Norte Ave., in Bayamón	20,665.21	GDB
11-6	Parcel 6	Río Bayamón Community, Norte Ave., in Bayamón	16,324.58	GDB
11-7	Parcel 7	Río Bayamón Community, Norte Ave., in Bayamón	14,492.96	GDB
11-8	Parcel 8	Río Bayamón Community, Norte Ave., in Bayamón	16,370.71	GDB
11-9	Parcel 9	Río Bayamón Community, Norte Ave., in Bayamón	11,604.21	GDB
11-10	Parcel 10	Río Bayamón Community, Norte Ave., in Bayamón	16,251.48	GDB
			649,295.65	

For a more detailed description of the properties, please see Exhibit VI. The following general conditions apply to the property transactions being offered under this RFP:

4.1. The Property will be furnished to the selected respondent in an "As-Is" condition, without representation or warranty by the PRDH, GDB, PRLA and/or PRASA as to physical or environmental condition of the land or any existing structures. Respondents must coordinate with the appropriate agency any information or activity regarding the termination of any commercial tenant, lessee, entity or person occupying the property or any portion thereof and the vacating of premises.

4.2. No representations are made regarding the character or extent of soil, subsurface or above-the-surface conditions or the conditions and existence of utilities or historical structures that may be encountered during the course of any work, development, construction or occupancy of the property. Respondents will be solely responsible for undertaking an independent analysis of the property conditions pertaining any environmental, historical, health and safety issues and, exception made of appraisal reports, should not rely on any reports or information related to such issues provided by the PRDH, GDB, PRLA and/or PRASA. The agencies will furnish any current or revised appraisal reports by no later than October 18, 2016.

4.3. In addition to any applicable zoning or building regulation or procedure, the proposals are expected to meet the following legal, regulatory or planning requirements pertaining design standards or parameters:

4.3.1. In relation to GDB's CODREMAR property, the parameters of the Planning's Board Location Consultation No. 2008-79-0620-JGU (Exhibit VII); the Municipality of San Juan's Planning Office Resolution No. MSJ-POT-2011-01 (Exhibit VIII); and Planning Regulation No. 23, known as *Reglamento de Zonificación Especial de la Entrada de la Isleta de San Juan* (Exhibit IX).

4.3.2. In relation to GDB and PRLA's properties identified as 3, 4, and 6 through 11-12 in the Table above, the endorsement of the Puerto Rico Highway and Transportation Authority as required under Act 207-2000, as amended, and Planning Board's Resolution No. JP-2005-268 (parts 9 and 10) (Exhibit X).

4.3.3. In relation to properties identified as 2 through 4, and 6 through 9 in the Table above, the provisions of the Tren Urbano Special Districts in effect under the Municipality of San Juan's Territorial Plan ("TU" District).

4.3.4. In relation to any building of historical or architectural significance in the PRLA's Hogar Insular de Niños property, the Standards of Rehabilitation of the Secretary of the Interior, 36 CRF 67.7 (Exhibit XI).

4.3.5. In relation to GDB's properties located in the Río Bayamón Community (identified in the table above as 11-1 through 11-12), Planning Board's Resolution No. PR-AMSJ-3, and the Design Guidelines of the Comunidad Río Bayamón Norte Master Plan (Exhibit XII).

4.4. Pursuant to section 407 of the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA), P.L. 114-187, while the Oversight Board for Puerto Rico is in existence, the transferee of public property will be liable if any property of any territorial instrumentality of Puerto Rico is transferred in violation of applicable law under which any creditor has a valid pledge of, security interest in, or lien on such property, or which deprives any such territorial instrumentality of property in violation of applicable law assuring the transfer of such property to such territorial instrumentality for the benefit of its creditors, then the transferee shall be liable for the value of such property. The GDB, PRLA and/or PRASA are solely responsible for any representation or action pertaining the observance of Section 407, including the inclusion of their properties in this RFP and their approval to any ensuing transaction.

4.5. As established under the terms of the Agreement between the PRDH and the GDB, the latter reserves the right to consider any offer for a non-competing activity or use it might receive for any of the properties prior the date of the acceptance of any offer under this RFP. Transactions involving GDB's properties must comply with the terms and requirements established under Regulation No. 8477 of May 30, 2014 (Exhibit XIII), and any other applicable Board Resolution. Accordingly:

4.5.1. respondents must submit required certifications (sects. IX.A.17, 18);

4.5.2. all transactions will require the Board's approval (sect. IX.A.2);

4.5.3. offers must meet or exceed the fair market value assessed for the property (sect. IX.A.7.b);

4.5.4. the acceptance of any economic offer or proposal is subject to a non-refundable deposit in the amount of $10,000 and a refundable deposit equal to a percentage of the property value, to be determined (sect. IX.A.12);

4.5.5. at the sole discretion of the GDB, the transaction might be terminated if, by reasons attributable to

the offeror, the closing of the property is not completed within one (1) year (sect. IX.A.15);

4.5.6. all transactions must be based on an "As-Is" valuation completed within two (2) years prior to the transaction acceptance date by a certified and licensed appraiser, previously qualified by the GDB (sect. XI.C).

4.6. As established under the terms of the Agreement between the PRDH and the PRLA, the latter reserves the right to consider any offer for a non-competing activity or use it might receive for any of the properties prior the date of the acceptance of any offer under this RFP. A non-refundable (except for causes not attributable to the respondent) deposit will be required prior to the execution of a Development Agreement in the amount equal to three payments (in case of long-term leases) or two percent (2%) of the economic offer (in case of purchase), or as might be further negotiated with the PRLA. The deposit will be applied to the transaction cost, when the project closes.

Transactions involving PRLA's properties must also comply with the terms and requirements established under Regulation No. 7467 of December 23, 2008 (Exhibit XIV), and any other applicable Board Resolution. Accordingly:

4.6.1. proponents must meet PRLA's eligibility requirements (sect. 5.0);

4.6.2. all transactions will require Board approval (sects. 13.03, 18.04);

4.6.3. all transactions might include any terms or conditions deemed necessary or convenient by the PRLA (sects. 16.02, 18.02);

4.6.4. transactions involving the transfer of property rights for the purpose of developing residential areas or in any other project involving subsequent transfer to private persons, the PRLA will establish the restrictive covenants it deems necessary to carry out its purposes, including provisions in which, through an appropriate formula, the profits of acquiring parties could be restricted (sect. 18.07);

4.6.5. $5,000 for administrative costs will be charged in all transactions involving the sale or transfer of property (sect. 20.02);

4.6.6. annual payment for long-term lease or the transfer of property rights (i.e.: *derecho de superficie*) will usually be set within the parameters of a five percent (5%) and eight percent (8%) of book value or market value. The payment shall be established in consideration of the economic viability of the activity in which the property will be located, rent comparables, historical rents adjusted for inflation, estimated income for the projected use, or other effective approaches (sects. 17.02, 21.01);

4.6.7. the market value for a long-term lease transaction shall be established by a valuation report or opinion of value by a certified appraiser (sects. 17.02);

4.6.8. the sale or transfer of property will be based on its assessed fair market value, provided that, in cases where the public interest justifies it, and to the satisfaction of the Board, a sale or transfer of property rights, including full ownership, might be authorized at a price below cost or market value (sect. 20.01, 20.03);

4.6.9. the sale transfer of any property rights in perpetuity shall be established by a valuation report not older than twelve (12) months or, if older, as might be adjusted as directed (sect. 20.04);

4.6.10. all proposals for purchase or transfer of property rights will be held valid through one (1) year (sect. 19.04); and,

4.6.11. at its sole discretion, PRLA might require payment for the full value or allow deferred payment, in which case the acquirer shall pay the amount that the PRLA deems appropriate in the act of bestowing the Purchase Sale Agreement, which will never be less than twenty five percent (25%) of agreed total price, and the remaining balance to be paid as agreed in each individual case including the prescribed interest rate, and guaranteed with a first mortgage or, if warranted, other security in addition to or substitution of the mortgage (sect. 20.02).

4.7. Transactions involving PRASA properties must comply with the terms and requirements established under Procedure 570 of May 30, 2000, and any other applicable Board Resolution. Accordingly:

4.7.1. the surplus status of the property has been determined prior to its sale (sect. 570.6(1));

4.7.2. the offer must be for a purchase transaction (sect. 570.6(3)); and

4.7.3. the economic offer must be accepted by PRASA's Bid Board and the Executive Director (sect. 570.6(26)) after approval by the Governing Board (General Provisions, 11).

4.8. Respondents are encouraged to arrange to visit any of the properties with the appropriate agency by no later than November 1, 2016. A contact list is provided in Exhibit XV. Although representatives from the PRDH, GDB, PRLA and/or PRASA might be available to answer questions during such meeting, please note that only those questions that are submitted in writing to the PRDH will be considered binding. A scheduled property visit BEFORE the established deadline will be the only opportunity for respondents to inspect the property assisted by representatives of the agencies before the submission of their proposals.

5. Incentives.

Subject to subsidy layering restrictions embedded in Federal and State programs applicable to the development and operation of a strategic project of affordable rental housing and/or as prescribed under OA-HD-2016-10, the respondent might propose to incorporate Federal and State programs in their financial proposal and, accordingly, will be responsible for obtaining the appropriate funding commitments and complying with applicable program requirements and regulations. The PRDH makes no representation regarding the concession, or right or expectation to, approval or receipt of funding under any of these programs. Regarding the use and layering of tax incentives and other financing options under Federal or State programs, respondents should seek appropriate counsel and/or expert advice.

In terms of underwriting, eligibility, affordability or as might be prescribed under any program requirement, such requirement will apply to the units in the project assisted by, or as required, under that program, **insofar that requirement is comparable to or more stringent that the corresponding requirement established under the Administrative Order No. OA-HD-2016-10**.

Section 208(b)(1) of PROMESA sanctions that nothing in said Act shall be interpreted to limit the power of the territorial government or any territorial instrumentality to execute or modify discretionary tax abatement or similar tax relief agreements. Consequently, for demonstrative purposes only, shown below are some of the State and Federally-sponsored programs that might be available to support the project.

	Description	Type	Source

	Description	Type	Source
1	**Fixed Income Tax Rate**: as applicable, during the exemption period (15 years)	State	73-2008, 3(a)
2	**Income from Investment**: 100% tax exempted, financing	State	73-2008, 3(c)
3	**Distribution, Sale or Exchange of Stocks or Assets**: as applicable	State	73-2008, 3(d)
4	**Deduction and Carryover of Net Operating Losses**: as applicable,	State	73-2008, 4(a)
5	**Special Deduction for Investment in Buildings, Structures, Machinery, and Equipment**: as applicable, operations (i.e.: capital improvements)	State	73-2008, 4(b)
6	**Credit for Purchasing Products Manufactured in Puerto Rico**: 25% of expense, non transferrable	State	73-2008, 5(a)
7	**Credit for the Creation of Jobs**: as applicable, first year operations	State	73-2008, 5(b)
8	**Credit for Industrial Strategic Projects**: 50% of eligible investments, salable, to be claimed through 10 years, buyers income tax exempted for discounted purchase amount	State	73-2008, 5(g)
9	**Credit for Industrial Investment**: 50% of eligible investment in an exempted business, which is in the process of closing in order to continue operating as the same, salable, capped at $8 million	State	73-2008, 6(a)
10	**Personal Property Tax Exemption**: 90% exemption on municipal and Commonwealth taxes on personal property during the exemption period (15 years)	State	73-2008, 7(a)(1)
11	**Real Property Tax Exemption**: 90% exemption on municipal or Commonwealth property taxes during the exemption period (15 years), 100% during the construction period and 1st year	State	73-2008, 7(a)(2)
12	**Municipal License Fees and Other Municipal Taxes Exemption**: (60%) exemption on municipal license fees, municipal excise taxes and other municipal taxes levied by any municipal ordinance, during the specified periods, 100% during first semester of operations, 75% for SMBs	State	73-2008, 8(a)
13	**Municipal License Fees and Other Municipal Excise Taxes (*Arbitrios*) Exemption**: 100% exemption from any tax, levy, fee, license, excise tax or rate levied by any municipal ordinance on the construction of works to be used by said tax-exempt business	State	73-2008, 8(e), (h)
14	**Economic Development Fund**: PRDH discretionary funding to assist strategic projects of affordable rental housing under Act 73-2008	State	73-2008, 17
15	**Rental Income Exemption for Affordable Housing**: up to 10% of investment, unsubsidized units, during 15 years	State	47-1987, 5
16	**Real Property Tax Exemption for Rental Housing**: 100%, 15 years, discounted rents to tenants	State	47-1987, 6
17	**Municipal Taxes, and Construction Excise Tax (*Arbitrios*) Exemption for Rental Housing for the Elderly**: 90% exempted, during construction	State	165-1996, 3
18	**Rental Income, Personal and Real Property Tax, and Municipal Taxes Exemption for Rental Housing for the Elderly**: 90% exempted, 20 years	State	165-1996, 4
19	**Low-Income Housing Tax Credit Competitive**: (2019 allocation cycle closed in September 2016), 90% of the qualified basis through 10 years, via syndication or direct investment, depreciation, locally administered by PRHFA	Federal	IRC, 42(b)
20	**Low-Income Housing Tax Credit Non-Competitive**: year round, at percentage which yields through 10 years and amount of credit equal to the present value of 30% of the qualified basis, via syndication or direct investment, depreciation, at least 50% of the aggregate basis of the land and buildings MUST be financed through the proceeds of tax-exempt Private Activity Bonds (IRC 142(d)), locally administered by PRHFA	Federal	IRC, 42(b)

