



**CITY OF FAYETTEVILLE, NC**

**RENTAL HOUSING DEVELOPMENT PROGRAM GUIDELINES  
FOR 9% LOW-INCOME HOUSING TAX CREDIT (LIHTC) HOUSING PROJECTS ONLY**

Established: February 9, 2024

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## **Program Summary**

The City of Fayetteville will, from time to time, make funds available for gap financing exclusively for rental projects that will then seek a Low-Income Housing Tax Credits (LIHTC) award from the North Carolina Housing Finance Agency (NCHFA). The application process for these funds is administered by the City of Fayetteville's Economic and Community Development (ECD) Department. All proposed projects must be located within the Fayetteville city limits.

Any proposal that received a commitment or conditional commitment of HOME funds for LIHTC rental development from ECD in the past and that has not been awarded LIHTC by NCHFA MUST submit a new proposal in response to this RFP.

Any development with an existing commitment of a Four Percent or Nine Percent tax credit award from NCHFA is NOT eligible for financing under this application process. This process is designed specifically for the competitive annual round of Nine Percent LIHTC financing. If your project has been awarded funds and now has a gap it may be funded based on available funds after the award cycle has concluded.

Upon review of all complete and timely applications the City will make recommendation to City Council to issue a conditional award letter. This award is contingent upon the Environmental Review required by 24 CFR Part 58 and award of LIHTC from NCHFA. Upon tax credit award and satisfactory completion of the Environmental Review, the City will make a recommendation to City Council to authorize an award letter detailing the scope of the project, draw schedule, terms of repayment, and amount of loan. This final award letter will be utilized to draft all closing documents required by the City at the developer's expense.

## **Funding Available**

It is the City's goal to assist developers who have the best chance of receiving a LIHTC award and it is the City's intent to award funds to as many developers as practical to increase our community's chances of receiving a LIHTC award.

On an annual basis, the City of Fayetteville will determine the amount of funds available for this activity and the maximum number of awards. The amount for each year's application round will be updated annually in the application instructions (a one-page accompanying document). The City will determine the highest scoring projects within the maximum number of awards and will award those projects the lesser of the requested amount or the maximum award amount.

### **1) APPLICATION DEADLINE AND SCHEDULE**

The Application deadline will be firm with no extensions allowed. The deadline for each year's application round will be updated annually in the application instructions. Applicants must submit the completed application following the directions for submission provided in the application, this policy, and application instructions. Applications will be received online in the [Neighborly Portal](#).

### **2) ELIGIBLE APPLICANTS**

Eligibility for this application is limited to projects that, at the time of application, have submitted a preliminary application to NCHFA for 9% Low-Income Housing Tax Credits for the current year. Applicants must be a legally formed entity qualified to do business in the state of North Carolina as of the City's application deadline.

The full application submitted to NCHFA must be consistent with the proposal submitted for this application in location, number of units, development entity, income mix, and financing. The City reserves the right to withdraw its commitment of financing to a project submitted to NCHFA that is inconsistent with the proposal submitted in response to this application.

**3) QUESTIONS REGARDING THE APPLICATION**

Once the application cycle has opened, any interested party may submit an inquiry regarding the application in writing via email to the address provided in the application instructions with "9% Low-Income Housing Tax Credit (LIHTC) Question" as the subject of the email. All inquiries are due by the date listed in the application instructions. Phone calls or written inquiries other than at the above e-referenced mail address will not be accepted.

The City will post a copy of all inquiries received, and their answers, on the web page stated in the application instructions. The City will also send a copy of those inquiries and answers in writing to any interested party that requests a copy. The City will determine the method of sending its answers, which may include regular United States mail, overnight delivery, fax, email, or any combination of the above. No other means of communication, whether oral or written, shall be construed as an official response or statement from the City.

