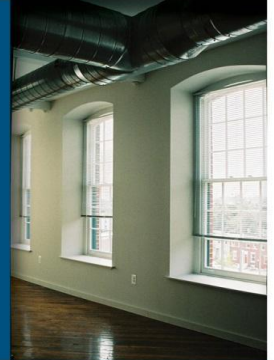




Philadelphia
Redevelopment
Authority



Request for Proposals

Small Landlord Loan Program

August 30, 2018

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Application Process

The Philadelphia Redevelopment Authority ("PRA") is pleased to issue this Request for Proposals ("RFP") for financial institutions (each, a "Lender," and together, the "Lenders") to carry out the origination and servicing of loans as part of the Small Landlord Loan Program (the "Program").

Submission Deadline

Lenders must submit proposals no later than **October 12, 2018** at 3:00 PM; absolutely no proposals will be accepted after that time.

Intention to Submit

All Lenders wishing to submit a response to this RFP **must submit an Expression of Interest form** ("EOI Form") located in the Resources section of the RFP webpage in hard copy or by email to **RFP@pra.phila.gov** by **September 21, 2018**. The names and contact information of those who submitted an EOI Form will be posted on PRA's website as public information.

Questions/Requests for Additional Information

PRA will accept questions and requests for additional information directed in writing to **RFP@pra.phila.gov** until **September 21, 2018**. Questions, responses, and additional information will be posted on the PRA website within seven (7) business days.

Related Parties

Lenders (i.e. individuals, organizations, and businesses) may submit only one response to this RFP. Individuals or businesses that are legally related to each other or to a common entity may not submit separate proposals. The PRA and City of Philadelphia (the "City"), in their sole and absolute discretion, retains the right to reject any proposal where:

1. Lenders or principals of Lenders are substantially similar or substantially related parties; or;
2. The PRA and City has determined that the Lender has violated these conditions or the spirit of these conditions.



Submission Process

Proposal submission will only be accepted in either of the following:

1. Online Submission – via the electronic portal on PRA's website (<http://www.philadelphiaredevelopmentauthority.org/>); or
2. Hard Copy Submission – Submit 3 original copies of the proposal and one electronic copy on a USB Flash Drive to the PRA via hand delivery or registered mail. Files on the USB Flash Drive may only be in Microsoft Word or Adobe PDF. Lenders may hand deliver or send proposals via registered mail to:

Executive Office

Philadelphia Redevelopment Authority
1234 Market Street, 16th Floor
Philadelphia, PA 19107

Disqualification

Lenders will be disqualified if:

1. Their bid is submitted after the specified deadline;
2. The bid is submitted by some means other than the two formats listed above. For electronic submissions, the PRA website portal is the only means that will be accepted. Bids sent via email, Dropbox or other electronic venues will be disqualified;
3. If the bid package is incomplete.

Bid Price

The PRA will award this project to the Lender's proposal determined to be the most responsive based on the criteria explained below. Bid price is one of these criteria, though the contract will not necessarily be awarded to the lowest bidder.

Schedule

The timeline for this opportunity is as follows:

RFP posted	August 29, 2018
Intention to submit due (Required)	September 21, 2018
Questions and requests for additional information due	September 21, 2018
Proposals due	October 12, 2018 at 3 PM
Lender or Lenders selected (Estimate)	November 16, 2018

PRA reserves the right, in its sole discretion, to alter this schedule as it deems necessary or appropriate.



Project Description

PRA is launching the Program to increase capital to small landlords and preserve naturally occurring affordable rental housing in Philadelphia's low-income neighborhoods. PRA invites proposals from Lenders interested in providing loans and technical assistance to landlords that own a total of four (4) or fewer units that need health and/or safety-related repairs. This Program is funded in-part with support from the Pennsylvania Housing Finance Agency ("PHFA"). As a result, all loans must be made to properties with rents that are affordable to households at or below 100% of Philadelphia County Area Median Income ("AMI") with one third of these loans to properties leased at rents affordable to households at or below 50% AMI.