	Description	Type	Source
21	**Historic Preservation Tax Credit**: 20% of qualified expenditures for rehabilitation of a certified historic structure listed individually in the National Register of Historic Places or be determined to contribute to a Registered Historic District, excluding land costs, site improvements or enlargement, credit not affected by LIHTC, subsidies in the form of federal below market interest rate loan or tax-exempt bond financing, locally administered by SHPO (Note: PRLA's Hogar Insular de Niños existing campus buildings are deemed to be eligible, for registration through the SHPO and the National Park Service); not salable, admits syndication.	Federal	IRC, 47
22	**Tax-Exempt Private Activity Bonds**: financing, qualified residential housing (similar to LIHTC's 20-50, 40-60 rule), PRHFA acts as conduit issuer, $1,063.77 million currently allocated, TEFRA consultation required	Federal	IRC, 142(d)
23	**EB-5 Immigrant Investor Program**: financing, Regional Center option administered by the Commonwealth of Puerto Rico Regional Center Corporation ascribed to the DDEC, and other private Regional Centers	Federal	PL 102-395, Act 84-2014
24	**FHLB's Affordable Housing Program**: grants through member community lenders, competitive	Federal	12 USC 1421
25	**FHLB's Community Investment Program**: financing, through member community lenders [BPPR, Santander, First Bank, Oriental, PRHFA, Scotia Bank], low-priced, long-, medium-, and short-term funds available in the form of loans (known as advances), at least 51% of rental units at 115% AMFI	Federal	12 USC 1421
26	**HUD Section 221(d)(4)**: guarantee, FHA mortgage insurance for HUD-approved lenders, 5 or more units, all families eligible and no income limits, might target elderly or handicapped persons, long-term mortgages (up to 40 years) that can be financed with Government National Mortgage Association (GNMA) Mortgage Backed Securities.	Federal	12 USC 17151 (d)(4)
27	**HUD Section 231**: guarantee, construction or rehabilitation of rental housing for the elderly (62 and older) and/or persons with disabilities, up to 90% for private mortgagors, SROs not eligible, applicant eligibility: Investors, builders, developers, public bodies, and nonprofit sponsors may qualify for mortgage insurance	Federal	73 U.S.C. 654 and 12 U.S.C. 1715 (V)
28	**HUD Section 232**: guarantee, institutional (Health Care, Assisted Living facilities)	Federal	12 USC 1715w, 1715(b)) and 42 U.S.C. 3535
29	**HUD Section 8 Project Based Vouchers (Local PHA)**: rental subsidy, as might be available through the Municipalities' PHAs.	Federal	42 USC 1437f(o)(13)

Respondents are solely responsible for complying with the application and process requirements established under any Federal or State program, when submitting a proposal under this RFP. As a reference only, the following conditions and/or process could apply in securing funding under:

5.1. **Act 73-2008**

5.1.1. A successful proposal under the RFP might obtain a conditional or final recommendation issued by the PRDH, which enables its consideration by the DDEC's Office of Industrial Tax Incentives to issue a tax exemption decree for a strategic project of affordable rental housing pursuant to Act 73-2008.

5.1.2. A conditional recommendation will be issued by the PRDH after issuing notice of the proposal selection. The conditional recommendation might:

5.1.2.1. establish the terms that need be satisfied in order for the recommendation to become final;

5.1.2.2. recommend to the Office of Industrial Tax Incentives the concession of any incentives applicable during the pre-development or development phases, while reserving a final determination regarding other incentives, including the tax credit, that would only be available after the place-in-service date; and/or,

5.1.2.3. be issued in order to support the acquisition, underwriting, or financing for the project.

5.1.3. As a baseline, a final or conditional recommendation in relation to the incentives that might be available during the construction period would not be issued prior to the closing date of the project; and a final and complete recommendation pertaining the incentives that might be available once the project is completed, including the tax credit, would not be issued prior to the place-in-service date.

5.1.4. The conditional and final recommendation shall address all required or convened affordability terms at might be applicable for the corresponding stage including, without limitation, affordability term, income and rent limits, utility allowances, rent increase rates, place-in-service date, number of units and unit mix, accessible units, targeting (i.e.: elderly persons, etc.), continued occupancy, affirmative marketing and selection policies, management of commercial spaces or income generating areas, cost certifications, reporting and auditing, lien subordination, the factors enumerated under section 1-A of Act 73-2008, and any other applicable covenant that is required under any applicable Federal or State program assisting the project, which incorporation into the decree will be recommended as part of the conditional or final recommendation.

5.1.5. After the PRDH delivers a conditional or final recommendation to the Office of Industrial Tax Incentives, the successful respondent must file an application (Exhibit XVI), sworn statement, application fee (in the amount of $750, as per Regulation No. 7739 of September 10, 2009), and the documentation required under section 12 of Act 73-2008, as amended. The application shall be completed electronically.

5.1.6. Upon receipt of any application under this Act by the Office of Industrial Tax Incentives, its Director will distribute, within a period of five (5) days of the date of filing, a copy to the Secretary of the Treasury and to the Executive Director of the Industrial Development Company, in order for the latter to render an eligibility report on the activity to be carried out and other facts relative to the application. When evaluating the application, the Secretary of the Treasury shall verify that the stockholders or partners of the business filing the application comply with their tax responsibility under the Puerto Rico Internal Revenue Code. This verification shall not be necessary in the case of stockholders not residing in Puerto Rico or public corporations. Failure to comply with such a tax responsibility shall be sufficient grounds for the Secretary of the Treasury not to endorse the application of the business applying for exemption.

5.1.7. After the Executive Director of the Industrial Development Company submits an eligibility report and recommendations, the Director of the Office of Industrial Tax Incentives shall send a copy of the draft for decree within five (5) work days as of the date of receipt of the documents necessary to process the case, to the agencies concerned, including the corresponding Municipality in which the project is located and the Municipal Revenue Collection Center (CRIM), for their comments, which will be rendered no late than thirty (30) days (twenty (20) days in the case of amendments to a decree). Any unfavorable comments regarding the draft of the decree shall be substantiated. In the

event that the Municipality raises any objection with regard to the draft decree referred thereto, the Office of Industrial Tax Exemption shall then give consideration to said objection, to the extents it deems necessary.

5.1.8. Once the consultation process is completed, the Director shall make a final determination and submit the case to the Secretary of Economic Development for the final determination and decree. The Secretary of Economic Development, subject to his/her discretion shall issue a final determination, in writing, within a term not greater than five (5) days as of the date the draft decree was submitted for consideration.

Section 14(a) of Act 73-2008 directs that tax incentives decreed therewith are to be considered a contract between the owner and the Government of Puerto Rico, and gives the Secretary of Economic Development discretion to include, in the name of and on behalf of the Government of Puerto Rico, those terms and conditions, concessions and exemptions that are consistent with the purpose of the law and the socioeconomic development of Puerto Rico, including those included in the PRDH's Secretary for the strategic project. In terms of its finality, section 14(c) adds that the decisions and determinations of the Secretary of Economic Development regarding the granting of the decree and its contents <u>are final and against those shall not apply judicial or administrative review or other resource, unless specifically provided otherwise</u>.

5.1.9. Pursuant to section 7 of Act 187-2015, the Office of Industrial Tax Incentives must file every year, during the term of the decree, a Compliance Certification to attest the project's compliance with the parameters established by section 1-A of Act 73-2008. The PRDH will facilitate annual recommendations to the Office of Industrial Tax Exemption to certify compliance with any required parameters under section 1-A during the project's operational phase, and as timely as it might be required to refer to the Office any non compliance with the affordability or operational terms, and any other terms imposed under the Federal or State programs assisting the project.

5.2. **Economic Development Fund**

5.2.1. The Secretary may, subject to its discretion and in consideration of the financial feasibility needs of a project, provide grants, rental subsidies, matching, loans, or equity investment, subject to the availability of funds reserved under section 17(a) of Act 73-2008, in the Special Fund for Economic Development, for its implementation. The availability of these funds are of a discretionary nature, thus **<u>projects are required to be underwritten without consideration to this funding source</u>**.

5.3. **Non-competitive LIHTC and Private Activity Bond Financing**

5.3.1. Proponents are encouraged to braid and layer sources of funding. Key among these, Act 73-2008 tax credits could be layered with, as permissible, the LIHTC available under IRC Section 42. While the competitive cycle of the modality of 9% tax credits is not concurrent with this RFP and the current allocation cycle exceeds the foreseen place-in-service dates for projects under that modality to be sponsored under this RFP, proponents are encouraged to use the non-competitive 4% tax credit requiring financing through the proceeds of private activity bonds (PAB) (please, see Exhibit XVII for further reference).

5.3.2. As stated in the 2016 Qualified Allocation Plan (QAP) (Exhibit XVIII), projects financed with tax-exempt obligations are not subject to the tax credit annual volume cap, but are subject to the State private activity bond volume cap. These applications do not have to comply with the time-frames set out in Section VIII of the QAP and may be filed, and tax credits awarded, any time.

5.3.3. Currently, the volume cap allocated for the development of qualified rental housing to the PRHFA adds up to $1,063.77 million through the next three (3) years, as follows:

5.3.3.1. PY 2014 carryforward: $361,508,600

5.3.3.2. PY 2015 carryforward: $354,839,700

5.3.3.3. PY 2016 allocation: $347,418,200.

5.3.4. Section 146(f)(3)(B) of the IRC provides that carryforwards elected with respect to any purpose shall be used in the order of the calendar years in which they arose. PABs must be issued by the authorized government unit. At the State level, in the case of qualified rental housing, these must be issued by PRHFA. Through this RFP, successful projects may opt to request that a PAB inducement letter be issued by the PRHFA; nevertheless, the PRHD and/or the PRHFA make no representation as to the availability of, or right or expectation to, a bond issuance, which would require the authorization of the Oversight Board, as directed under section 207 of the PROMESA.

5.3.5. In order for a project to be eligible for tax credits and bond financing, the following threshold requirements must be met:

5.3.5.1. As specified under the QAP, pursuant to IRC 42(h)(4), the projects must satisfy the Basic Threshold Qualification Requirements and other requirements for allocation under the QAP and, as such, will be subject to the evaluation of housing priorities, minimum thresholds, the Point Ranking System minimum requirement of 30 points, and (upon filing a Tax Credit application) the fees determined in Section XI of the QAP.

5.3.5.2. The project must be a “qualified residential rental property" as defined under IRC Section 142(d), thus:

5.3.5.2.1. at least twenty percent (20%) of the units within the development shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed 50% of the area median income; or

5.3.5.2.2. at least forty percent (40%) of the units within the development shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed 60% of the area median family income (Exhibit XIX).

5.3.5.3. The bond issuance must comply with use and business tests whereby:

5.3.5.3.1. ninety-five percent (95%) or more of the net proceeds of the bond issue must be used to finance the qualified purpose for which the bonds were issued;

5.3.5.3.2. not more than twenty-five percent (25%) of the bond proceeds may be allocated to the cost of land (IRC Section 147(c)(1));

5.3.5.3.3. the net proceeds of the issue are not to be used for the acquisition of any property, or an interest in property, unless the first use of such property pursuant to such acquisition (IRC Section 147(d)(1)) except as provided IRC Section 147(d)(2)) for buildings (and equipment for the building), if rehabilitation expenditures equal or

exceed fifteen percent (15%) of the cost of acquiring the building (and equipment for the building) financed with the net proceeds of the bonds;

5.3.5.3.4. bond maturity shall not exceed one hundred and twenty percent (120%) of the average reasonably expected economic life of the facilities being financed with the net proceeds (as defined under IRC Section 150(a)(3)) of such issue (IRC Section 147(b)(1)); and,

5.3.5.3.5. a limitation of 2% of the proceeds for costs of issuance (as these are defined under IRC Reg § 1.150-1(b)) under IRC Section 147(g)(1) (cost of issuance not a qualified purpose cost under the 95% test).

5.3.6. **Bonds must be secured only by the funds and assets committed by the project owner and third parties to pay the Bonds. No public funds will be committed or used to repay the Bonds**. The PRHFA might require:

5.3.6.1. if publicly-offered bonds, a specific rating, to approve the use of the licensed underwriter, and/or the inclusion of a disclosure document prepared for PRHFA by competent professionals, backed by an opinion of disclosure counsel regarding the disclosure that is accepted by the PRHFA; and

5.3.6.2. if privately-placed bonds, restrictions on who may purchase the bonds, limitations on intention to reoffer them, and/or restrictions on subsequent transfers of the bonds to similar entities.

5.3.7. In either case, might require additional requirements regarding the marketing and sale of any bonds to protect the reputation of the PRHFA and ensure bonds are marketed and sold responsibly including, without limitation, a requirement that bonds be insured, be secured by letters of credit or other forms of credit enhancement, or that defaults by those responsible for paying the bonds do not result in a bond default, but instead cause the bond to be exchanged for a taxable obligation to which the PRHFA is not a party. The respondent's credit, financial position and operating history must be satisfactory to the credit enhancer in order to obtain this type of financing. Respondents are encouraged to inquire also into the availability of GSE's non-exempt financing braiding options.

5.3.8. Unless the PRHFA expressly approves otherwise, bond counsel for each bond issue shall be selected by the PRHFA and shall identify the PRHFA as its client for ethical purposes. The PRHFA may also retain the services of a municipal advisor to the PRHFA in connection with each bond issue. Any entities providing services such as trustee, lender or underwriter, must be reasonably acceptable to the PRHFA. Costs for the PRHFA's bond counsel, municipal, legal, and financial advisors, and others providing services to the PRHFA in connection with a bond issue must be paid by the project owner, whether or not the bond issue closes. If the bond issue closes and, as allowable under the IRC, those costs may be paid from bond proceeds.

5.3.9. If including bond financing and tax credit determination in the financing structure of a project, and subject to any modification by the PRHFA, the respondent's application workflow, might proceed as follows:

5.3.9.1. The respondent must complete all pertaining information and provide all documentation required under the RFP in order for the application to be considered eligible for a strategic project of affordable rental housing.

5.3.9.2. The PRHFA will conduct an initial review of the respondent's RFP proposal and application documentation to assess its compliance with the threshold requirements previously mentioned, including those required under the QAP. PRHFA's initial review is limited and not all issues of eligibility are necessarily reviewed. PRHFA is not responsible for notifying a respondent of potential areas of ineligibility or other deficiencies at this time.