**4) ELIGIBLE PROJECTS**

New construction or rehab of rental property, including permanent supportive housing, intended for occupancy by LIHTC-eligible households. Mixed-use projects (containing both residential and non-residential space) are eligible. Generally, living space should make up the majority of the development. In any case, only the affordable housing portion of the project will be assisted, and commercial costs need to be split out from the residential costs. All projects must meet the following minimum requirements to be considered for funding:

- a. Projects may include the construction of new units, the rehabilitation of existing units, or the adaptive reuse of existing structures.
- b. The property must meet the minimum property standards and all applicable building codes upon completion of construction or rehabilitation. Higher scores will be given to projects that commit to meeting Energy Star requirements or better (third-party verification required upon completion of construction/rehabilitation).
- c. New construction or rehab of rental property includes permanent supportive housing intended for occupancy by lower-income households.
- d. The properties must be located within the City limits of Fayetteville or be in the process of annexation before staff making recommendations to the City Council.
- e. Projects that are presently occupied must include relocation expenses in the development budget. (NOTE: Tenants cannot be asked to relocate in anticipation of awarding of City funds.)
- f. Projects must have secured site control at the time of application. Staff will review applications in the rezoning process; however, staff will not recommend a loan for approval if the site is not zoned correctly for its intended use. The developer shall take full responsibility for any required rezoning. The City of Fayetteville is open to various site conveyance options, including fee-simple ownership and a long-term ground lease. A long-term ground lease is preferred for proposed rental developments.
- g. Projects for public housing modernization or operations and emergency homeless shelters are ineligible activities under this program.

**5) ELIGIBLE COSTS**

- a. Property Acquisition
- b. Demolition
- c. On-Site Improvements
- d. Off-site Utility Connections

- e. Construction costs necessary to construct or rehab a non-luxury project with suitable amenities in accordance with HUD property standards.
- f. Soft costs associated with the development and financing of the project
- g. Reasonable developer fees
- h. Relocation costs

**6) INELIGIBLE COSTS**

- a. Costs associated with construction items or materials of a luxury nature
- b. Furnishings (except where required for special needs projects)
- c. Most off-site improvements (utility connections into the adjacent street are eligible costs)
- d. Developer/sponsor administrative costs (other than included in the developer fee)
- e. Substitution of City funds for any source of funds that has been previously committed to the project, or represented to any other funding source as being available for the project, is not permitted
- f. Capitalized replacement reserve

**7) RENT AND INCOME LIMITS**

The city will fund up to eleven (11) HOME-assisted units that may be fixed or floating. All HOME-assisted rental units will follow HOME requirements and carry rent and occupancy restrictions for varying lengths of time, depending upon the average amount of HOME funds invested per unit.

Activity	Average Per-Unit HOME \$	Minimum Period of Affordability
Rehabilitation or Acquisition of Existing Housing	< \$15,000/unit	5 years
	\$15,000-\$40,000/unit	10 years
	>\$40,000/unit	15 years
Refinancing of Rehabilitation Project	Any \$ Amount	15 years
New Construction or Acquisition of New Housing	Any \$ Amount	20 years

The rent limits apply to the rent plus the utilities or the utility allowance. One hundred percent (100%) of units funded with City of Fayetteville loan funds must meet the following rent restrictions: [HOME Program Rent Limits](#)

The maximum HOME rents (High HOME Rents) are the lesser of:

- a. The fair market rent for existing housing for comparable units in the area as established by HUD under [24 CFR 888.111](#); or
- b. A rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

In rental projects with five or more HOME-assisted rental units, at least 20 percent of the HOME-assisted units must be occupied by very low-income families and meet one of the following rent requirements:

- a. The rent does not exceed 30 percent of the annual income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustments for

smaller and larger families. HUD provides the HOME rent limits, including average occupancy per unit and adjusted income assumptions.

- b. The rent does not exceed 30 percent of the family's adjusted income. If the unit receives Federal or State project-based rental subsidy and the very low-income family pays as a contribution toward rent not more than 30 percent of the family's adjusted income; the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program.

