

REQUEST FOR PROPOSALS

Analysis of Vermont Affordable Rental Housing Development Cost Factors

Introduction

The intent of this Request for Proposals is to assist the primary funders of affordable housing¹ in Vermont (Selection Committee) in examining the factors affecting the total development costs of creating and preserving affordable rental housing. The analysis will include a) comparing the recent Vermont development cost experience of affordable rental housing² developments with market rate housing developments, as well as regional and national affordable housing; (b) assessing the impact of affordable housing public policy priorities on development costs, and (c) recommending achievable changes to contain or reduce total development costs while ensuring housing quality. The analysis will also draw on the results of recent national reports and studies to compare Vermont development costs with regional trends.

At the same time that capital and sources of financing for affordable housing are limited, the cost of developing housing has increased. Policymakers and housing developers need information describing the factors contributing to the cost of building and rehabilitating affordable rental housing so that they can adopt a range of actions to produce affordable housing as efficiently as possible while balancing public policy outcomes.

Vermont's funding agencies are examining key market factors influencing development costs in the general real estate sector as well as those policy and market factors specific to affordable rental housing with special attention on forces affecting Vermont. They have assembled a library of reports dating back to 1993 which describe the factors affecting the cost of developing affordable rental housing in Vermont and offer recommendations for mitigating their effects.

The Vermont Housing Finance Agency (VHFA) will make available data it has collected since 2010 describing multi-family housing developments including total development costs reported by line item and by geography, date, type of project (i.e. general occupancy and senior housing), developer, type of construction, and state policy objectives achieved by each project.

¹ This includes Vermont Housing Finance Agency, Vermont Housing and Conservation Board, and Vermont Department of Housing and Community Development. The funders will likely enlist an advisory group of subject matter experts to help it review this work and provide feedback.

² "Affordable rental housing" means multifamily housing affordable at 30% of the monthly income for households at incomes less than 80% of the HUD area median, with emphasis on households at 60% of AMI.

The funders are seeking a consultant to author a report which summarizes analysis of primary data, data from other sources, and industry literature to describe the production of Vermont affordable housing, total development costs, cost components, the relationships between state housing policy objectives and development costs, and how the Vermont affordable housing experience compares with market rate housing. The analysis will also compare the costs of affordable rental housing in Vermont with other Northern New England states. Industry literature to be reviewed will include recent analyses conducted by the General Accounting Office and Abt Associates. With this analysis as a base, the report will summarize and comment on outcomes of past studies as well as provide new recommendations.

Goals

- Using primary data collected by VHFA, describe the Vermont affordable rental housing inventory developed since 2010 and identify variables related to development costs.
- Compare the costs of developing affordable rental housing in Vermont with costs of market rate housing.
- Compare the cost of developing affordable rental housing with similar housing developments in Northern New England.
- To the extent possible, identify actions that have previously been taken to limit the costs of developing, rehabilitating and preserving affordable rental housing and describe the results.
- Determine the consequences of State housing policies on the cost of affordable rental housing development and the value that those policies bring to residents and the community.
- Provide achievable recommendations to reduce Vermont affordable rental housing development costs while ensuring quality. This may include changes in underwriting standards, availability of debt and equity products, tax credit allocation and public funding award procedures and requirements, cost control incentives, and construction materials and techniques while achieving required policy outcomes.

Responses

Responses to this RFP are due in accordance with the schedule provided in this RFP. Please submit three hard copies and a digital copy to the following who can also respond to questions about this RFP.

Seth Leonard
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, VT 05401
(802) 652-3403
sleonard@vhfa.org

Scope of Services Requested

1. Analyze affordable rental housing development data.

The Vermont Housing Finance Agency maintains the Interagency Affordable Housing Database. VHFA's Housing and Development Software system stores data for all affordable multifamily residential properties since 2010. Project-specific details include (but are not limited to) number of units, residential and commercial square footage, location, owner, developer, property manager, funding sources, development cost & expense details, annual financial information, tax credit allocations, state priority characteristics addressed, building, unit, and tenant details. VHFA can provide a sample database upon request, prior to your response to this RFP.