5.3.9.3. If the initial review deems the proposal to be substantially compliant, and the project succeeds at obtaining a Development Agreement Award with the PRDH and the government entities furnishing properties and PRDH's recommendation (or conditional recommendation) under Act 73-2008, the PRHFA will notify the respondent of its intention to request an inducement for the strategic project. This notification might be included in the RFP's notification of the selection.

5.3.9.4. Within fifteen (15) days of receipt of the notification, the respondent must complete the payment an initial fee of $3,500 to the PRHFA, which represents the cost to the PRHFA for the initial review, and bond and legal counsel, and is non-refundable; along with a written commitment to reimburse the PRHFA for additional costs incurred, in the event the PRHFA costs exceed the fee amount, within thirty (30) days of receipt of an invoice to that effect. Subject to its discretion, the PRHFA might suspend further consideration of the proposal if the initial fee is not received within the prescribed term.

5.3.9.5. After the fees are paid and a written commitment to reimburse any additional costs are received by the PRHFA, the proposed financing structure will be presented to the PRHFA's Director for consideration of an Inducement Resolution declaring the PRHFA's initial intent to issue bonds with respect to the strategic project of affordable rental housing. The approval of the Inducement Resolution does not guarantee the final Board's approval of a final Bond Authorization. Since each development would be particular, a final determination to issue bonds will be dependent on the issues presented at the time the full application is considered by the PRHFA's Board.

5.3.9.6. If approved by the Director, the Inducement Resolution will be the resolution passed in order to communicate the intent of the PRHFA to pursue subsequent stages of the review, approval, and issuance process to issue bonds for the project. The Inducement Resolution will also serve as a “reimbursement declaration” under United States Treasury Reg. 1-150-2, indicating that amounts spent by the project owner, developers or others on the project more than sixty (60) days before the date of the Inducement Resolution may not be eligible for reimbursement with bond proceeds.

5.3.9.7. Upon the approval of the Inducement Resolution by the Director, the PRHFA's project financing team will work with the successful respondent toward obtaining a Bond Authorization and drafting the Regulatory Agreement. A scheduled must be agreed to in order to comply with the required place-in-service date required both under LIHTC and the RFP, including final construction documents, permits, property transaction and site control, final financing commitments, and any other relevant issues.

5.3.9.8. Once the successful respondent is ready and elects to proceed, the entity must submit the complete LIHTC application by no later than one-hundred and eighty (180) days after the effective date of the Development Agreement, except as extended for good cause, but under no circumstance, later than ninety (90) days prior to the project's closing date under the RFP. If there are changes to the application at any point prior to the project's closing that have an

adverse effect of such magnitude that would have resulted in the application not being considered after the initial review, the PRHFA will terminate the application.

5.3.9.9. As part of the Tax Credit application, the successful respondent MUST submit to PRHFA for approval the list of projected members of the working group, including, but not limited to the borrower counsel, bond underwriter and its counsel, limited partner and its counsel, and bond trustee and its counsel.

5.3.9.10. As part of the Tax Credit application, the successful respondent MUST include payment of the applicable fees under the QAP, including:

5.3.9.10.1. one hundred dollars ($100) application package fee (includes the Allocation Plan, Compliance Monitoring Plan, Procedural Steps, and Instructions);

5.3.9.10.2. one thousand dollars ($1,000.00) Tax Credit filing fee, non-refundable and non-transferable payment, regardless of the result of the Authority's evaluation and determination;

5.3.9.10.3. Tax Credit application fee of two percent (2.0%) of the annual amount requested in Tax Credits, refundable for half of fee amount, at the sole discretion of the PRHFA, if the project is not awarded a reservation of credits;

5.3.9.10.4. tax-exempt origination issuer fee of 25 basis points of the amount of debt issued (upfront), double at 50 basis points, under the PRFHA's discretion, for atypical bond transactions (i.e.: taxable GSE securities, other);

5.3.9.10.5. annual issuer fee of 12.5 basis points of outstanding bonds (in arrears), double at 50 basis points, under the PRFHA's discretion, for atypical bond transactions (i.e.: taxable GSE securities, other); and,

5.3.9.10.6. public hearing fees in the amount of $2,500 to cover the costs of notice, celebration and recording of the TEFRA compliant public hearing.

5.3.9.11. Concurrently with the PRHFA's review of the Tax Credit application, the authorized parties to the working group will have regular conference calls to solidify the bond financing documents. It is critical that all parties review and provide comments on the documents' drafts, as applicable, so that key deadlines are met.

5.3.9.12. After a detailed evaluation of the information provided in the Tax Credit application, and if compliant, and once firm commitments for security enhancements and/or financing have been obtained, all appropriate bond documents will be drafted. PRHFA's bond counsel shall draft bond documents and will provide the successful respondent with engagement letters based upon the contemplated bond financing structure.

5.3.9.13. For each bond issuance, the PRHFA will hold a public hearing in order to receive comments from the public pertaining the proposed development and the issuance of the bonds. The PRHFA will publish a Notice of Hearing at least fourteen (14) days in advance of the official public hearing as required by the Tax Equity and Fiscal Responsibilities Act of 1982 (TEFRA hearing) advising of the PRHFA's intent to issue bonds for the project. Pursuant to 26 CFR 5f.103-2(f)(2) the notice of hearing and the approval must contain the following:

5.3.9.13.1. a general, functional description of the type and use of the facility to be financed;

5.3.9.13.2. the maximum aggregate face amount of obligations to be issued with respect to the facility;

5.3.9.13.3. the initial owner, operator, or manager of the facility; and,

5.3.9.13.4. the prospective location of the facility by its street address or, if none, by a general description designed to inform readers of its specific location

5.3.9.14. A respondent's representative must be present at the public hearing and will be responsible for conducting a brief presentation on the proposed development and providing handouts at the hearing that should contain at a minimum, a description of the development and affordability terms including maximum rents and income restrictions. The PRHFA will coordinate the scheduling of the TEFRA public hearing on behalf of the respondent. The hearing and all public comment will be transcribed and the transcript will be included in the presentation for the request to the Board of Bond Authorization for the project.

5.3.9.15. Pursuant to IRC Section 147(f) and 26 CFR 5f.103-2, after the public hearing the PRHFA will seek the "host approval" by the elected Executive of the Municipality having jurisdiction over the area in which the bond financed facility is to be located or, in the case of multiple jurisdictions, then any one of such governmental units. Section 147(f)(2)(C) provides that once public approval has been obtained for a plan of financing a facility, that approval shall constitute approval for any issue which is issued pursuant to such plan within 3 years after the date of the first issue pursuant to the approval, provided the first issue of the plan of financing satisfying the approval requirement is issued no later than one (1) year after the date of approval (5f.103-2(f)(3)).

5.3.9.16. Subject to the timely receipt and approval of commitments for financing, completion of underwriting, the substantial finalization of the bond financing documents, the final draft of bond resolution acceptable, and the completion of a public hearing, the Board, upon presentation by PRHFA staff, will consider the approval of the final Bond Authorization relating to the issuance, final bond documents and, in the instance of privately placed bonds, the pricing, interest rate, maturity date and other terms and, in the instance of publicly offered bonds, the bond pricing determined by the underwriters. The Authorization will specify the timeframe for the closing of the bonds.

5.3.9.17. After approval by the Board, the approval process on the bonds consists of approval by the Governor.

5.3.9.18. Once the PRHFA receives approval from the Governor, the transaction can proceed towards closing, provided that all necessary approvals including building permits, have been obtained, or evidence is provided that the permits are obtainable subject only to payment of municipal fees. The closing will take place at PRHFA and might require a process spanning more than one day wherein all the closing documents are reviewed and signed, and the bonds are sold and the funds are disbursed. Should the project owner or developer be unable to proceed with the project, or should the PRHFA and the project owner or developer be unable to negotiate terms for a mutually acceptable project, the PRHFA reserves the right to consider applications from other potential developers and to utilize any approved bond allocation.

5.3.9.19. At closing, a Restrictive Covenant Agreement MUST be filed for any project financed from the proceeds of bonds issued by the PRHFA (Exhibit XXXV for model).

5.3.9.20. Regarding tax credits, once approved by the Board, it shall authorize the PRHFA to issue the project owner a notice indicating the development satisfies the requirements of the QAP and other rules in accordance with IRC §42(m)(1)(D). Such notice will be referred to as the Determination Notice and will be issued within a few days after receiving Board's approval. The Determination Notice sets forth the annual Tax Credits amount the project is eligible to receive based on the PRHFA underwriting analysis and the information provided in the application. The actual amount of Tax Credits the project qualifies to receive will be determined at the time the Cost Certification is submitted to the PRHFA.

5.3.9.21. In addition to the annual Tax Credits amount, the Notice will include any required project information, conditions placed on the award, due dates for documentation required to satisfy those conditions, documentation that must be submitted to the PRHFA sixty (60) days after closing and the applicable fees required including the following:

5.3.9.21.1. Whenever a credit allocation is made, the PRHFA will charge $75 (Monitoring - $25; Asset Management - $50) per each low-income housing tax credit (LIHTC) unit during the compliance period (first 15 years) and the extended use period (after the first 15 years). This amount will be due and payable by January 31 of each year.

5.3.9.21.2. Due at closing, projects financed with tax-exempt debt will be charged an additional $25 fee per unit for compliance monitoring with IRC Section 142, applicable until all tax-exempt debt is fully extinguished.

The PRHFA may revise the fees as necessary to ensure they cover the PRHFA's processing expenses and compliance monitoring.

5.3.9.22. The Applicant must execute the Notice and return the original along with the applicable fees and other required documentation as outlined in the Notice no later than thirty (30) calendar days after its effective date. The Notice will terminate if the Bonds are not closed within the timeframe provided by the Board at the time of approval or if the financing or development changes significantly as determined by the PRHFA.

5.3.9.23. An applicant adversely affected by a decision of the PRHFA denying a Bond Authorization, or closing or Tax Credits may submit a written petition for reconsideration to the Executive Director of the PRHFA, and proceed accordingly thereafter, in accordance with the procedure set forth in Section 5.5.4 of the QAP.

5.4. **Historic Preservation Tax Credit (HPTC)**

5.4.1. The PRDH, the PRLA and the SHPO have agreed to support and expedite the efforts of any project owner or developer interested in using the HPTC as part of the funding strategy for projects to be proposed for Hogar Insular de Niños. All proposals submitted for this parcel should recommend the adaptive reuse of the existing properties with historical or architectural significance and incorporate these into the proposed development scheme (Exhibit XX).

5.4.2. The SHPO will provide technical assistance to ensure respondents meet the Standards for

Rehabilitation published by the Secretary of the Interior, 36 CFR 67.7 (Exhibit XI) and, if successful assist the in the credit application process. Reviews of the applications for conformance with the Secretary's standards are conducted by the National Park Service (NPS), which is the entity that certifies compliance to the Internal Revenue Service.

5.4.3. If including the HPTC in the financing structure of a project, the respondent's application workflow, might proceed as follows:

5.4.3.1. A conceptual plan that complies with the Standards for Rehabilitation of the Secretary of the Interior must be submitted to the SHPO. The plans must include a general site plan, building plans, sections and elevations, showing building functions, heights, site distances, and proposed demolition, if any. Respondents might also want to consult the NPS's ITS Bulletins (https://www.nps.gov/tps/standards/applying-rehabilitation/standards-bulletins.htm) to obtain additional information regarding the application of the Secretary's Standards to rehabilitation projects.

5.4.3.2. If successful, a respondent will be required to prepare and submit and archaeological sub and above surface archaeological study (Phase 1A and 1B) as part of the pre-development process, along with Part I of the Tax Credit Application (Evaluation of Significance, Exhibit XXI) The application will be submitted to the NPS via the SHPO, with a recommendation; nevertheless, NPS' decision may differ from the recommendation of the SHPO.

5.4.3.3. After closing of the property transaction, the project owner will have to advance the nomination process of the properties through the SHPO (please, see Exhibits XXII and XXIII for copy of the designation form and substantive review checklist, respectively). Owners who wait until after all work is complete, and the building is placed in service, before they file Part 1 of the application and request that SHPO nominate the building or district to the National Register, do not qualify for the twenty (20%) tax credit under IRS regulations.

5.4.3.4. After a designation is completed, the respondents must submit Part II of the Application (Description of Rehabilitation, Exhibit XXIV) to the NPS via the SHPO. It is recommended that the respondent seek advice from the SHPO early in the planning process and throughout the pre-development phase to ensure compliance with the Standards of Rehabilitation.

5.4.3.5. After completion of the rehabilitation work, the respondent must submit Part III of the Application (Certification of Work Completed, Exhibit XXV). Both the estimated rehabilitation costs and the total estimated costs, must be reported. The estimated rehabilitation costs are defined as the project's estimated "Qualified Rehabilitation Expenditures," pursuant to section 47 of the Internal Revenue Code.

5.5. **Inmigrant Investor Program (EB-5)**

5.5.1. Respondents are encouraged to incorporate EB-5 financing or investment into their projects, which could be facilitated through the Commonwealth of Puerto Rico Regional Center Corporation ascribed to the DDEC. The EB-5 program, administered by the United States Customs and Immigration Service (USCIS), awards permanent residence visas to immigrants and their families in exchange for qualifying investments in job-creating enterprises. Real-estate projects, including affordable housing are eligible for financing, subject to job creation requirements (10 jobs per $500,000 investment, as Puerto Rico qualifies as a "Targeted Employment Area").

5.5.2. If including EB-5 financing in their proposals, respondents must be aware that they shall be able to produce:

5.5.2.1. A comprehensive, detailed and credible business plan for the project, showing that, due to the nature and projected size of the new comercial enterprise, the need for not fewer than ten (10) qualifying employees (that receive wages directly from the new commercial enterprise, at a minimum of 35 working hours per week) will result, including approximate dates, within the next two (2) years, and when such employees will be hired.