Rents and tenant incomes will be annually reviewed for compliance. Priority will be given to developments that set aside units for persons making at or below 30% of AMI. [See HUD Income Limits](#)

**8) CITY FUNDING IN COMBINATION WITH SECTION 8**

Projects may not increase rents above the City's formula rents for tenants with tenant-based rental assistance (such as Section 8 vouchers). Units with project-based rental assistance (such as project-based Section 8); however, can rent for the maximum rent allowed under the rental assistance program provided that they are rented to a very low-income household and the tenant contribution to rent is no more than 30% of the household income. Affordability restrictions apply for the full term of the regulatory agreement, regardless of whether another subsidy source (such as project-based Section 8 subsidy) continues to be available.

**9) ANNUAL RECERTIFICATION OF TENANT INCOME**

Owners are required to re-examine tenant incomes annually for all restricted units to ensure that tenants continue to meet the income requirements of this and other applicable funding programs. Rent schedules and utility allowances, including any increases, must be reviewed and approved annually by the City. In the event that a tenant's income exceeds the applicable HUD income limits for lower-income households, the tenant's rent must be increased to an amount equal to 30% of the tenant's adjusted income, less an allowance for tenant-paid utilities. Projects that are also assisted with Low-Income Housing Tax Credits or other state sources will be subject to those relevant rules regarding over-income tenants. As per 24 CFR 92.252(i)(2) tenants of HOME assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent governed by section 42. In addition, in projects in which the Home units are designated as floating pursuant to paragraph (j) of this section, tenants who no longer qualify as low-income are not required to pay as rent an amount that exceeds the market rent for comparable, unassisted units in the neighborhood.

**10) LOAN TERMS**

- a. For rental projects, the maximum City loan amount is 100 percent of the total residential development cost of the project's HOME Funded (those units are subject to long-term affordability restrictions).
- b. If applicable, the value of any City land donations will be counted as part of the maximum allowable subsidy total.
- c. Other sources of appropriate financing must be identified but not necessarily committed at the time of application. Projects will be reviewed to ensure that only the minimum level of City subsidy needed will be provided. All other funding sources must be committed before closing the City loan.
- d. HOME-assisted units are subject to the HOME Maximum Per Unit Subsidy Limits as published annually by HUD. The terms of the City funds will be the following:

1. Construction-to-permanent financing (Single close loan) – The loan starts as a construction loan where money is drawn as needed to pay for costs of construction, then converts to a permanent mortgage upon completion.
2. Interest Rate: 0%
3. Term: Minimum of 20 years, the term may be longer to match the term of the first mortgage.
4. Repayment: Payments of any interest and principal will be due from excess cash flow from operations after payment of operating costs, senior debt, reserves, and deferred developer fees. To the extent payments cannot be made, they will be deferred for the term of the loan. All loans are due on sale, refinancing, or transfer (except to a related entity, such as a limited partnership, subject to City approval) or at the end of the term.
5. Lien: City loans will be evidenced by a promissory note secured by a mortgage on the project. A loan agreement will specify all development obligations. Post-occupancy use restrictions will be enforced through a regulatory agreement recorded against the project, including the land and the improvements.
6. Right of First Refusal: If the owner decides to sell the property, the City of Fayetteville has the right to purchase the property first.

**11) ADDITIONAL LOAN TERMS**

*MONTHLY UPDATES*

Upon commitment of funds from the City, the borrower must provide written monthly updates to City staff. Monthly updates will allow City staff to anticipate upcoming approvals needed and to stay informed about efforts to move the project forward on schedule. If monthly updates are not provided in a timely manner, decreased developer capacity points may be assessed for the next application submitted by the project sponsor. Monthly updates must include a schedule projection related to the four-year completion deadline required by HOME program regulations.

*SUBORDINATION*

The City will subordinate its affordability covenants to the mortgages securing other lenders' financing, subject to staff approval and to the ratio of loan to total development cost. The affordability covenants control, among other things, the maximum income of tenants of project units, and the maximum rents allowed for project units. The City mortgage may be subordinated to private financing on a case-by-case basis.