The consultant will be asked to use the database to briefly summarize the characteristics of Vermont's affordable rental housing production since 2010. This summary will include, but not be limited to, number of units, unit type (*e.g.*, general occupancy, senior or special needs), project type (*e.g.*, new construction, preservation, rehabilitation, adaptive re-use), county, placed in service date, sponsor, funding sources, total development costs, and satisfaction of state allocation and policy priorities.

VHFA will make data from the database available to the consultant. Please email the contact for this RFP if you would a sample of the database that will be available. In addition, VHFA staff will be available for a conference call with all those interested in submitting proposals to review the data and describe the form and formats in which the data can be made available. The conference call will be held in accordance with the schedule section of this RFP.

2. Analyze market rate rental housing development data.

The consultant is responsible for identifying, compiling and analyzing market rate rental housing data that may be used to compare and contrast the affordable housing development cost data described in section one of the scope of services. VHFA and the other Vermont funding agencies have contact information for developers of market rate rental housing for development of a Vermont sample. The consultant will be responsible for compiling a reasonable sample of market rate data.

3. Compare and contrast the Vermont affordable housing development cost data with market rate housing development data and northern New England affordable developments.

Using the VHFA data above, the consultant will compare and contrast Vermont affordable rental housing development costs with (a) development cost data from Northern New England and the nation and (b) market rate multifamily housing developed in Vermont. It is the consultant's responsibility to identify and access the data sources necessary to complete this task.

3. Convene a meeting of multifamily developers, general contractors, and architects to identify opportunities for construction cost savings.

The Selection Committee will identify developers, general contractors, and builders with recent experience in multifamily housing. The consultant will elicit comments and recommendations on factors in the development process in Vermont that affect development costs and what it would take to reduce those costs. Consultant will propose strategies for obtaining input including phone interviews, convening a roundtable, and an online survey. Areas to solicit feedback include public policy impacts, bidding and contracting methods, scope of drawing sets, build approaches, and materials and mechanical system choices.

4. Document, summarize, and draw conclusions from previous recommendations to limit the costs of developing, rehabilitating and preserving affordable rental housing.

The Selection Committee has compiled a library of several previous studies examining factors which contribute to the cost of producing and preserving Vermont affordable rental housing beginning in 1993. Major independent reports were presented in 1995, 2000, 2001, and 2008. The Selection Committee will provide these and other reports addressing the Vermont cost environment to the consultant as both background on the cost issues and with the expectation that the consultant will summarize and comment on past recommendations, actions taken, and their outcomes.

There is also significant literature from recent studies of the development cost experience in other states and nationally. They include:

- *Variation in Development Costs for LIHTC Projects*, National Council of State Housing Agencies, 2018;
- *Improved Data and Oversight Would Strengthen Cost Assessment and Fraud Risk Management*, US Government Accountability Office, 2018;
- *Giving Due Credit: Balancing Priorities in State Low Income Housing Tax Credit Allocation Policies*, Enterprise, 2016;
- *Affordable Housing Cost Study: Analysis of the Factors that Influence the Cost of Building Multi-Family Affordable Housing in California*, four California State agencies, 2014;
- *Bending the Cost Curve on Affordable Rental Housing: Understanding the Drivers of Cost*, Urban Land Institute, Enterprise and Terwilliger Center for Housing (2013); and
- *Development Costs Trends in Multifamily Housing*, Minnesota Housing Finance Agency, 2013.

Using these and other reports identified by the consultant, the consultant is expected to provide a summary of the state and national cost drivers, a description of how those

cost factors may apply to the Vermont experience, and recommendations of actions that Vermont could take to mitigate development cost increases.

5. Describe the consequences of State housing policies on the cost of affordable rental housing development and operations.

The State agencies which allocate federal and state funds for affordable housing development prioritize projects that achieve goals that are not necessarily directly related to number of housing units produced. The consultant is asked to describe how those policy priorities affect development costs.