5.5.2.2. A comprehensive business plan that, as contemplated by the regulations should contain, at a minimum, a description of the business, its products and/or services, and its objectives. The plan should contain a market analysis, including the names of competing businesses and their relative strengths and weaknesses, a comparison of the competition's products and pricing structures, and a description of the target market/prospective customers of the new commercial enterprise. The plan should list the required permits and licenses obtained. If applicable, it should describe the manufacturing or production process, the materials required, and the supply sources. The plan should detail any contracts executed for the supply of materials and/or the distribution of products. It should discuss the marketing strategy of the business, including pricing, advertising, and servicing. The plan should set forth the business's organizational structure and its personnel's experience. It should explain the business's staffing requirements and contain a timetable for hiring, as well as job descriptions for all positions. It should contain sales, cost, and income projections and detail the bases therefor. Most importantly, the business plan must be credible. (Matter of Ho, 22 I&N DEC. 206 (AAO 1998)).

5.5.2.3. Project financial information including projected sources and uses, construction estimates, proforma, and funding commitments, including project owner's equity.

5.5.2.4. Independent party market analysis evidencing market demands for the housing units and amenities in the project.

5.5.2.5. A Private Placement Memorandum (PPM), if applicable.

5.5.2.6. An economic impact analysis which reflects a job creation methodology and shows how the capital investment by an individual inmigrant investor will create not fewer than ten (10) full-time (direct, indirect or induced) jobs for each inmigrant investor compliant with input/output models accepted by the USCIS.

5.5.3. Typically, an EB-5 funded residential project will rely on a diversified mix of financing which could include equity investments, secured bank loans, bonds, and government financing. EB-5 investors might also require a clear exit of their investment, within a period shorter than the minimum affordability period. Due to time constraints, interested respondents should promptly seek the appropriate advice. For additional information, please consult USCIS' Policy Memorandum No. PM-602-0083 (Exhibit XXVI).

5.5.4. If including EB-5 in the financing structure of the project, the respondent's application workflow and ensuing funds stream, might proceed as follows:

5.5.4.1. Initial contact of the Regional Center to initiate the pre-screening process.

5.5.4.2. Submittal under the RFP of the required market analysis addressing all requirements under a Matter of Ho business plan and including an impact analysis which reflects a job creation methodology and shows how the capital investment by an individual inmigrant investor will create not fewer than ten (10) full-time (direct, indirect or induced) jobs for each inmigrant investor compliant with input/output models accepted by the USCIS.

5.5.4.3. Submittal of the project proposal to the Regional Center with all required forms and fees.

5.5.4.4. Due diligence, risk assessment and/or site visits by the Regional Center's staff.

5.5.4.5. Project approval from the Regional Center.

5.5.4.6. Execution of a Sponsorship Agreement with the Regional Center.

5.5.4.7. Completion of the application process with the USCIS, identifying, recruiting and signing EB-5 investors (expect 3 to 8 months).

5.5.4.8. Completion of the transfer and release of investment funds to escrow account upon USCIS approval of the EB-5 investor's I-526 Petition (expect 16 months).

Timing of funds (at least two (2) years into the project) would have to be factored in the project's financial documentation submitted under the RFP. Also, the exit strategy (cash-out or other event), typically, do not extend beyond seven (7) years of the release of the respective EB-5 investor's funds from the escrow account into the project.

5.6. **Section 221(d)(4)**

Please, consult HUD's Handbook 4560.1 (Exhibit XXVII) for details.

5.7. **Section 231**

Please, consult HUD's Handbook 4570.1 (Exhibit XXVIII) for details.

5.8. **Section 232**

Please, consult HUD's Handbook 4232.1 (Exhibit XXIX) for details.

6. Process

The PRDH entered into an agreement with the PRHFA to integrate an Evaluation Committee with the purpose of processing the receipt, evaluation and the recommendation for the selection of the proposals submitted to the PRDH, including the assessment of the project's organizational structure, financing, projected building and operations, the completion of subsidy layering and other reviews, and monitoring the required compliance and reporting during the projects' operational phase. In addition, the PRHFA agreed to initiate the tax-exempt bond financing process required for projects proposing the use of non-competitive LIHTC, based on the applications submitted and the process followed under this RFP.

The following process and/or conditions must be observed under the RFP:

6.1. Subject to any changes by the PRDH, respondents are expected to follow the schedule shown below, as might be applicable:

Date	Activity
09/30/2016	RFP issued by the PRDH
10/12/2016	Orientation meeting
10/18/2016	Registration deadline
10/18/2016	Appraisal reports delivery for all properties to all registered applicants
11/01/2016	Site visit deadline (upon request)
11/01/2016	Deadline for submittal of requests for clarifications or information
11/07/2016	Final Addendum published
11/28/2016	Submission deadline at PRHFA no later than 4:00PM (and SHPO, if Hogar Insular de Niños)
12/19/2016	RFP award and notification to proponents
03/20/2017	Property deposit and Development Agreement execution
03/20/2017	Act 73-2008 Conditional Recommendation (pre-development phase incentives)
03/27/2017	If PAB, PRHFA bond fees and reimburse commitment
04/28/2017	If EB-5, Filing
06/16/2017	If PAB, Inducement
09/08/2017	If LIHTC, Filing
10/13/2017	If PAB, TEFRA Hearing notice
10/27/2017	If PAB, TEFRA Hearing and host approval
11/24/2017	If PAB, approval
03/20/2017 Through 12/17/2017	Pre-development reports submitted to the PRDH and owner agency
12/17/2017	Closing
12/17/2017	Act 73-2008 Conditional Recommendation (construction phase incentives)
12/17/2017	If HPTC, designation and Application filing
02/09/2018	If EB-5, USCIS' determination completed
02/12/2018	If PAB, Bond notification return
02/12/2018	If PAB, documentation and fees
10/12/2018	If EB-5, escrow completed
12/13/2019	Placed-in-service date
12/13/2019	If HPTC, Application Part III
12/13/2019	Act 73-2008 Final Recommendation
12/20/2019	Act 73-2008 Filing with Office of Industrial Tax Incentives

6.2. Prospective respondents that anticipate participating in this RFP shall so indicate as soon as possible but no later than October 18, 2016, by filing their registration.

6.3. No official interpretation or clarification of the meaning of any part of the RFP will be made orally by the PRDH, PRHFA, GDB, PRLA or PRASA. All questions and communications concerning this RFP process shall be directed to the PRDH through a request for clarification or information in writing by no later than November 1, 2016. Any such request from prospective respondents must be submitted via email as specified. If the PRDH provides any clarification or additional information as a result of a request, it will provide such clarification(s) by means of an Addendum to be delivered to all registered prospective respondents. The PRDH makes no guarantee of timely delivery of any Addendum to any person or firm.

6.4. The PRDH reserves the right to amend this RFP at any time. Any amendments to this RFP shall be by written Addendum. Copies of each Addendum shall be posted in PRHFA's website, and distributed by email to the contact provided by the registered respondent. All Addenda will become part of this RFP. The prospective proponent shall within twenty-four (24) hours from receipt, acknowledge receipt of each Addendum and will include the receipt as part the final proposal (Doc Ref ID G.003).

6.5. After all proposals have been submitted, a respondent may be invited to appear before the PRDH for an interview. During such interview, the respondent may be required to orally and/or otherwise present its proposal and to respond in detail to any questions posed. Additional meetings may be held to clarify issues or to address comments, as the PRDH deems appropriate. Proponents will be notified in advance of the time and format of such meetings.

6.6. The PRDH will only accept a modification to a previously submitted proposal if the modification is received before the proposal submission deadline. All modifications will be in writing and will be executed and submitted in the same form and manner as the original proposal in accordance with the terms of the RFP. Proposals shall be irrevocable until the proposal is awarded, unless the RFP is withdrawn. A respondent may withdraw a proposal, in writing only, prior to the submission due date.

6.7. Subject to modifications by the PRDH, the following process will be followed through:

6.7.1. **Application package**. Submission of a complete application package is required. It consists of the following documents: Notice, Request for Proposals, Application (XLS format containing a "Threshold Checklist", "Ranking Self-Evaluation", "Underwriting Parameters" and "Application Form" worksheets), and Exhibits. The Evaluation Committee, the PRDH or the PRHFA might request additional documents or issue modifications or interpretations. Such changes would be promptly notified to registered applicants.

6.7.2. **Application package availability**.The Strategic Project Application Package is available for download at: **www.afv.pr.gov**.

6.7.3. **Orientation Meeting**. All interested parties might attend a non-compulsory meeting to be held at PRHFA, located at 606 Barbosa Ave., Juan C. Cordero Building, Río Piedras, basement floor, Wednesday, **October 12, 2016, at 10:00AM**. During that meeting, personnel from PRDH and PRHFA will be available to exchange comments on the RFP; nevertheless, the oral expressions of PRDH or PRHFA representatives, as previously directed, <u>will not be taken as an official interpretation or clarification of the meaning of any part of the RFP</u>.

6.7.4. **Requests for clarification or information and Addenda**. We encourage applicants to review the information contained in the RFP, and any other applicable rule before submitting. Any request for clarification or supplemental information regarding the application requirements or process must be directed to the Evaluation Committee, no later than Tuesday, November 1, 2016, to the following email address: **strategicproject@afv.pr.gov**. No other communications from applicants will be considered beyond this due date. Addenda containing clarifications or supplemental information will be notified to all registered applicants and posted in the PRHFA website: **www.afv.pr.gov**, through Friday, November 18, 2016.

6.7.5. **Registration required**. Any applicant interested in furthering a proposal <u>MUST</u> register and request an application number at the 3rd floor reception desk reception desk of the PRHFA, located at 606 Barbosa Ave., Juan C. Cordero Building, Río Piedras, working days, from 8:15 AM until 4:15 PM. The written request will include the names of the applicant and the project. Payment of $100 (only

manager's checks and money orders payable to: "Secretario de la Vivienda") is due at registry. Registration MUST be completed in order to submit an application under the RFP. Registration will be open through Monday, November 28, 2016, 4:00 PM. Only registered applicants at the date of any given notification, and through the contact information in the registration, will be entitled to receive such notice. NO APPLICATION WILL BE ACCEPTED FROM UNREGISTERED APPLICANTS.

6.7.6. **Required documents and fees**. Documents required to support a complete application are listed both in the Threshold Checklist and the Ranking Self-Evaluation. Both checklists must be filled-out by applicants to confirm the documents that are being submitted with the application. If one document is referenced as supporting more than one threshold requirement and/or ranking criterion, the applicant might submit only one document but MUST include the specific information required by all supported requirements or criteria. Payment of $5,000 (only manager's checks payable to: "Secretario de la Vivienda") is due at filing. Prior to the application submission due date, and as permissible under any applicable rule, the Evaluation Committee reserves the right to amend the documentation requirements as appropriate to achieve purposes of the RFP.

6.7.7. **Document labeling**. All digital documents are to be titled according to the following convention: [Application Number-Reference ID- Document Title]. Example: 2016-XXX-G.001-Application Form.

6.7.8. **Deadline, format and place of submission**. Proposals will only be accepted in digital media (CD or DVD format, 2 copies) and the format specified in the Application Package, no exceptions, through Monday, November 28, 2016, by 4:00pm. Completed proposals must be delivered at the PRHFA's reception desk, on or prior to the submission deadline, at the abovementioned address. No applications will be accepted after the submission deadline. All respondents proposing to intervene PRLA's Hogar Insular de Niños property shall expedite, prior to the proposal's submission deadline, their request to SHPO for technical assistance regarding the conformance of the conceptual plans with the Standards for Rehabilitation of the Secretary of the Interior as might be applicable to eligible structures within the property. No applications for the property will be considered for evaluation if failing to meet this requirement.

6.7.9. **Receipt**. The PRHFA will issue an application receipt to the applicant by returning a stamped copy of a transmittal letter accompanying the application (Doc Ref ID G.004).

6.7.10. **Security**. A standby, irrevocable Letter of Credit issued by a public banking institution in the amount of $50,000 shall be included with each Proposal (Doc Ref ID G.005). The Letter of Credit shall be in the form of Exhibit XXX. If a respondent’s proposal is not selected, the Letter of Credit will be returned to the respondent. If a respondent is selected to enter into exclusive negotiations with the PRDH and the government entity furnishing the property, the Letter of Credit will be drawn upon and credited against the first payment owed to the owner agency under the Development Agreement. In the event no such agreement is executed within three (3) months of the proposal selection due to reasons not attributable to the government entities, or extended as it might be agreed to, the PRDH may draw upon and retain the proceeds of the Letter of Credit for use in its sole discretion.

6.7.11. **Completeness**. The Evaluation Committee will revise the proposals and will reject incomplete applications, or with significant errors or omissions in documentation, or inconsistent or conflicting information. Any determination to reject an application under this threshold requirement is subject only to the Evaluation Committee’s discretion.

For the purpose of improving the understanding of the submitted proposals, allowing reasonable interpretations of the proposals, or facilitating the evaluation for the Evaluation Committee, said committee may submit to the respondent, in writing, a request regarding the explanation, corroboration, confirmation, validation, or clarification of any aspect of the proposal. Likewise, during the process, the Evaluation Committee may offer the respondent to correct minor irregularities, informalities, or clerical errors in the Proposal. The Committee may waive minor informalities, without prejudice to the other respondents.

6.7.12. **Debarment**. If the use of federal assistance is projected by the respondent, such assistance might not be used to directly or indirectly employ, award contracts to or otherwise engage the services of any contractor or subrecipient during any period of debarment, suspension or placement of ineligibility status, including contractors, subcontractors, lower-tier contractors and subrecipients. The requirement must be observed throughout the project's funding. The Evaluation Committee will verify the completeness of the certification provided by the applicant to assert this fact (Doc Ref ID IV.009) and might verify the names of the Owner, Developer, General Partner/Manager and Sponsor or any tiered entity or individual against the exclusion records maintained in www.sam.gov.

6.7.13. **Threshold Review**. The Evaluation Committee will perform a review to determine compliance with and/or submittal of:

6.7.13.1. Complete application in CD-ROM or DVD medium (2 copies).

6.7.13.2. Required registration fees and security (Doc Ref ID G.005).

6.7.13.3. Proposed project is for the construction of affordable rental housing as defined by the Secretary's Order No. OA-HD-2016-10 (items 9 to 13 of page 3, and page 8 of the Application, Doc Ref ID II.006).