**12) MAXIMUM DEVELOPER FEES, DEVELOPER OVERHEAD, AND CONSULTANT FEES (THE "FEES")**

- a. Developer fees shall be up to \$22,500 per unit for new construction projects and twenty-eight point five percent (28.5%) of hard and soft construction costs for rehabilitation projects, both being set at award
- b. General requirements, builders' profit, overhead, consulting fees, contingency, architect's fees, and developer's fees are reasonable within the scope of the project and within the limits, as listed in [NCHFA's Qualified Allocation Plan \(QAP\)](#).
- c. The total amount of any consulting fees and developer fees shall be no more than the maximum developer fee allowed for that project. The maximum amount of fees is capped at the award and may not increase thereafter.

**13) TIMELINE OF CITY COMMITMENTS**

City conditional financing commitments are made for 12 months from the date of City Council approval. All other sources of funds must be committed within that time frame. City staff will review the project for feasibility and assess the likelihood of receipt of proposed funding. If the

12-month period elapses without the commitment of full project financing, the City funding commitment may be extended for six months at the ECD Director's discretion or will be revoked and the project must re-compete for funds through a subsequent application process. The inability to meet a project schedule may also result in negative points for subsequent applications.

**Projects funded with HOME must begin construction within 12 months and complete construction within four years of signing a written agreement with the City. Rental units assisted with HOME funds must be occupied within 18 months of project completion.**

**14) FINANCIAL PROJECTIONS AND UNDERWRITING ASSUMPTIONS**

The City will review the development budget for accuracy and reasonableness. Operating budgets and pro formas for the life of the loans must meet the following criteria:

- a. The operating budget must show positive cash flow inclusive of all fees within 18 months of initial rent-up, and the first-year Debt Service Coverage ratio shall not be less than 1.15:1.
- b. Include operating and replacement reserves (See Replacement and Operating Reserve Requirements below).
- c. 7% annual vacancy/collection loss for
- d. A 3.0% annual increase for expenses (other than property taxes and replacement reserves deposits) and a 2.0% annual increase for income.
- e. The operating budget will be reviewed to ensure it is sufficient for proper maintenance and management but is not excessive compared to other similar properties.
- f. If the project has a commitment for rental assistance, two operating proformas must be provided, one assuming rental assistance will be renewed and one assuming rental assistance will expire after the initial contract term. Rents must remain restricted according to City requirements even if the rental assistance is no longer available.
- g. City legal fees, which are the responsibility of the developer or sponsor, are included in the development budget.
- h. A 5% construction cost contingency is required for new construction projects. A 10% construction cost contingency is required for rehab projects.
- i. Applicants must meet the operating reserve and replacement reserve requirements of the NCHFA's Qualified Allocation Plan in effect at the time of application. The City funds are provided for gap financing.
- j. Fees are capped at award and may not increase thereafter.

**15) ENVIRONMENTAL REVIEW AND ASSESSMENT (NEPA)**

HOME-funded projects must be assessed in accordance with the National Environmental Policy Act of 1960 (NEPA) prior to loan closing.

*Choice-Limiting Actions Prohibited During NEPA Review.*

Because of the likelihood that federal funds will be awarded, applicants must refrain from undertaking activities that would have an adverse environmental impact or would otherwise limit the choice of reasonable alternatives between the time of application submittal and when the City has completed its environmental review process. Such activities include acquiring, rehabilitating, converting, leasing, repairing, or constructing a property, any site preparation, or committing or expending HUD or non-Federal funds for HOME program activities with respect to any project eligible under this NOFA. If the applicant has entered into a purchase agreement or contract for any of the above activities prior to applying for NOFA funds, work may continue pursuant to that contract. But amendments to the contract or new contracts may not be entered into. HOME funds may not be used to reimburse an applicant for project-related costs incurred

after the applicant has submitted the application for funding and before the completion of the City's environmental review process except for activities that are excluded and not subject to federal environmental review requirements, and for certain relocation costs.