Proposal Format

Proposals must meet the conditions listed in this RFP and clearly provide the following information.

- 1. Proposal Cover Letter:** The applicant shall provide a brief description of the RFP, the expected date that the applicant could begin work, a statement acknowledging the conditions stated in the RFP. The letter shall be signed by the applicant or its authorized representative.
- 2. Applicant's Qualification Statement:** A description of the experience, qualifications, responsibilities and per diem rate for all contributing personnel. In particular, please describe your affordable housing work in small, primarily rural states. Please also provide sample reports providing public policy recommendations based on data analysis.
- 3. Proposed Activities:** A description of the activities and work products consistent with the scope of services described above. For each work element, explain the proposed methodology, work product to be delivered, and role, if any, of the Selection Committee members.
- 4. Fee:** A not-to-exceed total, all-inclusive maximum proposed fee to perform the scope of services broken out for each element. Include direct and indirect costs, usual and customary expenses, time estimates for contributing personnel, as well as the proposed manner of payment and terms.
- 5. References:** Three references from past clients or associates including a description of the relationship, email address, and telephone number.

Evaluation Criteria

Proposals will be evaluated based on the following criteria:

- Relevant qualifications and experience of the personnel conducting the activities, including familiarity with Vermont’s affordable housing delivery system.
- Demonstrated understanding of the work to be performed as well as previous experience with similar projects.
- Quality and clarity of proposal in addressing the scope of work and goals.
- Proposed approach to the project.
- Sample work products.
- Ability to meet timeframe.
- Proposed cost.

Questions about the scope of work and other aspects of the RFP may be directed to Seth Leonard, Managing Director of Community Development, VHFA, sleonard@vhfa.org.

The Selection Committee reserves the right to reject any or all proposals submitted, in whole or in part, if it is in our best interests. We assume no obligation, no responsibility and no liability for any costs incurred by the responding firms prior to the execution of a contract for services.

Selection Process

The highest evaluated proposers may be invited to discuss their proposal and qualifications prior to a final decision which will be made in accordance with the schedule section of this request.

Schedule

The anticipated schedule for the RFP and resulting program is as follows:

- RFP issued: Monday, April 8th, 2019
- Database informational meeting: Friday April 26th, 2019 11:00am Eastern Time
- Responses to RFP due: Friday, May 10th, 2019 by 4:00 pm, Eastern Time
- Hiring decision made: Friday, May 24th, 2019
- Contract signing: Wednesday, June 7th, 2019
- All deliverables and final report due: Friday, October 18th, 2019

Enclosed Attachments

Attachment A: Terms and Conditions of Proposal Submittal

Attachment B: Standard Contract Provisions

Attachment A: Terms and Condition of Proposal Submittal

Any proposal received by VHFA must be valid and binding for a period of thirty (30) days beyond the submission deadline. VHFA and the selected vendor will enter into a contract, describing the terms and conditions of the services to be performed, including vendor compensation. Every contract will be subject to the Standard Provisions set forth in Appendix B – Standard Contract Provisions.

By submitting a proposal, the Respondent agrees to the following:

- A) All materials submitted become the property of VHFA and shall be public information unless a statutory exception exists which would thereby determine that such information cannot be released to the public. If you have information in your proposal that you believe is an exemption to the Vermont Public Records Laws, you must identify each and every occurrence of the information in the proposal on a separate page titled “Exemptions to the Public Records Law”. Each Respondent agrees to reimburse VHFA for, and to indemnify, defend, and hold harmless VHFA, its officers, fiduciaries, employees and agents from and against: (1) any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs, and expenses, including without limitation, attorneys’ fees, expenses, and court costs of any nature whatsoever (collectively, the “Claims”) arising from or relating to VHFA’s non-disclosure of any such designated portions of the response or other materials submitted by the Respondent related to this RFP; and (2) any and all Claims arising from or relating to VHFA’s public disclosure of any such designated portions of a response or other materials submitted by the Respondent related to this RFP if disclosure is deemed required by law or if disclosure is ordered by a court of competent jurisdiction.
- B) Respondents will respond to all requirements in this RFP and comply with any terms and conditions outlined in the RFP. Failure to do so may result in disqualification of the proposal.
- C) All costs incurred in preparation of a proposal shall be borne by the Respondent. Proposal preparation costs are not recoverable under the Agreement for Services. VHFA shall not contribute in any way to recovering the cost of proposal preparation.
- D) If during the evaluation process it becomes necessary to make further distinctions between certain Respondents, VHFA may request certain Respondents make oral presentations of proposals to the Selection Committee or VHFA staff.
- E) Proposals received after the deadline will not be reviewed. Respondents are advised that there will be no opportunity to correct mistakes or deficiencies in the proposals after the submission deadline. Proposals that are missing required information may not be evaluated. It is the sole responsibility of the Respondent to ensure its proposal is complete, accurate, responsive to the requirements, and received on time. Proposals