6.7.13.4. Project timeline for project activities including specific benchmarks for acquisition, assembly of the development team, completion of plans and specifications, completion of financial approvals, municipal approvals, building permits (include allowances for any foreseen location consultation, variances or any other discretionary approvals), project construction start date, completion date and the estimated date of lease-up (page 17 of the Application).

6.7.13.5. Designer’s Preliminary Certification in the format shown in Exhibit XXXI (Doc Ref ID II.001).

6.7.13.6. Compliance with the Fair Housing Act (*Civil Rights Act of 1968 - 42 U.S.C. 3601 et seq.*) accessibility requirements certified through the Designer’s opinion letter (Doc Ref ID.II.001) and completion of the Fair Housing Act Accessibility Requirements Checklist indicating attesting the project complies or will comply with the require features (Doc Ref ID II.002). Please, refer to Exhibit XXXII, requirements checklist.

6.7.13.7. Conceptual plans signed and stamped by the licensed professional (project architect or engineer in charge of the design process) including site plan, floor plans with identification of spaces and floor areas, sections, elevations and proposed unit blow-ups with dimensions. If project is for Hogar Insular de Niños property, the plans must include a general site plan, building plans, sections and elevations, showing building functions, heights, site distances, and proposed demolition, if any (Doc Refs ID II.003).

6.7.13.8. Phase I environmental site assessment report compliant with ASTM E 1527-13 or any updated version as ASTM promulgates which meets the requirements of EPA's AAI regulations (Doc Refs ID II.004) or a transaction screen report compliant with ASTM E 1528-14 (not to be used where there might be recognized environmental conditions.

6.7.13.9. Market study report performed by an approved provider unaffiliated with the developer and registered with the PRHFA, of the affordable rental housing needs in the area to be served (Doc Ref ID III.001). In addition to include any other contents or comply with format requirements that may apply under the Federal programs projected to assist the project, the market study should at least include:

6.7.13.9.1. A statement of the competence of the market study provider, detailing education and experience of primary author and including statement of non-interest.

6.7.13.9.2. A description of the proposed site and neighborhood, including physical attributes of site, surrounding land uses, and proximity to community amenities or neighborhood features including shopping, healthcare, schools, and transportation.

6.7.13.9.3. A map and photos of the subject site and surroundings showing location of community services.

6.7.13.9.4. An overview of local economic conditions, including employment by sector, list of major employers, and labor force employment and unemployment trends over past five to ten (5-10) years.

6.7.13.9.5. A description of the proposed development, detailing proposed unit mix (number of bedrooms, bathrooms, square footage, proposed rents, family income level, utility allowances, and any utilities included in rent), proposed unit features and community amenities, and target population including age restrictions and/or special needs populations.

6.7.13.9.6. Demographic analysis of the number of households in the market area that are part of the target market (*i.e.*, family, senior, etc.), income-eligible, and can afford to pay the rent, including a projected household base at placed in service date.

6.7.13.9.7. Analysis of household sizes and types in the market area, including households by tenure, income, and persons per household.

6.7.13.9.8. A description of comparable developments in the market area, including any rental concessions these developments presently offer.

6.7.13.9.9. A description of rent levels and vacancy rates of comparable properties in the market area, segmented by property type (market rate, affordable, deep subsidy) and with rents adjusted to account for utility differences and concessions or other incentives. Such description should include all existing affordable rental developments in the primary market area and any planned additions to rental stock including recently approved developments.

6.7.13.9.10. Expected market absorption of the proposed rental housing, including capture/penetration rate analysis of target populations.

6.7.13.9.11. A description of the effect on the market area, including the impact on existing affordable rental housing.

THE PRDH WILL CONSIDER THE MARKET STUDY, THE MARKET, MARKETABILITY FACTORS, AND ANY ADDITIONAL INFORMATION AVAILABLE TO DETERMINE IF AN ACCEPTABLE MARKET EXISTS FOR THE PROPOSED DEVELOPMENT. THE PRDH WILL NOT BE BOUND BY THE CONCLUSIONS OR RECOMMENDATIONS OF THE MARKET REPORT AND RESERVES THE RIGHT TO DISQUALIFY ANY APPLICANT IN THE COMPETITION IF IT DETERMINES THAT AN ACCEPTABLE MARKET DOES NOT EXIST. **IF USING FEDERAL PROGRAMS, THE MARKET STUDY MUST ALSO COMPLY WITH THE STANDARDS SPECIFIED FOR THE MARKET ANALYSIS UNDER THE PROGRAMS.**

6.7.13.10. Team's organizational chart for all entities (as were described in page 1 of the Application, Doc Ref ID IV.001).

6.7.13.11. Articles of Incorporation for the following entities: Owner, Developer, General Partner/Manager and Sponsor (as were described in page 1 of the Application, Doc Ref ID IV.002).

6.7.13.12. Partnership (or Operating) Agreement of the entity to claim ownership of the Project (LP, LLC, etc.), as may apply, indicating cash contributions by the General Partner(s) and/or Limited Partner(s) (as were described in page 1 of the Application, Doc Ref ID IV.003).

6.7.13.13. Certificate of Incorporation (in USA and PR, as may apply) for the following entities: Owner, Developer, General Partner/Manager and Sponsor (as were described in page 1 of the Application, Doc Ref ID IV.004).

6.7.13.14. Certificate of Authorization of US Foreign Limited Liability Company from PR Department of State (as it may apply) for the following entities: Owner, Developer, General Partner/Manager and Sponsor (as were described in page 1 of the Application, Doc Ref ID IV.005).

6.7.13.15. Good Standing Certificate (in USA and PR, as may apply) for the following entities: Owner, Developer, General Partner/Manager and Sponsor (as were described in page 1 of the Application, Doc Ref ID IV.006).

6.7.13.16. Names, addresses, telephone numbers and email address of officers, members, directors, principal stockholders or managing partner of the following entities: Owner, Developer, General Partner/Manager and Sponsor (as were described in page 1 of the Application, Doc Ref ID IV.007).

6.7.13.17. If an economic offer is made for a GDB property, the documents required under sections IX.A.17 and 18 of Regulation No. 8477 of May 30, 2014, as applicable (Doc Ref ID IV.008).

6.7.13.18. Certification attesting that Owner, Developer, General Partner/Manager and Sponsor (as were described in page 1 of the Application) or any grantee or contractor at any tier to any of the stated parties is not currently debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs subject to 2 CFR part 2424 and are

not included on the U.S. General Services Administration list of parties excluded from federal procurement and non-procurement programs. (Doc Ref ID IV.009).

6.7.13.19. IRS Form SS-4 (application for Employer Identification Number) or other evidence of the taxpayer identification number for the following entities: Owner, Developer, General Partner/Manager and Sponsor (as were described in page 1 of the Application, Doc Refs ID IV.010).

6.7.13.20. Audited Financial Statements (updated within six (6) months of the application; only applicable to juridical persons) of the developer, general partners, managing members, owners, and sponsors of each entity. If an entity of new creation, CPA certification of a new entity and most recent statements, if created within six (6) months of the application (Doc Ref ID IV.011).

6.7.13.21. Compiled or Revised Financial Statements (updated within six (6) months of the application; only applicable to natural persons) of the shareholders, directors, principals, officers, members and partners, as applicable, of the owner, developer, managing member, and general partner, showing that, as a minimum, the combined net worth of all entities and natural persons involved in the ownership structure of the project (excluding actual or future limited partners or investors) is equal to or greater than $500,000.00 (Doc Ref ID IV.012).

6.7.13.22. The owner, developer and their shareholders, directors, officers and partners, as applicable, must demonstrate via sworn statement (*affidavit*) that they have not been involved in any way (either personally or as shareholders, directors, officers, members or partners of a corporation, partnership or other form of business organization or joint venture) in any other project for which the PRDH, PRHFA, GDB, PRLA, PRASA, the Department of Economic Development and Commerce (DDEC), or the Puerto Rico Industrial Development Company (PRIDCO) have provided any financing and /or grant (as lender, conduit, custodian of funds, or otherwise) and in which a default notice under the terms and conditions of the applicable financing documents has been issued and not cured (Doc Ref ID IV.013).

6.7.13.23. All previous participants must also evidence via sworn statement that they have not been involved or are in any conflict of interest (fact or appearance) in any way (either personally or in any other juridical capacity) with the PRDH, PRHFA, GDB, or PRASA, employees, officers or agents participating in any capacity in the procurement, selection, award, or the administration of a contract or agreement supported under the RFP (Doc Ref ID IV.014).

Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the PRDH, PRHFA, GDB, PRLA or PRASA must neither solicit nor accept gratuities, favors, or anything of monetary value from proponents, awardees, contractors or parties to subcontracts. In order to ensure objective consultant performance and eliminate unfair competitive advantage, contractors that develop or participate in drafting specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing in any capacity for such procurements. Any conflict of interest will immediately disqualify the applicant of any participation in the RFP.

6.7.13.24. Also, the developer shall identify and explain any identity of interest with any other party of the project (page 4 of the Application).

6.7.13.25. Statement (affidavit) sworn by owner, developer and their shareholders, directors, officers and partners, as applicable, attesting that neither the signer, nor the corporation, nor any special society that he/she may represent, nor any of its corporate officers has been convicted, nor has pleaded guilty at a state or federal court in any jurisdiction of the United States of America, of crimes consisting of fraud, embezzlement or misappropriation of public funds, as stated in Article 3 of Act 458 of December 29, 2000, as amended, which prohibits the a judgment of auctions or government contracts to those convicted of fraud, misapplication or misappropriation of public funds. That I recognize that crimes in above mentioned law are: (1) aggravated illegal appropriation, in all its forms; (2) extortion; (3) fraud in a construction; (4) fraud in carrying out construction work; (5) fraud in the delivery of goods; (6) unwarranted intervention in auction contracting processes or in the operations of the Government; (7) bribery in all its forms; (8) aggravated bribery; (9) offering bribes; (10) undue influence; (11) offences against public funds; (12) preparation of false documents; (13) submitting false documents; (14) falsifying documents; (15) possession and transfer of forged document (Doc Ref ID IV.015)

6.7.13.26. List of members of the Development Team (pages 15 and 16 of the Application).

6.7.13.27. Experience of the project owner or developer (item 8, page 3 of the application). The PRDH seeks to encourage participation to newcomers in affordable housing construction and operation; nevertheless, if required to ensure the performance and delivery of the project, it could encourage partnering and joint ventures so respondents with no less experience could be required to partner or joint venture with a more experienced developer or project owner.

6.7.13.28. Resume of the Architect/Designer, proposed General Contractor, and proposed Management Agent, indicating qualifications, address, telephone number and references of projects evidencing experience with the design, development, and management of projects similar to the proposed development (Doc Refs IDs IV.016 thru IV.020). The PRDH seeks to encourage participation to newcomers in affordable housing construction and operation; nevertheless, if required to ensure the performance and delivery of the project, it could encourage supplementing the team with more experienced resources.

6.7.13.29. Economic offer for the property (item 17, page 6 of the Application) meeting the requirements of the GDB, PRLA or PRASA, including payment of any required deposit. If the offer is not made for a purchase transaction (PRLA properties only), a net present value must also be provided and the supporting evidence for computing such value, including benchmarks or comparable used for selecting a discount rate (Doc Ref ID V.001).

6.7.13.30. Certification from applicant as to Federal, State, or Local subsidies secured or to be applied to for the development and operation of the project (Doc Ref ID V.002).

6.7.13.31. If available, evidence of commitments from sources of financing disclosing significant terms, amount of investment, equity contribution schedule amount and timing, bridge loan details, if applicable, and other funding either secured, or currently under application (Doc Ref ID V.003).

6.7.13.32. Detail of proposed sources and uses of funds and timing (item 22, page 9 of the Application, and pages 10 and 11).

6.7.13.33. Project development costs breakdown (pages 10 and 11 of the Application).

6.7.13.34. Schedule of projected income and expenses during operation validated by an unrelated third party management agent (page 14 of the Application). These assumptions will be tested against PRHFA's data.

6.7.13.35. Projected pro-forma income and expense cash flow for the entire affordability term showing a feasible operation, prepared according to the underwriting parameters established under the RFP, and the underwriting parameters applicable under Federal or State programs, including projected operations income, expenses, cash flow, rents and utility allowances (Doc Ref ID V.004).

6.7.13.36. Construction cost estimates subscribed by the project designer and proposed General Contractor (Doc Ref ID V.005).

6.7.14. **Program-specific Threshold Review**. The Evaluation Committee will perform a review to determine compliance with and/or submittal of:

6.7.14.1. **Act 73-2008**

6.7.14.1.1. Compliance with the parameters established under section 1-A of Act 73-2008 (item 9, page 3 of the Application).

6.7.14.1.2. Compliance with the eligibility, affordability and underwriting requirements established under OA-HD-2016-10 (items 10 to 13 of page 3, and page 8 of the Application, Doc Ref ID II.006).

6.7.14.2. **LIHTC and PAB**

6.7.14.2.1. The project is a qualified low-income housing project within the meaning of IRC Section 42(g) and IRC Section 142(d), respectively (page 8 of the Application, see Exhibits XVIII and XIX).

6.7.14.2.2. Compliance with the use and business tests of IRC Section 142 (item 22, page 9 of the Application, and pages 10 and 11).

6.7.14.2.3. If site control is through a long-term lease, the term is not less than the project's affordability period of 30 years (item 12, page 3 of the Application).

6.7.14.2.4. Evidence of an adequate guarantee for bond financing (Doc Ref ID V.006).

6.7.14.3. **HPTC**

6.7.14.3.1. The project is located in PRLA's Hogar Insular de Niños property.

6.7.14.3.2. The conceptual plans describe the adaptive reuse and rehabilitation of the eligible structures as identified by the SHPO, and were submitted to the SHPO for technical assistance and comment (Doc Ref ID SHPO.001).