PRA will support the Program by providing the selected Lender or Lenders with a loan loss reserve fund (i.e. a repayment guarantee) that covers 100% of losses on 20% of the total loan portfolio in addition to a technical assistance fee. PRA anticipates selecting one or more Lenders from this RFP. This program will be implemented in partnership with the Philadelphia Department of Licenses & Inspections ("L&I"), the Philadelphia Department of Public Health ("PDPH"), and the Philadelphia Fair Housing Commission ("PFHC").

Background

This Program seeks to overcome this market challenge and provide a new financing instrument in support of the preservation of naturally occurring affordable housing, i.e. non-subsidized rental units that were not constructed with federal subsidies. The goal of the Program is to support the preservation and repair of rental housing units that are affordable to tenants earning below 50% or 100% of area median income. Data demonstrates that Philadelphia has a significant number of affordable rental properties that need repairs to close open code violation and smaller multifamily landlords have identified challenges obtaining capital to make these repairs.

Pilot Area & Marketing

Although the Program will be open to qualifying landlords anywhere within Philadelphia, the City will focus its efforts on recruiting landlord participants in five zip codes: 19144, 19132, 19134, 19140, and 19141. These zip codes represent neighborhoods where 1) rents fall below citywide averages, 2) where there is a high incidence of properties with code violations, and 3) where there are high instances of children with elevated blood lead levels likely due to lead paint hazards in the home. L&I and PDPH will provide outreach to landlords who fall into these categories to make them aware of the new financial product developed through this pilot program.

Scope of Work for Lender

Lenders will underwrite, originate, and service loans to eligible borrowers. In addition, Lenders will provide technical support to borrowers. Specific scope items include:

1. Designing loan products in collaboration with PRA;
2. Developing marketing materials and promoting the Program to potential borrowers referred by PDPH, L&I, and/or other City agencies;
3. Determining whether landlords meet Program eligibility criteria;



4. Coordinating with PDPH, L&I, and PFHC to make sure property owners are compliant with Philadelphia's Lead Paint Disclosure and Certification Law, City Codes, and Fair Housing Laws;
5. Participating in L&I inspections;
6. Manually underwriting loan applications, and making loan approvals/denials;
7. Closing and servicing loans;
8. Releasing payments to contractors;
9. Collecting data and reporting outcomes to PRA monthly.

Affordability Requirement

Based on funding that partially supports this Program, Lenders are responsible for verifying that one third of units repaired with loans originated through this Program are leased to tenants at or below 50% of area median income and that the remaining two thirds of units are leased to tenants at or below 100% of area median income.

Program Process

The Program will be a partnership between Lenders and the participating public agencies. The process general flow and roles are outlined below. The final process and details will be worked out after selection, and may be modified during the life of the Program to ensure its success:

1. Marketing/Intake:

- a. Lender will develop marketing materials;
- b. PDPH/L&I will contact property owners who have code and lead violations to make them aware of the program; and
- c. Lender will promote the Program through other targeted strategies including distribution of materials to homeowners and residential property owner professional associations.

2. Technical Assistance:

- a. Prior to loan closings, Lender will coordinate with property owner and City agencies to:
 - i. Conduct an inspection of the property with both the property owner and tenant(s) present;
 - ii. Attain a list of open code violations from L&I;
 - iii. If required, attain the results of a lead dust test carried out by PDPH;
 - iv. Determine whether a property owner has a rental license;
 - v. Coordinate a Fair Housing Training, and confirm that:
 1. Both the property owner and tenant have completed the training;
 2. Property owner is using a PHFC approved lease or a City lease template if current tenants are renting without a lease;
 - vi. Review and approve estimate and scope of work from a property owner's contractor;
 - vii. Ensure contractor is licensed and compliant with the Philadelphia Department of Revenue; and
 - viii. Confirm permits or other approvals are obtained, where required.



3. Underwriting:

- a. Lender manually underwrites loans taking into consideration credit history, rental income, information about current tenants, and portfolio size and affordable rental criteria to determine whether they qualify for the Program;
- b. Lender issues letter of pre-approval to property owners who meet underwriting criteria.

4. Loan closing, construction, and inspections:

- a. Contractor, Lender, and property owner sign off on scope of work and construction timeline;
- b. Construction commences;
- c. Lender coordinates a post construction inspection:
 - i. If Code violations or issues resulting in non-compliance with Lead Paint Disclosure and Certification Law were found prior to loan origination, lender must coordinate with the associated City agency (i.e. L&I or PDPH) to close open violations; or
 - ii. If no Code violations were found prior to loan closing, Lender commissions an inspector to ensure contractor adhered to scope of work;
- d. Contractor submits invoice to Lender.