not complying with the requirements of the RFP may not be further evaluated or considered.

- F) VHFA reserves the right to use alternative methods to evaluate housing development costs.
- G) VHFA reserves the right to reject any and all proposals at any time and to accept or reject any item or combination of items in any proposal. VHFA reserves the right to cancel, withdraw, modify or reissue this RFP at any time for any reason.
- H) Written approval from VHFA must be obtained for any media releases regarding an award of the contract by VHFA.
- G) By submitting a proposal, Respondent agrees to waive any claim(s) it has or may have against VHFA or any other member of the Selection Committee and/or any of the current or former directors, officers, board members, employees, or agents thereof arising out of or in connection with (1) the administration, evaluation, or recommendation of any proposal (2) waiver of any requirement under this RFP, (3) acceptance or rejection of any proposal, and (4) award of the contract.

Attachment B: Standard Contract Provisions

ADDITIONAL STATE CONTRACT PROVISIONS

Attachment to _____ Agreement between

_____ (“Provider”) and
Vermont Housing Finance Agency (“Customer”)

1. ENTIRE AGREEMENT. The _____ Agreement (the “Agreement”), as supplemented hereby, represents the entire agreement between the parties on the subject matter. In the event of any conflict between the terms hereof and any other terms of the Agreement, the terms hereof shall be controlling. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.
2. APPLICABLE LAW. This contract will be governed by the laws of the State of Vermont.
3. NO EMPLOYEE BENEFITS. PROVIDER understands that CUSTOMER will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation and sick leave, workers compensation or other benefits or services available to CUSTOMER’s employees, nor will CUSTOMER withhold any state or federal taxes. PROVIDER understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including, but not limited to income, withholding, sales and use, and rooms and meals, must be filed by PROVIDER, and information as to contract income will be provided by CUSTOMER to the Internal Revenue Service and the Vermont Department of Taxes.
4. INDEPENDENCE, LIABILITY. PROVIDER will act in an independent capacity and not as officers or employees of CUSTOMER. PROVIDER shall indemnify, defend and hold harmless CUSTOMER and its officers and employees from liability and any claims, suits, judgments, and damages arising as a result of PROVIDER’s acts and/or omissions in the performance of this contract.
5. FAIR EMPLOYMENT PRACTICES AND AMERICANS WITH DISABILITIES. PROVIDER agrees to comply with the requirements of Title 21, VSA Chapter 5, Subchapter 6, relating to fair employment practices, to the extent applicable. PROVIDER shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by PROVIDER under this contract. PROVIDER further agrees to include this provision in all subcontracts.
6. PROPRIETARY INFORMATION. In connection with the services to be performed under the Agreement (the “Work”), it is anticipated that CUSTOMER will deliver to PROVIDER certain business data, technical information, processes, specifications and other information of a secret, confidential and proprietary

nature with respect to CUSTOMER (collectively, the "Proprietary Information"). The parties hereto desire to ensure that the confidentiality of any Proprietary Information is maintained in accordance with the terms hereof.