6.7.14.4. **Local PBV**

6.7.14.4.1. The proposed housing is an eligible housing unit under 24 CFR 983.53 and 983.54.

6.7.14.4.2. Unit project cap as allowed under HOTMA's 25%/25 rule, or 40% (page 8 of the Application) if applicable.

6.7.14.5. **EB-5**

6.7.14.5.1. The market study report addresses all requirements under a Matter of Ho business plan including:

6.7.14.5.1.1. an impact analysis which reflects a job creation methodology; and,

6.7.14.5.1.2. demonstration of how the capital investment by an individual inmigrant investor will create not fewer than ten (10) full-time (direct, indirect or induced) jobs for each inmigrant investor compliant with input/output models accepted by the USCIS (Doc Ref ID III.001).

6.7.14.6. **FHLB**

6.7.14.6.1. At least 51% of rental units at 115% AMFI (item 11, page 3 of the Application).

6.7.14.7. **Section 221(d)(4)**

6.7.14.7.1. The project consists of five (5) or more units containing one (1) or multiple bedroom dwelling units with complete kitchens and baths (efficiency units excluded under OA-HD-2016-10, page 8 of the Application).

6.7.14.7.2. The commercial use does not exceed ten percent (10%) of the gross floor area of the project nor should more than fifteen percent (15%) of the total gross project income imputed to non-residential income (item 15, page 5 of the Application).

6.7.14.7.3. The project is not subject to State licensure, certification, or regulation as a board and care home (or similar residential care facility) or, if design for the elderly it does not include exclusionary services (Doc Ref ID II.005).

6.7.14.7.4. The project does not restrict occupancy to particular groups such as students or members of the sponsoring organization except as permitted by law for elderly or handicapped tenants.

6.7.14.7.5. If site control is through a long-term lease, the term will be for a period of not less than 10 years to run beyond the maturity date of the mortgage (item 12, page 3 of the Application).

6.7.14.7.6. Site Appraisal and Market Analysis (SAMA) Letter covering acceptability of the project site, the type of project, the type and number of rental units, the total monthly rents, details of operations, along with location, neighborhood environment, type of structure, number of units by type (efficiency, one bedroom, etc.), services, and amenities; valuation of the site fully improved; market for the proposed project by type of units, size, number of rooms, including market absorption data form; and environmental assessment (Doc Ref ID II.003).

6.7.14.7.7. Underwriting parameters comply with section 3-4 of HUD's Handbook 4560.1 (pages 10 and 11 of the Application).

6.7.14.7.8. Design standards are compliant with sections 5-1 through 5-3 of HUD's Handbook 4560.1 as certified by the project's designer (Doc Ref ID II.001).

6.7.14.8. **Section 231**

6.7.14.8.1. Site Appraisal and Market Analysis (SAMA) Letter compliant with section 2-5 of HUD's Handbook 4570.1. Market analysis compliant with section 1-7 of HUD's Handbook 4570.1. (Doc Ref ID II.003).

6.7.14.8.2. Units are designed for use and occupancy by elderly persons (62 or older) and handicapped persons (as defined under section 1-2(b) of HUD's Handbook 4570.1, not SROs) as certified by the project's designer (Doc Ref ID II.001).

6.7.14.8.3. A Claim of Real Estate Tax Abatement or exemption filed with the Regional Counsel (section 1-3 of HUD's Handbook 4570.1) (Doc Ref ID V.007).

6.7.14.8.4. One hundred percent (100%) of the dwelling units are assigned to elderly and/or handicapped persons and have a room composition, design and special amenities that are consistent with the needs of the elderly market, as determined by the market analysis, as certified by the project's designer (Doc Ref IDs II.001, III.001).

6.7.14.8.5. The project's underwriting parameters incorporate those specified under section 2-2 of HUD's Handbook 4570.1 (page 10 of the Application).

6.7.14.8.6. If required, evidence of preapplication conference celebrated with HUD's local office (Doc Ref ID V.008).

6.7.14.9. **Section 232**

6.7.14.9.1. The facility is an eligible facility as described in Section 2, Ch.2, articles 2.2 and 2.3 of HUD's Handbook 4232.1 (Doc Ref ID II.001), AND is a non-transient rental housing facility as required under OA-HD-2016-10 (Doc ref ID II.006).

6.7.14.9.2. Commercial space is limited to a maximum of ten percent (10%) of the gross floor area of the project and fifteen (15%) of the gross project income (commercial space that is intended to exclusively serve the residents of the project is not counted toward the space and income limitations), and project is underwritten with a minimum vacancy of twenty percent (20%) for commercial space income (Doc Ref ID V.004).

6.7.14.9.3. The project is underwritten with a maximum loan term of forty (40) years or three-fourths (3/4) of the remaining economic life of the property, whichever is less, with a minimum term of not less than ten (10) years, and a reserve or replacement as required under HUD's Handbook 4232.1 section 2.6(N) (Doc Ref ID V.004).

6.7.14.9.4. The experience of the development team conforms to that required under section 2.5(EE) of HUD's Handbook 4232.1 (Doc Ref ID IV.021).

6.7.14.9.5. Evidence of State Certificate of Need filing completed with the Department of Health, compliant with section 2.5(DD)(1) of HUD's Handbook 4232.1 (Doc Ref ID II.007).

6.7.14.9.6. Market analysis compliant with section 2.5(DD)(2) of HUD's Handbook 4232.1 (Doc Ref ID III.001).

6.7.14.9.7. Affirmative Fair Housing Marketing Plan in the format of Exhibit XXXIII (Doc Ref ID III.003).

6.7.14.10. **Act 165-1996**

6.7.14.10.1. The project is underwritten with an affordability period of no less than twenty (20) years (Doc Ref ID V.004).

6.7.14.10.2. The units to be occupied by qualifying families are designated (in plans, Doc Ref ID II.003).

6.7.14.11. **Act 47-1987**

6.7.14.11.1. The project is underwritten with an affordability period of no less than twenty (20) years (Doc Ref ID V.004).

6.7.15. **Threshold Review Requirements Checklist**. To ensure compliance with the requirements of programs being considered under the RFP, the Evaluation Committee will document the applicant's responsiveness to all applicable requirements listed in the "Threshold Checklist" worksheet included in the Application Package and the requirements listed above for the programs being used. For detailed instructions, refer to the section "General Remarks" in the checklist's worksheet. PROJECTS THAT FAIL TO MEET THE PROGRAM DETERMINATIONS, THRESHOLD REQUIREMENTS OR PROVIDE RELATED DOCUMENTATION WILL NOT BE FURTHER CONSIDERED. ONLY THOSE PROJECTS THAT MEET THE THRESHOLD REVIEW WILL BE FURTHER EVALUATED UNDER THE SUBSIDY LAYERING REVIEW OR RANKING SYSTEM DESCRIBED IN THE RFP.

6.7.16. **Review of the Project Design Parameters.** The Evaluation Committee will assess the general conformance of the proposals with the applicable plans, zoning and/or design guidelines to assess how the proposed project advances the urban revitalization goals of transit-oriented developments and the San Juan Waterfront. In so doing, the Committee may rely on any comments submitted by the agencies furnishing properties and/or other government entities as it deems convenient. These include the comments provided by SHPO to the Evaluation Committee within two weeks of the submission's deadline, if the project is for PRLA's Hogar Insular de Niños.

6.7.17. **Review of the Market Study Report**. The Evaluation Committee will assess the general conformance of the Market Study Report with the specific requirements of Federal programs being

used (i.e., EB-5, Sections 221(d)(4) and 232). In so doing, the Committee may rely on the review and comments by other government entities.

6.7.18. **Review of Underwriting Parameters and Financial Assumptions**. The Evaluation Committee will assess the proposed sources and uses of funds and the construction cash flow to ensure that all costs set forth for the project are reasonable and conform to the NCSHA and/or any program's specific underwriting parameters. The PRHFA will use its parameters and resulting numbers to review the project's feasibility. Written firm evidence, commitments and agreements will have to be rendered by a successful respondent during the pre-development phase prior to the closing. Absent a more stringent parameter under a specific Federal or State program, the following parameters MUST be adhered to:

6.7.18.1. Developer Fees. Developer Fees will be restricted to fifteen (15%) of the development cost estimate. For purposes of this calculation, the development cost include amounts of items B to I, K, and L of the uses detailed in the Sources and Uses of Funds statement (pages 10 and 11 of the Application). The Evaluation Committee may appoint an independent consultant to validate the construction costs in projects. A cost certification will have to be provided as part of the application (Doc Ref ID V.005). The timing of payment of the developer's fee shall support achieving or maintaining a project's feasibility and long-term viability. On its sole discretion, and due to its size, the PRDH might consider a higher fee at PRLA's Bolivia parcel.

6.7.18.1.1. If deferred, the development's cash flow projections in the pro-forma support the reasonable expectation that developer fees can be paid within the affordability term, but not later that fifteen (15) years after the placed-in-service date (Doc Ref V.004).

6.7.18.1.2. The developer's fee includes the developer's overhead, profit and consultants other than the types of professional consultant fees below, and all other fees paid in connection with the project for services that would ordinarily be performed by a developer.

6.7.18.1.3. Capped as per section 3.6 of HUD's Handbook 4560.1, if projecting the use of sections' 221(d)(4) FHA guaranteed financing.

6.7.18.2. Builder or General Contractor's maximum charges

6.7.18.2.1. Builder's profit: 6% of construction contract amount.

6.7.18.2.2. Builder's overhead: 2% of construction contract amount.

6.7.18.2.3. General Conditions: 6% of construction contract amount.

6.7.18.2.4. The total allowed percentages for General Conditions, Overhead, and Builder's Profit are based on hard construction costs and the maximum combined costs shall not exceed fourteen percent (14%) of the hard construction costs (items B and C of page 10 of the Application).

6.7.18.2.4.1. If financing through section 221(d)(4), the construction cost attributable to dwelling use, excluding exterior land improvements, shall not exceed the limits under section 3.4(D) of HUD's Handbook 4560.1.

6.7.18.2.4.2. Capped as per section 3.6 of HUD's Handbook 4560.1, if projecting the use of sections' 221(d)(4) FHA guaranteed financing.

6.7.18.3. Consultant fees. Shall not exceed five percent (5%) of total development costs (as defined under 6.7.18.1). The intermediary costs will include, but are not limited to: organizational costs, syndication fees, and professional fees (architectural, engineering, accounting, legal, design, environmental consulting and construction management).

6.7.18.4. Acquisition Costs. The acquisition price will be that proposed in the economic offer.

6.7.18.5. Vacancy Rates

6.7.18.5.1. Seven percent (7%) for residential units.

6.7.18.5.2. Twenty percent (20%) for commercial or leased space.

6.7.18.6. Operating Expense, Replacement Reserve and Income Growth Rates

6.7.18.6.1.1. Three and a half percent (3.5%) annual growth for expenses

6.7.18.6.1.2. Three percent (3%) annual growth in rent income and other income

6.7.18.6.1.3. Three percent (3%) annual growth for reserve for replacement

6.7.18.7. Debt Service Coverage Ratio.

6.7.18.7.1. Minimum of one point fifteen (1.15) coverage for the term of the permanent debt financing. Equals the proportion of the development's net operating income (operating income less operating expenses and reserve payments) to foreclosable, currently amortizing debt service obligations.

6.7.18.7.2. If projected financing through section 221(d)(4) the debt service shall not exceed ninety percent (90%) of the project's estimated net income. The mortgage may exceed this limit by capitalizing the savings from any tax abatement.

6.7.18.8. Operating expenses will be compared to historic benchmarks maintained by the PRHFA to assess their reasonableness. These MUST include:

6.7.18.8.1. Management fees. These shall be between five and seven percent (5-7%) of gross rents.

6.7.18.8.2. Administrative expenses

6.7.18.8.3. Utilities

6.7.18.8.4. Maintenance expenses

6.7.18.8.5. Real estate taxes

6.7.18.8.6. Property insurance

6.7.18.8.7. Other operating expenses

6.7.18.9. Required Reserves. Rent-up reserve shall be reasonable based upon projected rent-up time according to market and target population, but in no event shall be less than $250 per unit.

6.7.18.10. Operating Reserve. Four (4) months of projected operating expenses, plus debt service payments and, and annual replacement reserve payments. It must be maintained throughout the affordability period.

Deferring the developer's fees of the project can allow the project owner to fund the operating reserve. In that case, the developer's deferred fee can only be repaid from cash flow and after all required replacement reserve deposits are made. Such fee will be projected to be repaid within ten (10) years. A statement with the terms of the deferred fee will be required if proceeding to a Development Agreement.

Neither interest income earned on any type of reserve funds nor the release of any type of reserve funds will be considered as a source of revenue for a project.

6.7.18.11. Replacement Reserve

6.7.18.11.1. Elderly units: $250 per unit per year.

6.7.18.11.2. Non-elderly units: $300 per unit per year.

6.7.18.11.3. Commercial or non-residential space: $0.20 per square foot per year.

6.7.18.12. Rents

Rents will be underwritten as per OA-HD-2016-10 or applicable program regulations. In case of rental assistance programs, strong commitments will be required for a project to be allowed to project additional revenue based on such extra revenue.

6.7.18.13. Tax Credit Percentage

6.7.18.13.1. If using 4% tax exempt bonds, the applicable monthly percentage rate the IRS publishes will be assumed to project credits (see also, Exhibit XXXIV for applicable QCTs and DDAs).

6.7.18.13.2. In case of credits available under Act 73-2008, the applicable 4% tax exempt bonds monthly percentage rate will be factored at one hundred and twenty percent (120%) to project the credit percentage that would be available under Act 73.

6.7.18.14. Tax Equity Pricing. Absent a binding letter of intent/commitment from the investor confirming the financial assumptions of the purchase, the project shall be underwritten at a pricing no less than PRHFA's average for the most recent cycle: $0.91 per dollar. Value shall also be assumed for LIHTC, Act 73-2008 and/or HPTC.