5. Servicing:

- a. Payment issued directly to contractor within fifteen (15) days of post construction inspection;
- b. Lender places lien on property that includes affordability restrictions for the loan term;
- c. Loan servicing begins in adherence with loss mitigation strategy that has been mutually agreed to by Lender and PRA;
- d. In the event of default, Lenders can draw upon the loan loss reserve fund (i.e. repayment guarantee) for 100% of documented losses for up to 20% of the total loan portfolio.

6. **Annual inspections:** City agencies to carry out inspections, in coordination with Lender to ensure any Code or lead law violations are closed (annual inspection to be carried out by L&I, biannual inspection by PDPH);

7. Reporting:

- a. City agencies implementing the Program will create a monthly reporting framework collected from Lender that will track the following outcomes:
 - i. Number of borrowers contacted;
 - ii. Number of applications under review;
 - iii. Number of loans closed with lender verification that borrowers adhere to program eligibility criteria including zip code, household size, tenant income at time of repair, and loan amount;
 - iv. Reason why loan was denied or why an approved loan did not go to closing;
 - v. Number of units created/preserved post construction;
 - vi. Number of tenants charged rents that are affordable to families below 50% and 100% of AMI;



- vii. Number of lead safe certificates received by City;
 - viii. Number of properties that passed post construction inspections and number of eligible properties that passed annual inspections throughout the loan term; and
 - ix. Portfolio performance data including loan delinquency and default rates relative to debt service coverage ratio ("DSCR");
- b. Lender must attend regular advisory committee meetings and provide feedback to PRA that can be used to improve the design of the program; and
 - c. Lender must provide copies of all documents and preserve all materials related to the program for a minimum of three (3) years.

Eligible Borrowers

Eligible borrowers must:

- Own a **maximum** of four rental units in their portfolio;
- Charge rents affordable to households below 50% and 100% AMI throughout the loan term;
- Be compliant with Philadelphia Department of Revenue;
- Participate with tenants in a Philadelphia Fair Housing Training (PFHT) to review tenant rights;
- Review current lease agreements with Philadelphia's Fair Housing Commission;
- Agree to use a City approved lease template in the event at tenants are renting without a lease;
- Obtain a Philadelphia Rental License and Business Activity License, if previously operating without one;
- Agree to a scope and timeline of work at the time of loan closing;
- Agree to annual L&I inspections and PDPH lead inspections every other year (if required); and
- Make a concerted effort to resolve any code violations that are identified during the annual inspections within forty-five (45) days.

Eligible Repairs

The eligible repairs must be focused on compliance with the City Code and lead laws. If properties meet the requirements within the City Code or other applicable law, then loan funds may be used for health, energy savings, accessibility, safety, and quality-of-life improvements. Repair work that is purely aesthetic in nature will not be supported through the program.

Payment

PRA will provide a loan loss reserve fund that will cover 100% of documented losses for up to 20% of the loan portfolio and will additionally provide a technical assistance fee for each borrower. In the default, PRA will reimburse lender for demonstrated losses.

Lenders must:

- Use their own funds for loan principal;
- Hold notes and mortgages;
- Cover all origination, closing, servicing, and third-party costs (including valuation, title insurance, title search, recording, credit pulls, and servicing);
- Collect principal and interest throughout the term of the loans; and
- Hold loans for the life of the loan (i.e., originating Lender may not sell or assign loans).



Loan Terms

Financial products may:

- Be underwritten up to the third position and with a minimum DSCR of 1.10;
- Have a maximum loan size of \$24,999;
- Be either a construction line of credit or construction loan;
- Have a term that is no longer than ten (10) years; and
- Have a fixed interest rate not to exceed 9%.
- Other terms may be proposed by lender and must be approved by PRA.

Financial products must:

- Include a mutually agreed upon servicing strategy that clearly defines loss mitigation; and
- Include a deed restriction recorded against the property with certain affordability restrictions to be established by PRA, which shall be removed when the loan is satisfied.