Applicants must sign a certification that they understand this restriction. The prohibition against choice-limiting actions begins on the date that the application is submitted to the City. Applicants are encouraged to check with the City's ECD staff regarding eligible expenditures after the submission of an application. Failure to comply with this requirement could result in a project being ineligible for City funding. City ECD staff will seek to obtain NEPA approval in a timely manner. Completing the NEPA review, including local and federal notice periods, takes a minimum of 8-12 weeks after receipt of all necessary information.

**16) RIGHT TO REJECT PROPOSALS**

The City of Fayetteville reserves the right to reject any, and all proposals received as a result of the Request for Proposals or to negotiate on the terms of the funds to best serve the interests of the City of Fayetteville.

**17) DISBURSEMENT OF FUNDS**

Funds will be disbursed to the borrower only for costs actually incurred. Payment for construction costs will be made on a progress payment basis, subject to approval of each draw request by the City. The City prefers four total draws based on percentage complete and the City will retain ten percent (10%) of the amount budgeted for construction as a performance retention, to be released upon recordation of a Notice of Completion, release of all liens, and satisfactory compliance with any other City requirements, including City contracting programs.

**18) MARKET DEMANDS AND DESIGN GUIDELINES**

Projects should be planned and designed according to market demand. A market study prepared by an approved third-party market analyst is a condition of closing to ensure there is adequate demand for the proposed project (for projects of 48 or more units).

**19) LIVABILITY STANDARDS**

The City's provision of affordable housing financing is a long-term investment. Underwriting includes assuring that each development will be well-designed and well-constructed to provide decent, safe affordable housing over the long term for a population that does not have a wide range of housing choices.

The quality and marketability of any housing unit is affected by its size and the livability of the space including the space's ability to accommodate the potential number of occupants and the necessary furniture. A larger unit does not guarantee the successful accommodation of a particular furniture layout over a more efficiently laid out smaller one. The project must meet all code requirements imposed by the State of North Carolina, but it may be appropriate to exceed these requirements for certain projects.

- a. Windows/Lighting/Ventilation – Units must be designed so that there is adequate natural light and ventilation.
- b. Parking – In general, the minimum number of spaces required for the particular site shall be provided. Any reductions in that number must be approved by the Bureau of Planning.
- c. Building Shape and Appearance – The structure should respond to its context, enhance the neighborhood, and create a pride of place for its residents.
- d. Landscaping – The design should be appropriate for the intended use of all the residents.

- e. Quality of Building Materials – Materials must be of a quality and durability to assure the long-term stability of the structures.
- f. Open Space/Storage Space - The project must address adequate levels of the following, based on the type of project, location and target group. Examples of acceptable open space/storage space include:
  - 1. common space (e.g. community room);
  - 2. secure, on-site laundry facilities;
  - 3. children's play area (family projects);
  - 4. storage space (both inside and outside of the unit);
  - 5. open space (public and private space within the housing complex)

Projects must provide the capacity for high-speed internet access in each unit by a means that does not impede use of the primary telephone line. Projects are strongly encouraged to go beyond this minimum by providing and maintaining computers in a common area, providing computer training, or providing free high-speed internet access to all units as an element of their Resident Services Plan. Designing spaces to make available for tutoring programs is also highly encouraged.

## 20) EVALUATION OF PROPOSALS

Applications will be reviewed for completeness and eligibility. All eligible proposals will be ranked according to the criteria stated in this policy. Also, note that all sources of financing must be identified before a commitment letter will be issued. All sources of funding must be secured before closing. Commitments will be valid for 12 months, and extended for up to six months at the ECD Director's discretion.

Note: Should any project with a funding commitment return to the City or with requests for additional funds, payment changes, changes in terms of funding commitment, units produced, or any other substantial change to the original commitment, the developer will be required to resubmit an application for the changes to be considered and ECD will present to City Council for approval of changes.

## 21) APPLICATION FEE

Applicants must submit a \$50 nonrefundable application fee in the form of a check or money order made payable to the City of Fayetteville. The application fee will be waived for non-profit applicants. Applications are considered complete upon receipt of the application fee. Currently the City is not assessing this fee but reserves the right to impose in the future.