6.7.19. **Subsidy Layering Review.** The Evaluation Committee will revise, and based on such review determine if the pro forma financial statements, development costs, operating expenses, reserves,

and underwriting assumptions support the project's feasibility. No project shall receive more Federal or State subsidies than the PRDH and/or PRHFA's underwriting process identifies as required for its financial viability. Specifically, assistance shall be the lesser of the:

6.7.19.1. maximum allowable under a program or braided programs;

6.7.19.2. project's current necessity as the PRHFA's underwriting determines; o

6.7.19.3. amount of credits or incentives the applicant requested.

To ensure that tax credit developments do not receive credit and other funding in excess of the amount necessary to ensure their feasibility and long-term viability as low-income housing, the respondents are required to certify to it that they have disclosed all of a development's funding sources and uses, and commit to promptly disclose any future changes in funding if selected (Doc Ref ID V.002). Each respondent must complete the "Subsidy Layering Review Parameters Checklist" worksheet included in the Application Package; nevertheless, applicants are solely responsible for complying with any other parameters contained in the assisting federal or State programs or any additional applicable rule.

6.7.20. **Ranking**. Only if a proposal demonstrates the financial feasibility of a project, based on the assumptions made at this stage, it will be further considered for ranking under the RFP. Subject to ranking, the Evaluation Committee will recommend proposals to become eligible for a Development Agreement, Recommendation (or conditional Recommendation) pursuant to act 73-2008, PAB Inducement for the strategic projects and any other assistance or facility the project might receive under the RFP. The ranking of the proposals MUST consider the following factors:

6.7.20.1. economic offer and type of property transaction;

6.7.20.2. degree to which the project supports the maximum allowed residential density and allowed areas for non residential uses in a mixed-use development, if applicable;

6.7.20.3. degree to which the project increases the minimum affordability term allowed;

6.7.20.4. degree to which the project decreases the maximum family income limits allowed;

6.7.20.5. degree to which the project decreases the maximum rents allowed; and

6.7.20.6. response to building and urban criteria, organization and financial characteristics, as evidenced through the self-evaluation and subsequent review or correction.

6.7.21. **Self-evaluation**. All respondents must self-evaluate their proposals in relation to building and urban criteria, organization and financial characteristics and confirm the submission of the required supporting documentation enabling their ranking. To evaluate each application, the Evaluation Committee will document the scoring in the "Ranking Self-Evaluation" worksheet included in the Application Package. For detailed instructions, see section "General Remarks" in the self-evaluation worksheet. Every respondent attests to the correctness of the information provided as a condition to rank the project's application pursuant to the self-evaluation criteria.

	Criterion	Score
I	**Urban and Site Characteristics**. A proposed development that strengthens and	Up to 2 pts

	Criterion	Score
	improves the neighborhood's general urban character may be awarded up to 7 points, as follows:	
	The building(s) main entrance(s) open(s) to the sidewalk of an adjoining public roadway.	1
	Documentation required: Conceptual site plan certified by the project's designer showing the location of the building's main entrance(s).	
	The commercial spaces offered to the project tenants serve the general public and can be directly accessed from a public space.	1
	Documentation required: Conceptual entry-level floor plan certified by the project's designer identifying commercial spaces and access from a public space.	
II	**Building Characteristics**. Projects might earn up to 3 points for a unit mix preferring 2-bedroom units as follows:	Up to 3 pts
	75% or more non elderly 2-bedroom units	3
	50% or more non elderly 2-bedroom units	1
	Documentation required: Conceptual floor plans certified by the project's designer; project proforma.	
III	**Best Practices**. Projects might earn up to 3 points by advancing best-practices and protocols as follows:	Up to 3 pts
	A LEED Neighborhood Development Plan (SLL) submission completed.	3
	Documentation required: Copy of certification.	
IV	**Project Developer Characteristics.** Projects might earn up to 9 points if demonstrate the financial strength of Developer, General Partner or Managing Partner or their successful record and full compliance participating in same capacity in the development of rental-assisted projects, as follows:	Up to 9 pts
IV.1	**Experience.** Up to 6 points, a point will be awarded for each documented project, up to a maximum of 3 projects, for each one of the following comparable characteristics:	Up to 6 pts
	If proposing the utilization of one or more Federal or State programs subsidizing development costs, long-term operations or providing long-term rental assistance, projects with similar program mix.	Up to 3 pts
	Similar or deeper share of income targeted populations.	Up to 3 pts
	Documentation required: Copy of HAP, IRS form 8609, as applicable, or relevant project documentation.	
IV.2	**Financial Strength.** Developer, general partner and manager partner have:	Up to 3 pts
	Combined current liquid assets equivalent to the greater of one million dollars ($1,000,000) or 5% of the total development costs.	2
	Documentation required: Compiled or revised financial statements certified by a licensed accountant; sources and uses of funds.	
	Combined net worth equivalent to the greater of three million dollars ($3,000,000) or 15% of total development costs.	1
	Documentation required: Compiled or revised financial statements certified by a licensed accountant; sources and uses of funds.	
V	**Funds Leveraging**. The leveraging of capital funding from non-traditional sources is encouraged by awarding a project up to 8 points as follows:	Up to 8 pts
V.1	EB-5 Financing	
	At least 25% of the total development cost projected to be covered by EB-5 financing.	5
	At least 15% of the total development cost projected to be covered by EB-5 financing.	3

	Criterion	Score
	Documentation required: Compliant market analysis; sources and uses.	
V.2	The project incorporates PAB financing.	3
	Documentation required: Sources and uses.	
	Maximum Score	**25**
VI	**Tie-Breaking Criteria**	
	Will favor the project with highest average debt service coverage ratio (ADSCR).	

6.7.22. **Committee's assessment**. The Committee will review the applicant's score and documentation and correct any proposed score to assess the corresponding factor (as per section 6.7.20.6, above). The Committee will then rank each project in relation to each of the factors listed in sections 6.7.20.2 through 6.7.20.5, above.

6.7.23. **GDB, PRLA, and PRASA's evaluation**. The Committee will defer to the government entities furnishing the properties the assessment of the economic offers of those proposals that met the threshold requirements, supported their projected feasibility and met any other conditions required at this stage of the evaluation process. The entities will submit to their comments to the evaluation Committee, regarding the acceptance or conditioning of the proposals, no later than two weeks after receiving the respective offers.

6.7.24. **Committee's recommendation**. Upon receipt of comments by the agencies, the Evaluation Committee will advance a recommendation to the PRDH. The Committee's recommendation will favor the proposals based on their relative position in each factor.

6.7.25. **PRDH's Bid Board**. Upon receipt of the Evaluation Committee's recommendation, the PRDH will made a final selection. The selection will be notified to successful respondents, the government entities and the PRHFA.

6.7.26. **Selection notice**. The PRDH will send written notices to all proponents indicating whether or not they were selected compliant with sections 4.6 to 4.8 of PRDH's Regulation 6106. PRDH's SELECTION AT THIS STAGE IS LIMITED AND NOT ALL ISSUES OF ELIGIBILITY ARE NECESSARILY REVIEWED. THE PRDH IS NOT RESPONSIBLE FOR NOTIFYING A RESPONDENT OF POTENTIAL AREAS OF INELIGIBILITY OR OTHER DEFICIENCIES AT THIS TIME.

6.7.27. **Reconsideration**. Any applicant adversely affected by a decision of the Committee denying funds may submit a written petition for reconsideration to the PRDH's Procurement Review Board within ten (10) calendar days after the notification by mail of the letter denying the assistance requested or the application. A copy of the petition for reconsideration must be filed with the Secretary. The PRDH shall consider the petition for reconsideration within ten (10) calendar days of filing. If the PRDH makes a determination upon the merits of the petition for reconsideration, the term to petition for judicial review shall commence as of the date of the notification by mail of the final determination. If the PRDH takes no action with respect to the petition for reconsideration within ten (10) calendar days of filing, the petition for reconsideration shall be deemed to have been denied outright and the term for judicial review shall commence to run as of that date. An applicant adversely affected by a decision of the PRDH might present a petition for review before the Court of Appeals within ten (10) calendar days after the notification by mail of the letter denying the application, or within ten (10) calendar days after the expiration of the term provided to the PRDH to consider the petition for reconsideration. The filing of a petition for reconsideration or a petition for judicial review shall not stop the review process to successful applicants. The reconsideration

and judicial review procedure provided herein shall be the exclusive proceeding to review the merits of a decision of the PRDH regarding any award under the RFP.

6.7.28. **Agreement approval**. After payment of the property transaction deposit fees payable to the agency furnishing the property ($10,000 non-refundable deposit in the case of GDB, or $5,000 non-refundable, in the case of PRLA), the successful respondent will negotiate a Developer Agreement based on the scope, affordability restrictions, representations and terms and conditions proposed for the project, as further described.

7. Development Agreement through Completion

Through this procurement process, the PRDH is seeking to facilitate the execution of a Development Agreement between the PRDH, the government agencies that own certain properties and one or several qualified private entities for the development of strategic projects of affordable rental housing.

7.1. As further set forth herein, the selected respondent will be eligible to own, develop and operate the proposed project, and is responsible for designing, building, and financing the development for the selected project and managing its operation throughout the minimum affordability period or any other period required by any Federal or State program. The project owner will be responsible for:

7.1.1. **Development Approvals**: obtaining all required regulatory and governmental approvals to enable the redevelopment of the Property, including required environmental compliance.

7.1.2. **Property Rights**: acquiring leasehold, fee-simple, transfer of property rights or other appropriate interests in the Property according to agreements entered into between the appropriate government entity and the selected respondent and adhering to the performance schedules contained therein related to the development, financing, and management of the property.

7.1.3. **Financing**: securing financing for the construction and operation during the affordability period of the housing components of the project and related services and infrastructure.

7.1.4. **Design**: adhering to the specific design standards that might be prescribed on any applicable Master Plan, Location Consultation, Special District Plan or *Plan Territorial*, improving the neighborhood's general urban character, and implementing design and construction standards aimed at reducing construction costs.

7.1.5. **Construction**: managing the ongoing operation, maintenance, improvement and security of buildings, infrastructure, and grounds at the property throughout the pre-development and development period, and coordinating and executing all required off-site and all on-site improvements, including streetscapes, parks, utilities and roads, building cores and shells, tenant improvements, fixtures and equipment, and on-site landscaping, while complying with all applicable local, state and federal regulations.

7.1.6. **Lease-Up and Operations**: managing the ongoing operation, including the rental of units and provision of services in compliance with the project covenants and/or Federal or State rules throughout the proposed affordability period.

7.1.7. **Compliance**: ensuring compliance with all applicable laws and regulations, and the terms of the Development Agreement, restrictive covenants and/or Federal and State programs utilized for the financing of the project, including all required activities, procedures and/or practices needed to

maintain the exempted status of bonds, if any, avert the recapture or Federal or State incentives and avoid defaulting on any obligation under the programs.

7.2. In order to execute a Development Agreement with the duly qualified and selected respondent for the performance of a strategic project of affordable rental housing, the successful respondent, the PRDH and the government entities furnishing properties, shall work in good faith to arrive at specifics acceptable to all parties. The nature of the development Agreement would vary according to the type of the property transaction, financing structure and applicable affordability provisions; nevertheless, based on the representations made in the proposal and/or any required modification the Development Agreement shall provide, without limitation, for the following considerations:

7.2.1. payment schedule of PRDH's development phase fee in the amount of two-thirds of one percentage (0.66%) of the total development cost, and related true-up procedures;

7.2.2. compliance with recertification requirements under Act 73-2008;

7.2.3. reference to the terms applicable under any Federal or State programs projected to be used for the project;

7.2.4. reference to the partnership structure and/or project's organization;

7.2.5. scope of services of the project owner or developer, who shall initiate, coordinate, and carry out or contract for all design, financing, and construction activities in connection with the development, construction and completion of the strategic project;

7.2.6. terms under the applicable regulations or Board Resolutions adopted by the government agencies furnishing the properties under which the property will be leased, sold or transferred, and conveyed to the project owner at or prior to the closing date, on an "As-Is" basis condition, including provision of any required option agreement for the transfer of property or portion thereof, in a form sufficient to meet any site control requirements for funding; and payment of any deposit or fee required (see section 4, above), as applicable;

7.2.7. declaration of restrictions to be convened, and which shall be recorded prior to any mortgage, and run with the land to hold project owner and any successors in title to maintain and operate the strategic project during the proposed or minimum affordability period, including said affordability term, income and rent limits, utility allowance, rent increase rates, place in service date, number of units and unit mix, accessible units, targeting (i.e.: elderly, students, etc.), continued occupancy, management of commercial or income generating areas, among other considerations;

7.2.8. provisions to grant to the PRDH or the governmental entities furnishing the property any option to purchase the project owner's interest in the strategic project, participation in the profits of conversion after the expiration of the affordability term, and/or a right of first refusal or preemptive rights to help reclaim the property in the event of default to avoid foreclosure and the loss of the affordable units, including negotiations pursuant to section 6(a) of Act 73-2008, based on terms and conditions to be set forth in an appropriate agreement to be executed in connection with the closing;

7.2.9. project scope and implementation plan, including amendments required by infeasibility or unforeseen circumstances;

7.2.10. description of the proposed residential facilities and amenities, related services, on-site and off-site infrastructure and improvements to be built, development standards and required compliance with zoning, health, safety and building codes, design standards, accessibility standards, green construction standards, industry and commercial standards, and environmental requirements;

7.2.11. pre-development activities including the preparation of plans and specifications, furnishing of titles, land segregation, all building and construction permits, licenses, easements and approvals necessary for the project including on-site and off-site utilities, and other facilities or physical improvements contemplated in the accepted or negotiated proposal and the construction documents;

7.2.12. revised total development cost, cost breakdown, sources and uses, and project proforma, funds scheduling, schedule of commitments for all sources of funding and projected lien priority structure that favors the affordability restrictions on the property, securities, gap and permanent financing, and targeted Federal and State programs that will provide grants, tax credits or incentives, guarantees, subsidies, loans, among other, for both the construction and operation phases;

7.2.13. projected closing date, which will be the date on which principal commitments (including financing, land conveyances, covenants, agreements and contracts) will be performed or converted to binding obligations of performance, and all of project owner's equity and loans have closed and commenced to fund or all the conditions to such funding will have been satisfied;

7.2.14. construction contract provisions including, without limitation, approval, insurance, bonding and warranties, supervision and inspection of work, security, responsibility for construction methods, means, techniques and procedures, compliance with safety procedures, and compliance with all governmental approvals or permits necessary for the construction of the Development;

7.2.15. provisions regarding the responsibility of the project owner or developer to contract, supervise and discharge the architects, engineers and contractor;

7.2.16. furnishing of construction documents, including contract(s) and the general, special, and supplemental conditions to such contract(s), purchase orders for materials and equipment, site surveys, soil boring tests and any other tests, plans and specifications and written or graphic interpretations;

7.2.17. completion of studies, site preparation, demolition, environmental remediation on-site and off-site improvements and building construction within the time period provided in the applicable loan documents, but no later than three (3) years after the effective date of the Agreement;

7.2.18. construction close-out procedures, cost reasonability, certification and/or auditing;

7.2.19. compliance with all applicable laws and regulations with respect to workers' compensation, social security, unemployment insurance, hours of labor, wages, working conditions, licensing and other employer employee related matters, including, without limitation, all laws, rules and regulations with respect to non-discrimination based on race, sex or otherwise;

7.2.20. tenant selection policies and compliance with Federal Fair Housing Act provisions including, without limitation, methods for obtaining applications from eligible households, prescreening applicants to determine their status as eligible residents, selecting residents from among eligible applicants, and criteria for continued occupancy by tenants;

7.2.21. record-keeping, compliance with on-going property standards, maintenance, payment of property taxes and insurance, scheduling of capital improvements and support of monitoring and reporting activities;

7.2.22. project exit or buyout provisions at the end of the affordability period; and,

7.2.23. termination, default, withdrawal for infeasibility or other terminating procedures including reference to recapture procedures, if applicable.