Form of Agreement

PRA will enter into an agreement with one or more Lenders selected through this RFP. The term of the agreement with respect to origination of loans will be two (2) years with one (1) term of renewal and the term with respect to servicing shall continue until all servicing obligations have been completed by Lender. The agreement may be terminated by either party without cause with 30-day's notice. However, in such event, Lender will still be obligated post-termination to service any existing notes that have already been originated through the Program, and PRA will be obligated to honor its guarantee on the current portfolio.

Proposal Submission Requirements

Proposals must include the following information:

1. **Cover Letter:** not to exceed three (3) pages, that contains the following information:
 - a) Name of Lender, EIN, name and title of primary point of contact, geographic service area, and number of retail locations in the City (if applicable);
 - b) Proposed loan terms including:
 - i. Loan type (i.e. line of credit, construction loan, etc.);
 - ii. Minimum and maximum loan size;
 - iii. Interest rate;
 - iv. DSCR;
 - v. LTV;
 - vi. Term; and
 - vii. Loss mitigation strategy
 - c) Proposed technical assistance fee;
 - d) Estimate of year-1 loan volume and monthly rents charged by eligible property owners.
2. **Program Narrative:** Please provide a narrative, not to exceed four (4) pages, that describes the following:
 - a) Commitment and track record of serving small businesses, developers or property owners in low and moderate-income communities in the Philadelphia market,



- b) Summary of manual underwriting processes and procedures with a focus on:
 - i. Recent experience evaluating risk among property owners;
 - ii. A sample tiered risk strategy that adheres to the loan terms above and would allow for adjustment of LTV and/or DSCR.
 - c) Summary of current company loss mitigation procedures with a consideration of federal and state rules and regulations;
 - d) Overview of anticipated challenges and technical assistance services to support property owners during the construction processes and related to tenant management and financial position; and
 - e) Experience working in collaboration with public sector partners to design and implement programs.
3. **Team Qualifications** (not to exceed 2 pages): Bios, resumes, and qualifications of personnel within your organization who will be involved with implementing the Program. Identified public liaison to serve as point on project. Include experience designing and managing loan programs and understanding of fair housing issues.
4. **Budget:** Provide a budget that includes a cost break down of technical assistance, origination, third-party, and servicing fees.
5. **Economic Inclusion** (not to exceed 2 pages): The PRA strongly encourages and promotes the employment of qualified MBE/WBE/DBE firms in all aspects of its procurement of goods and services. Please explain prior experience with M/W/DBE participation and compliance. In addition, include how you plan to engage M/W/DBE firms as part of your proposal and/or how you plan to engage a diverse workforce as part of your program delivery.
6. **Other Submissions:**
- a) If your organization is a tax-exempt nonprofit, provide your IRS designation letter and a certificate of good standing from the State of Pennsylvania.
 - b) Certificate of non-indebtedness to the City (obtained from City Department of Revenue).
 - c) Mortgage Originator Licensure Information.

Evaluation & Selection

PRA intends to award this contract to the Lender or Lenders that best demonstrate the level of experience, skill and competence required to perform the services called for in this RFP in the most efficient, cost-effective, and professional manner. PRA will initially review the proposals to determine compliance with the Proposal Submission Requirements. Only proposals that comply with these requirements will be considered for evaluation. If no proposal meets these requirements, the PRA may allow all Lenders to supplement their submissions to conform to these requirements.

PRA will evaluate Lenders based on the following factors:

- Qualifications and relevant experience 25 points



- Proposed approach and strategies 25 points
- Organizational capacity 20 points
- Budget and cost proposal 20 points
- Economic inclusion 10 points

Events of Disqualification or Default

Subsequent to the selection of a Lender or Lenders, and before execution of an Agreement, the PRA may treat any of the following as an event of disqualification or default:

1. Unilateral withdrawal by the selected Lender;
2. Failure to proceed substantially in accordance with the proposal as submitted;
3. Failure by the Lender for any reason whatsoever to timely execute the Agreement when tendered;
4. Material misrepresentation, omission, or inaccuracy contained in any document submitted either as part of the Request for Proposals, or subsequent thereto. For the purposes of this section, the PRA places particular importance on the information required by the Lender's Statement of Qualifications and Financial Responsibility and the Lender's Statement for Public Disclosure;
5. Failure to provide in a timely manner the additional material required after selection throughout the PRA disposition process.