## 22) FEDERAL REQUIREMENTS

**All HOME-funded projects must comply with applicable federal statutes and laws, including, but not limited to:**

- a. Section 3 of the U.S. Housing Act of 1968, as amended
- b. Equal Opportunity and related requirements in 24 CFR Section 982.53
- c. Section 504 of the Rehabilitation Act of 1973
- d. Americans with Disabilities Act of 1990
- e. Architectural Barriers Act of 1968
- f. Fair Housing Act of 1988
- g. National Environmental Protection Act (NEPA)
- h. Federal prevailing wage requirements, including Davis-Bacon and Related Acts

**23) OTHER GUIDELINES AND CITY REQUIREMENTS**

*SITE CONTROL*

At the time a development proposal is submitted, the developer must demonstrate that it has, and will maintain, until the land is acquired, site control of the property for which funding is being requested. An application must include one of the following documents executed by a principal:

- a. a recorded deed
- b. a purchase option (not options on other options) with date certain performance
- c. a purchase contract with date certain performance
- d. a land lease or option on a land lease either of which must not be for a term of less than fifty (50) years in term or
- e. a legally valid assignment of one of the above.

*APPRAISALS*

If acquisition is included in the development budget, applicants are required to submit a recent appraisal of the project site and any existing improvements as part of the application. Appraisals must have been completed within six months of the application deadline, or, if the project has already been acquired, within six months of acquisition. See the Application Instructions for more specific guidelines.

*DONATED PROPERTY*

If land or buildings have been donated for the project, the value of the donated property should be included in the total development cost both as an acquisition cost and as a source of funds. If the property was donated by the City, the value of the donated property will be included when calculating the percentage of City subsidy.

*PHASE I AND II*

A Phase I Environmental Assessment must be submitted with the application or prior to issuing a final award letter. If recommended by the Phase I, a Phase II must be provided before a project will be issued a final award letter. With the Phase II, applicants must also provide a discussion of mitigation measures, the impact of any recommendations on the project budget, design, etc. A Phase I or Phase II Environmental Report is NOT the same as the NEPA required Environmental Review.

*MANAGEMENT AND MARKETING*

A Preliminary Management Plan and Marketing Plan must be submitted in the application. A Final Management and Marketing Plan will be required 120 days prior to construction completion and a Management Contract must be submitted to the City 30 days prior to construction completion. The final Marketing Plan must be approved prior to beginning rent-up activities, including marketing flyers and application materials.

A complete market study for the project must be reviewed and approved by the City of Fayetteville prior to loan closing.

*COST CERTIFICATION*

Developers must arrange for an independent cost certification on completion of a project. Approval of this certification is a requirement for the City's release final payments. The cost certification must include a final sources and uses budget based on all the line items of the original budget. The developer must show all sources in lien order and include limited and general partner contributions, if applicable. This should include loans or equity contributions that were spent and expenses that were incurred during the development period.

The developer must show the total proposed initial sources and uses and the actual sources and uses by line item. The analysis must explain any difference for line items that are over or below 10% of the original sources and uses budget. Please note that the approved budget must be used for this analysis. The City will use this analysis to ensure that all of the City's final uses were spent on HOME eligible costs.

#### *RELOCATION*

Federal relocation law will apply for projects that will temporarily or permanently displace current business or residential occupants, and relocation assistance and benefits may be required which can add substantially to the project cost. See the Application Instructions for more information.

#### *RESIDENT SERVICES AND SPECIAL NEEDS UNITS*

Supportive and social service coordination reasonable for the population being served may be included as a cost paid by building operations. However, direct service provision may not be paid for from the building's operating funds unless the direct service is required by another funding source. "Special needs units" are defined as units reserved for populations including the following: veterans, developmentally disabled, survivors of physical abuse, persons with chronic illness including HIV/AIDS or mental illness, displaced teenage parents (or expectant teenage parents), individuals exiting from institutional settings, youth exiting foster care, chronic substance abusers, or another specific group as approved by the City of Fayetteville.