- a. All Proprietary Information provided to PROVIDER by or on behalf of CUSTOMER is the property of CUSTOMER, and will be treated by PROVIDER as such. PROVIDER agrees to make all necessary and appropriate efforts to safeguard the Proprietary Information, and all material prepared by CUSTOMER and its representatives which reflects such Proprietary Information, from disclosure. In furtherance of such efforts, PROVIDER agrees that it will not without prior written authorization of CUSTOMER distribute any of the Proprietary Information to anyone other than its authorized personnel and representatives who must know such Proprietary Information for purposes of completing the Work. PROVIDER agrees not to use the Proprietary Information for any purpose other than in connection with the Work.
- b. PROVIDER shall require its officers, representatives, agents, advisors, consultants and employees to abide by the terms of this Agreement to the same extent that PROVIDER is required to do so. PROVIDER shall be responsible for any breach of this Agreement by any of the foregoing persons.
- c. PROVIDER shall, upon request by CUSTOMER, use its best efforts to return to CUSTOMER or destroy all tangible manifestations, including computer tapes, discs, flash drives and copies of such manifestations, of Proprietary Information delivered to PROVIDER.
- d. The obligations of PROVIDER under this Agreement shall not apply to the following information which shall not be deemed Proprietary Information:
 - Information that is disclosed in a publication available to the public, or is otherwise in the public domain at the time of disclosure; or
 - Information that is generally disclosed to third parties by CUSTOMER without restriction on such third parties; or
 - Information that is approved for release by written authorization of CUSTOMER; or
 - Information that is independently developed by PROVIDER without use of any Proprietary Information.
- e. This Agreement shall not be construed to grant to PROVIDER patents, licenses or similar rights to Proprietary Information disclosed to PROVIDER by CUSTOMER.
- f. PROVIDER agrees that in the event that it fails to fulfill its obligations set forth in this Agreement, CUSTOMER may suffer irreparable injury. In the event of any breach of this Agreement by PROVIDER, CUSTOMER shall be entitled, in addition to any other remedies

or damages, to injunctive and other equitable relief to prevent or restrain any breach of this Agreement.

7. **INSURANCE.** Before commencing work on this contract the Provider must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Provider to maintain current certificates of insurance on file with CUSTOMER through the term of the contract.

- a. **WORKERS COMPENSATION:** With respect to all operations performed, the Provider shall carry workers compensation insurance in accordance with the laws of the State of Vermont.

- b. **GENERAL LIABILITY AND PROPERTY DAMAGE:** With respect to all operations performed under the contract, the Provider shall carry general liability insurance having all major divisions of coverage including, but not limited to:
 - Premises - Operations

 - Independent Providers' Protective

 - Products and Completed Operations

 - Personal Injury Liability

 - Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

\$1,000,000 Per Occurrence

\$1,000,000 General Aggregate

\$1,000,000 Products/completed products aggregate

\$ 50,000 Fire Legal Liability

- c. **AUTOMOTIVE LIABILITY:** The Provider shall carry automotive liability insurance covering all motor vehicles, including owned, non-owned, and hired, used in connection with the contract. Limits of coverage shall not be less than: \$1,000,000 combined single limit.

No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the Provider for the Provider's operations. These are solely minimums that have been set to protect the interests of CUSTOMER.

8. **TAXES DUE TO THE STATE.**

a. PROVIDER understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of tax on property used within the State, corporate and/or personal income tax on income earned within the State.

b. PROVIDER certifies under the pains and penalties of perjury that, as of the date the contract is signed, PROVIDER is in good standing with respect to, or in full compliance with, a plan to pay, any and all taxes due the State of Vermont.

9. SUBPROVIDERS. PROVIDER shall not assign or subcontract the performance of this agreement or any portion thereof to any other Provider without the prior written approval of CUSTOMER. PROVIDER also agrees to include in all subcontract agreements a tax certification in form substantially identical to paragraph 6 above.

10. NO GIFTS OR GRATUITIES. Without first obtaining the written approval of the Executive Director of CUSTOMER, PROVIDER will not give title or possession of anything of substantial value (including property, currency, travel and education programs) to any officer or employee of CUSTOMER during the term of this contract.