Upon the happening of an event of disqualification or default by the Lender, PRA shall have the right, at its election, to:

1. Rescind its selection; or
2. Declare null and void an Agreement that may already have been executed.

Declarations and Other Information

Economic Inclusion: The PRA strongly encourages and promotes the employment of qualified MWDBE firms in all aspects of its procurement of goods and services. If Lender is a Certified MWDBE; please submit information to confirm certification as part of bid proposal.

Tax Clearance and Conflict of Interest Form: Lenders, upon request of the PRA, must provide evidence satisfactory to the PRA that all municipal taxes, including business taxes, real estate, school, water and sewer charges, if applicable, are current for both the individual applicant and the applicant's firm and neither is currently indebted to the City; will at any time during the term of the agreement be indebted to the City, for or on account of any delinquent taxes, liens, judgments, fees or other debts for which no written agreement or payment plan satisfactory to the City has been established. Please complete the Philadelphia Tax Status Certification and Conflict of Interest form (Attachment B) and submit it with your proposal.



Campaign Contribution Disclosure Forms: Please complete the applicable disclosure forms (Attachment C) and submit with your proposal.

Insurance Requirements: Please submit a certificate of insurance evidencing the required coverages as outlined in Attachment D with your proposal. If, for any reason, you cannot comply with the insurance requirements, please provide the reasons for your inability to do so and the PRA will consider any deviations from the insurance requirements on a case-by-case basis.

By submitting a proposal in response to this RFP, a Lender affirmatively acknowledges: (i) its acceptance of the terms and conditions of this RFP; (ii) the PRA may exercise in its sole discretion the following rights; and (iii) the PRA may exercise the following rights at any time and without notice to any Lender.

1. to reject any and all proposals;
2. to supplement, amend, substitute, modify or re-issue the RFP with terms and conditions materially different from those set forth here;
3. to cancel this RFP with or without issuing another RFP;
4. to extend the time period for responding to this RFP;
5. to solicit new proposals;
6. to conduct personal interviews with any Lender to assess compliance with the selection criteria;
7. to request additional material, clarification, confirmation or modification of any information in any and all proposals;
8. to negotiate any aspect of a proposal, including price;
9. to terminate negotiations regarding any and all proposals at any time;
10. to expressly waive any defect or technicality in any proposal;
11. to rescind a selection prior to contract execution if the PRA determines that the proposal does not conform to the specifications of this RFP;
12. to rescind a selection prior to contract execution if the PRA determines that the specifications contained in this RFP are not in conformity with law or that the process in selection of a proposal was not in conformity with law or with the legal obligations of the PRA;
13. in the event a contract is awarded, the successful Lender or Lenders shall procure and maintain during the life of the contract liability insurance in an amount to be determined prior to the award of any contract;
14. in the event a contract is awarded, all Lenders agree to perform their services as an independent contractor and not as an employee or agent of the PRA;
15. in the event a contract is awarded, all Lenders agree that no portion of performance of the contract shall be subcontracted without the prior written approval of the PRA; and
16. each Lender agrees to indemnify, protect and hold harmless the PRA from any and all losses, injuries, expenses, demands and claims against the PRA or the City sustained or alleged to have been sustained in connection with or resulting from (i) the submission of the Lender's proposal; (ii) the delivery by the Lender to the PRA of any other documents or information; and (iii) any other conduct undertaken by the Lender in furtherance of or in relation to the Lender's proposal. Each Lender agrees that its duty to indemnify and hold harmless shall not be limited to the terms of any liability insurance, if any, required under this RFP or subsequent contract.



The Authority is under no obligation whatsoever to any Lender as a result of this RFP. The RFP does not represent any commitment on the part of the Authority to any Lender or the Program or project. In no event shall the Authority be responsible for any cost, expense or fee incurred by or on behalf of any Lender in connection with the RFP. All Lenders shall be solely responsible for all such costs, expenses and fees.

NOTICE: The PRA is subject to the Pennsylvania Right to Know Law. Any information provided in your response to this may be subject to disclosure to the public. Documents provided in response to this RFP may also be required to be disclosed by applicable law, subpoena, and/or court order.