The City has additional specific development funds under the Housing Opportunities for People with HIV/AIDS (HOPWA) program for units dedicated to this population. See more here:

<https://www.hudexchange.info/programs/hopwa/>

#### *UNITS FOR HOMELESS HOUSEHOLDS OR THOSE AT RISK OF HOMELESSNESS*

For NOFA scoring purposes, the City will utilize the HUD definition of "homeless" and "at risk of homelessness". Projects with units set-aside for formerly homeless households or those at risk of homelessness must provide sufficient supportive services for the population served and show sufficient commitments for services.

#### *MIXED-INCOME PROJECTS*

In mixed-income properties, the affordable units must not be substantially different from the market rate units. All lower income units must be of the same construction type as market rate units but need not contain the same interior amenities or the same amount of floor space as long as livability is maintained. The exterior of the lower income units must be indistinguishable from the exterior of the market rate units. Lower income units should be reasonably distributed throughout the project and should not be isolated or segregated in only one portion of the project.

#### *PLANNING AND ZONING*

Certification that the site is properly zoned for the proposed use is required as part of the Application. Applicants must submit with their application a completed "Verification That Development is Consistent with Zoning and Land Use Regulations" form signed by the appropriate staff at the city of Fayetteville Planning and Zoning Division of the Development Services Department.

#### *INSURANCE*

During development, developers must obtain comprehensive general liability and property (hazard) insurance coverage of at least \$2 million. The City also requires property damage or

builder's risk insurance in an amount equal to 100% of the replacement cost of the structure, with a lender's loss payable endorsement in favor of the City. Construction contractors will be required to obtain liability and builders risk insurance in an amount equal to \$2 million. Automobile insurance, professional liability, workers' compensation, and employer's liability coverage are also required.

After completion, similar levels of liability and hazard coverage are specified by the regulatory agreement. All policies must name the City as an additional insured; property insurance must have a lenders loss payable endorsement. For more information on insurance requirements, please contact Housing Development staff.

#### *PAYMENT AND PERFORMANCE BONDS*

As per 2 CFR Part 200.326, for projects exceeding \$250,000, general contractors will be required to provide payment and performance bonds equal to 100% of the construction contract amount.

#### *DISABLED AND SENIOR ACCESSIBILITY*

Developments assisted by the City must meet the requirements of the Americans with Disabilities Act and the Fair Housing Act, among other local, state, and federal laws. Projects with any federal funds must also meet the more stringent accessibility requirements of Section 504 of the Rehabilitation Act of 1973 (24 CFR 100.205 and Part 8). Section 504 sets minimum percentages of accessible units, and calls for fully accessible common areas, among its numerous requirements. For projects funded with HOME, 5% of the total number of units must be accessible to people with physical disabilities, and an additional 2% of units must be accessible to people with auditory and visual disabilities, as defined in the Uniform Federal Accessibility Standards (UFAS). Where Section 504, the Fair Housing Act, or ADA apply, the developer and project architect must provide a written certification of compliance.

#### *LEAD-BASED PAINT*

The use of lead-based paint on City funded projects is prohibited. Testing and abatement of lead based paint in demolition projects may be required. Projects must follow the federal guidelines, which require lead-safe work practices and notification to prospective residents of potential lead-based paint hazards, among other requirements. If applicable, Project sponsors should be aware of the EPA regulation that requires all renovators of pre-1978 homes and child-occupied facilities to be trained in lead-safe work practices and certified by the EPA. For more information go to <https://www.epa.gov/lead/lead-renovation-repair-and-painting-program>.

#### *NON DISCRIMINATION*

All applicants must agree not to discriminate on the basis of race, color, ancestry, national origin, religion, sex, sexual preference, age, marital status, family status, source of income, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC), or any other arbitrary basis.

#### **24) EVALUATION CRITERIA**

The following criteria will be used to evaluate development proposals. The relative importance of the evaluation criteria attempts to track the evaluation criteria of the NCHFA as well as Fayetteville's housing goals. The probability of the project closing is an important criterion. The location of the site, the quality of the proposed improvements, the population being served, the financial strength and the capability of the developer, the capability of the property manager, and the ability to repay the loan with the minimum repayment terms are also important criteria. The City will not issue a commitment unless the zoning is appropriate to the plan.