7.3. After any required deposit fee is paid by the respondent, a draft of the Development agreement will be provided to successful respondents. Since the draft will reflect the structure and risk allocation acceptable to the PRDH and the government entities furnishing properties, respondents are advised that substantially deviating from its content parameters, as described above, without corresponding substantial benefits to the PRDH and the government entities furnishing properties, will not be viewed favorably and may be grounds to dismiss a successful respondent, subject only to the discretion of the PRDH.

7.4. Executing the Development Agreement will be conditioned upon the parties agreeing to the final terms and conditions of such agreement. Unless extended for good cause, if the selected respondent fails to reach such agreement with the PRDH and the government agencies furnishing properties, within three (3) months after the notice of selection, for causes solely attributable to the respondent, the PRDH may, in its sole discretion, proceed to negotiate and execute the Development Agreement with another respondent.

7.5. To the satisfaction of the PRDH and/or the government entities furnishing the properties, the selected respondent shall render and/or execute, without limitation, any required agreement, contract, joinder, deed, or authorization that may be required through the pre-development, development or operation phases of the project.

7.6. During the pre-development phase (prior to the closing), the respondent bears the sole risk and responsibility for permitting, completing program application and requirements, financing, building and placing-in-service any project. The term might be extended, upon written justification and request by the respondent, if agreed to by the PRDH and the government entity furnishing the property. If the proponent fails to diligently and in good faith pursue permitting, financing, program application, and then, during the development phase, building and occupancy of the proposed project, as evidenced through bi-monthly or monthly reports, the government entity may repurchase or reacquire the property for a price equal to any portion of the purchase or transfer price then actually paid by the successful respondent, project owner or developer, less any deposit amount and any amount required to restore the condition of the property, and the then unpaid balance of any deferred purchase or transfer price shall be deemed paid by the conveyance of the property to the government entity. Triggering provisions will be included in the development and/or the closing agreement.

During the pre-development phase, spanning between the project's selection notice and its closing, the project owner or developer is expected to complete all documentation and comply with program requirements including, without limitation, the following:

7.6.1. Revised Restrictive Covenants (similar to Exhibit XXXV) or Regulatory Agreement for the property.

7.6.2. Full funding applications and letters of firm commitment for financing.

7.6.3. Revised property valuations.

7.6.4. Updated financials, including sources and uses of funds, pro-forma, and development costs.

7.6.5. Option agreements, as might be required to evidence site control towards financing.

7.6.6. Perfected organizational structure.

7.6.7. Revised market analysis.

7.6.8. Implementation Plan.

7.6.9. Evidences of building readiness through completion including, without limitation, of any of the following:

7.6.9.1. Final construction plans and specifications.

7.6.9.2. Final and certified construction costs and cost breakdown.

7.6.9.3. Final construction permits.

7.6.9.4. Construction schedule.

7.6.9.5. Pursuant to Section 106 - 36 CFR 800, State Historic Preservation Office's technical assistance or final determination letter indicating that there are no historic properties or that no adverse effect on historic properties is associated with the undertaking or the agreed-to measures if such adverse effect is determined.

7.6.9.6. Wetland Preliminary Jurisdictional determination from the Corps of Engineers indicating that the project does not affect wetland.

7.6.9.7. Compliance with the Floodplain Management Act, 24 CFR 55, and Executive Order 11988 regarding location outside the 100-year floodplain, coastal high hazard areas and floodways and, if the project is located inside the 100-year floodplain, FEMA's approval letter of map amendment (LOMA) or letter of map revision (LOMR).

7.6.9.8. Compliance with the Coastal Barrier Resources Act of CBRA –24 CFR 58.6(b) (federal assistance may not be used in the CBRA system).

7.6.9.9. Pursuant to Sections 307(c) and (d) of the Coastal Zone Management Act, Certification of Consistency filed with the State Coastal Management Program, if required.

7.6.9.10. Pursuant to the Endangered Species Act and 50 CFR 402, technical assistance or final determination letter issued by the U.S. Fish & Wildlife Service of the Department of the Interior indicating that the project does not affect endangered species.

7.6.9.11. Noise Study as per the requirements set forth in the American National Standard Method for the Physical Measurement for Sound. Resulting noise level must comply with the

acceptable level of 65 decibels established in 24 CFR 51.100 regarding Noise Abatement and Control.

7.6.9.12. Field studies including:

7.6.9.12.1. Soil survey, if project is for new construction or substantial rehabilitation requiring addition or expansion to structures.

7.6.9.12.2. Archeological, if required by the SHPO pursuant to its review under Section 106, or if required by the Institute of Puerto Rican Culture (ICP), and copy of the endorsement issued by the ICP as part of the construction permit consultancy process evidencing that such study is not required.

7.6.9.12.3. Hydraulic/Hydrologic, if the project meets the conditions established under the Department of Natural and Environmental Resources' Administrative Order No. 2013-12, or a certification issued by a civil engineer attesting that the study is not required.

7.6.10. **Environmental review compliance**. No assistance will be recommended, and the owner and its contractors might not acquire, rehabilitate, convert, lease, repair, dispose of, demolish, or construct real property or commit or expend program or local funds, until the responsible entity has completed the environmental review procedures.

7.6.11. **Closing**. No later than one (1) year after the notice of project selection, the respondent must complete the closing of the property transaction, including the agreed to total or partial payment for the property.

7.6.12. **Development**. The PRDH might monitor the construction on a periodic basis to ensure the development is progressing as scheduled. The owner will be required to report directly to the PRDH and through such mediums and formats, as the PRDH may direct, no less frequently than monthly or as directed by the PRDH, on progress with respect to the development or rehabilitation and related activities. The Closing Agreement will establish the necessary provisions to ensure that the PRDH is properly informed or, if required, authorize any major changes in scope, conditions or projected costs in order to avert events of non conformance with the convened terms, cost overrun, triggering of repurchasing or reacquisition, default in the terms of any Federal or State program, or that might warrant the substitution of the project developer and/or the continued affordability of the project's housing units, among other.

7.6.13. **Close-Out and Lease-Up**. The placed-in-service date of the project shall not exceed two (2) years after closing, unless extended by just cause, as agreed to by the PRDH and, if required, the government entity furnishing the property. At least 60 days before the scheduled completion of the construction, the owner must notify the PRDH of any units expected to be vacant on the anticipated placed-in-service date. If it so required, the PRDH might refer to the owner appropriate-size families from its waiting list. The owner may also submit proponents from their own waiting list, in conformance to the convened provisions At such date and manner as might be established by the PRDH, the project owner or developer will convey, among any other that might be required, the following documents:

7.6.13.1. certificate of occupancy for the development;

7.6.13.2. evidence of reserve accounts, including lease-up, operating, and replacement reserves;

7.6.13.3. cost certifications based on the examination of financial documents and certifications the development owner provides;

7.6.13.4. certifications regarding all requirements imposed on the development material to the award of tax credits and other subsidies;

7.6.13.5. recordation of the restrictive covenants or regulatory agreement, so PRDH and/or the agencies furnishing the properties have a means of enforcing it;

7.6.13.6. management and maintenance plan for the project;

7.6.13.7. Capital Replacement Plan for replacements;

7.6.13.8. written tenant selection procedures;

7.6.13.9. Marketing Plan to lease the units; and

7.6.13.10. contingency plan to be considered targeting the event project encounters difficulty serving the target population;

The PRDH will review and approve marketing plan and monitor the marketing and lease-up of development. During lease-up, among other activities, the project owner must compare actual absorption rate, rental revenue, and lease up to the original projections; troubleshoot potential lease-up problems and resolve related issues; maintain proper documentation of tenant files to ensure initial tenant qualification and proper documentation for each unit; and, analyze stabilized occupancy to confirm minimum affordability targets.

7.6.14. **Operations.** In addition to reviewing annual owner compliance certifications, in the manner and format required, and requiring prompt correction of any physical and tenant noncompliance, the PRDH reserves the right to, on its sole discretion:

7.6.14.1. conduct comprehensive on-site property inspections to assess ongoing property compliance consistent with program regulations;

7.6.14.2. conduct comprehensive tenant file reviews to ensure ongoing tenant compliance and proper documentation;

7.6.14.3. analyze project operations, including physical occupancy reports, annual operating budget, debt coverage, cash flow trends, and other financial information;

7.6.14.4. assess adequacy of property management; and

7.6.14.5. analyze on-going marketability and capital needs of the projects.

8. Fees

The following table summarizes fees payable under the RFP and describes other fees that might be applicable under each program.

Description	Amount ($)	Due Prior To or At	Payable To
Registration fee	100	Registration	Secretario de Vivienda
Application filing fee	5,000	Filing	Secretario de Vivienda
Transaction deposit (no refund)	10,000	Development Agreement	GDB
Administrative fee (no refund)	5,000	Development Agreement	PRLA
Property deposit (purchase)	TBD	Development Agreement	GDB
Property deposit (lease)	3 payments	Development Agreement	PRLA
Property deposit (purchase)	2% of price	Development Agreement	PRLA
Management fees	0.66% of Total Dev. Costs	Development Agreement through Placed-in-Service	Secretario de Vivienda
Certification fees	TBD	Affordability Period	Secretario de Vivienda
Other:			
Act 73-2008			
Initial filing	750	Conditional Recommendation	Secretario de Hacienda
Subsequent filing	450	Conditional or Final Recommendation	Secretario de Hacienda
If PAB/LIHTC			
Initial PAB fee	3,500 + agr. to reimburse	15 days after Development Agreement	PRHFA
LIHTC filing fee (no refund)	1,000	Application	PRHFA
LIHTC application fee (refund half)	2% of annual credit request	Application	PRHFA
Hearing fee	2,500	TEFRA Hearing	PRHFA
Bond issuer fee	0.25%-0.50% of amount of debt	Origination	PRHFA
Annual issuer fee	0.125%-0.25% of outstanding	Through bond issuance	PRHFA

9. Exhibits

Exhibits are only referential in nature. It remains the sole responsibility of the respondent to consult any legal, regulatory or program document, plan, resolution, provision or similar, as might be required or necessary to participate under this RFP. The PRDH makes no representation regarding the correction or versioning of the documents listed below:

No.	Description
I	Act 73-2008, as amended by Act 130-2016
II	Administrative Order OA-HD-2016-03: MRB Income Limits
III	HUD FY2016 Area Median Family Income Limits
IV	PRDH Utility Allowances (San Juan/Guaynabo and Bayamón)
V	Administrative Order OA-HD-2016-10: Strategic Projects of Affordable Rental Housing
VI	Schedule of Properties
VII	Location Consultation No. 2008-79-0620-JGU
VIII	Municipality of San Juan Planning Office Resolution No. MSJ-POT-2011-01
IX	Planning Regulation No. 23, Reglamento de Zonificación Especial de la Entrada de la Isleta de San Juan
X	Planning Board Resolution No. JP-2005-268
XI	Standards of Rehabilitation of the Secretary of the Interior
XII	Planning Board Resolution No. PR-AMSJ-3 and Design Guidelines of the Comunidad Río Bayamón Norte Master Plan

No.	Description
XIII	Regulation No. 8477, May 30, 2014
XIV	Regulation No. 7467, December 23, 2008
XV	Contact List for Site Visits
XVI	Application Form of the Office of Industrial Tax Incentives
XVII	IRS Publication 4078
XVIII	LIHTC Qualified Allocation Plan 2016
XIX	LIHTC Income and Rent Limits
XX	PRLA's Hogar Insular de Niños: Site Plans (1937 not to scale; 2016 1:2000), Typical Dormitory Building Layout (not to scale).
XXI	HPTC Application: Part I
XXII	Designation Form to the National Register of Historic Places
XXIII	National Register of Historic Places Substantive Review Checklist
XXIV	HPTC Application: Part II
XXV	HPTC Application: Part III
XXVI	USCIS Policy Memorandum PM-602-0083
XXVII	HUD Handbook 4560.1
XXVIII	HUD Handbook 4570.1
XXIX	HUD Handbook 4232.1
XXX	Model of Letter of Credit
XXXI	Model of Designer's Preliminary Certification
XXXII	Fair Housing Act Accessibility Requirements Checklist
XXXIII	Fair Housing Marketing Plan
XXXIV	LIHTC QCTs and DDAs
XXXV	LIHTC Model Restrictive Covenants