**a. Financial Feasibility, Leveraging, and Development Costs (30 points)**

Leveraging (15 points): Degree to which outside funding will be pursued. Points will be awarded for the projected applicant's equity and permanent financing, **excluding** City of Fayetteville NC resources of the total development costs.

Funding Commitments (15 points): Degree to which outside funding has been committed.

**b. Location (15 points)**

Proximity to appropriate services and/or employment centers and transportation (15 points).

- A project location within 1.5 miles of a full-service grocery store (where staples, fresh meat, and fresh produce are sold) or drug store will score 7 points
- A project location within 1.5 miles of a public school will score 3 points
- A project location within 1.5 miles of a health care facility will score 3 points
- A project location within 1.5 miles of a senior center or community center will score 2 points

A map must be submitted with the application that shows the location of the full-service grocery store, the pharmacy, the public school and the senior or community center, as applicable. The application must include a description of the store demonstrating the required elements.

**c. Development Quality (15 points)**

The building design and use are compatible with the surrounding environment and existing neighborhood with appropriate vehicular and pedestrian connections to nearby amenities (0 to 7 points).

The overall building design is aesthetically pleasing and well thought out and is characterized as possessing "architectural appeal" with material selections that are of good quality, designed for normal maintenance, and can be expected to perform well over the long term (0 to 7 points).

The site is suitable for the proposed development without additional major geotechnical, environmental, or utility infrastructure expenditures (0 to 6 points).

**d. Development and Management Team (20 points)**

Capacity and experience of the development team points are awarded based on evidence that the lead staff and supervisory staff proposed to work on the current proposal have the necessary experience and capacity to undertake the project (0 to 7 points).

Capacity and experience of the property management company with comparable size and type projects evidenced by occupancy levels, maintenance and repair of existing rental units, compliance with federal requirements, and record-keeping and reporting (0 to 7 points).

The financial strength of the developer: Points are awarded based on evidence that the developer is financially sound and will be able to sustain the costs of effectively following through with the current proposal. (0 to 6 points).

**e. Target Population and Supportive Services (10 points)**

The project designates at least 20% of units to households earning at or below 30% AMI (5 points).

The project serves vulnerable populations (older adults age 55+, individuals with disabilities, homeless, or veterans (3 points).

The proposal includes a detailed supportive services plan to outline the description of case management and referral services to assist households in living independently and achieving self-sufficiency (2 points).

**f. Bonus (10 points)**

The City of Fayetteville prohibits discrimination in any manner based on race, color, creed, national origin, sex, age or handicap, or sexual orientation and will pursue an affirmative policy of fostering, promoting, and conducting business with women and minority-owned business enterprises.

The City of Fayetteville encourages participation by certified minority and women-owned businesses. The organization or individuals applying should endeavor to make a good faith effort to achieve this goal and include documentation with their proposal that addresses these criteria (0 to 5 points).

**g. Tiebreakers:**


In the event that the final scores of multiple projects are identical and exceeds the amount of funding available, a series of tiebreakers will be used as follows:

- First Tiebreaker: The project with the lowest average income targeting.
- Second Tiebreaker: Tenants with Children: Projects that can serve tenant populations with children. Projects will qualify for this designation if at least twenty-five (25%) of the units are three or four bedrooms.
- Third Tiebreaker: The project located in a census tract with highest median income.
- Fourth Tiebreaker: If the first three tiebreakers still result in identical scores, a lottery system will be used with the lowest randomly assigned lottery numbers receiving funding. Random generation of numbers will be assigned in excel by using the =RAND ()\*100 formula.

Reviewed by:

 2/6/25  
Christopher L. Cauley, MPA Date  
Economic & Community Development Director

Approved by:

 2/7/25  
Kelly Strickland, Date  
Assistant City Manager