

MACARTHUR

The John D. and Catherine T. MacArthur Foundation

www.macfound.org

Awards for State and Local Housing Preservation Leaders

ANSWERS TO FREQUENTLY ASKED QUESTIONS

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On December 19, 2007, the MacArthur Foundation held a conference call to answer questions from parties interested in submitting a Letter of Interest for the Awards for State and Local Housing Preservation Leaders. The following document provides a summary of answers to questions raised on that conference call. Questions have been grouped according to the following general categories: (1) funding types and conditions, (2) eligible activities and (3) eligible applicants.

For a digital audio recording of the December 19th conference, please visit the affordable housing section of the Foundation's website: www.windowofopportunity.macfound.org.

Further questions regarding the Foundation's selection process for these awards should be submitted electronically by sending an email to: housing@macfound.org. The subject line must read: "*Questions for MacArthur Housing Preservation Awards from [STATE /LOCALITY]*"

The Foundation will make every effort to post a reply within no more than five (5) business days. Interested applicants should check the Foundation's website periodically for updates to this "FAQ" document.

Funding types and conditions

1. What are the amounts of the grants and PRIs that will be made available through the Foundation's Awards for State and Local Housing Preservation Leaders?

The Foundation expects to select up to 10 (ten) states and/or localities to receive a total of \$35 million in awards. Each of the selected states and/or localities may receive grants and/or program related investments¹ ranging from an aggregate total of \$250,000 to a maximum of \$5 million.

¹ Program-related investments ("PRIs" are below-market investments and loans made for charitable purposes. See 12 U.S.C. § 4944. More information about PRIs can be found at www.macfound.org and www.primakers.net.

All applicants submitting Letters of Interest should specify whether they are seeking grants, PRIs, or a combination of the two, and in what amounts.

In general, the grant amounts will range from \$250,000 to \$1 million. Multiple organizations may receive grants pursuant to a single applicant's proposal; however, the aggregate amount of grants for any one of the ten awardees is unlikely to exceed \$2 million.

Program-related investments (PRIs) are expected to range from a minimum of \$1 million to a maximum of \$5 million per borrower.

2. How does a program-related investment (PRI) differ from a conventional grant?

The Foundation expects to provide a total of \$35 million in both grants and program related investments to selected grantees through the *Awards for State and Local Housing Preservation Leaders* initiative. As with regular grants, the proceeds of a program related investment (PRI) must be used to fulfill charitable purposes. However, unlike grants, PRIs must be *repaid* to the Foundation.

The Foundation expects that the PRI loans that it will make in connection with the new awards for State and Local Housing Preservation Leaders will have 10-year term, with principal repayments staged over the last three years of the term. A two percent interest rate is likely, but other rates may be required or negotiated on a case-by-case basis. PRI loans may be made on an unsecured basis if there is significant recourse to a creditworthy borrower. If there is limited or no recourse to a third party for repayment of the PRI, the Foundation is likely to require the pledge of a security interest in the loan proceeds or other collateral.

More information about PRIs can be obtained from the Foundation's website, www.macfound.org, and through the PRI Makers Network, www.primakers.net

3. How will program income that may be generated by a grantee be treated? Must all such income be returned to the Foundation?

If Foundation supported activities help develop or expand programs that yield income over time, it is expected that all such proceeds will be reinvested in the same activities and for the same charitable purposes for which the original grant or PRI loan was made.

Eligible Activities

4. Are specific projects to preserve one or more housing complexes or housing in a specific neighborhood eligible under this initiative?

The Foundation is seeking to support innovative and scalable strategies that meaningfully

reduce the loss of affordable rental housing in a targeted city, county, state or region. Proposals should emphasize how the proposed work will accelerate current policy and program efforts, or enable the recipient of Foundation funds to initiate such an effort.

Although a description of proposed projects may be used for illustrative purposes as part of a description of a larger preservation strategy, the Foundation is *not* seeking to support initiatives that are limited to a single preservation project.

5. Will preservation strategies that emphasize the use of limited equity cooperatives be eligible for consideration?

Proposals should focus primarily on the strategies that are most appropriate to the applicant jurisdiction's housing conditions, stock and local policies and preferences. The Foundation will consider proposals that involve limited equity cooperatives, so long as the use of such developments is part of a larger strategy to preserve and improve the stock of affordable rental housing.

6. Can preservation strategies include the use of community land trusts or other strategies using land acquisition as a means to achieve the preservation of affordable housing?

Yes.

7. In some markets the most effective preservation strategies may involve demolition and rebuilding in higher densities while preserving or expanding the number of affordable rental units. Will such proposals qualify under this initiative?

Although the Foundation's principal objective through the *Awards for State and Local Housing Preservation Leaders* is to support the preservation of existing subsidized affordable rental homes, it also recognizes that not all such properties can or should be saved. However, long-term subsidy contracts can still be retained by transferring them to a replacement to nearby property. Proposals which consider the demolition and replacement of severely deteriorated structures that involve the preservation of existing subsidies will be considered.

8. How does the Foundation define "affordable" and "low income?"

All activities supported by Foundation grants and PRIs must accomplish a charitable purpose that satisfies relevant legal and regulatory requirements, as determined by the Foundation in its sole discretion. In general, the Foundation would expect applicants to define "low income" as being at or below 80 percent of the area median income, although this threshold may vary somewhat depending on local market conditions and community needs. The Foundation defines "affordable" as being an amount at or below 30 percent of annual household income, adjusted for family size.

9. Can the Foundation’s funds be used to develop model public policies or legislation, or to comment on or advocate the adoption of such policies at the state, local and federal levels?

The MacArthur Foundation’s funds may not be used to pay for any activities attempting to influence legislation. The Foundation may, however, support policy work relating to actions by the executive or judicial branches of government or administrative bodies. The Foundation may also fund examinations and discussions of broad social, economic, and similar issues and non-partisan analysis, study, or research.

10. The instructions for submitting letters of interest specifies that public housing authorities directly involved in the financing, regulation or operation of public housing funded through Annual Contributions Contracts (ACC) will not, in general, be eligible applicants. Can an agency that also operates privately owned housing that does not benefit from ACC funds apply for funds?

Yes. The restriction is intended to apply to the housing units proposed to be preserved, not necessarily to the agency involved. The Foundation recognizes that there are public housing authorities that operate privately owned housing through subsidiary nonprofits or others means. Such agencies may submit Letters of Interest, but the Foundation will not support efforts that are directed at preserving public housing supported by ACC funds.

11. Section 8 Vouchers are funded by ACCs and made available to subsidize privately owned rental homes. Can proposals include strategies and programs to preserve housing that receives Section 8 Voucher or place-based subsidies?

Yes.

12. Will proposals that include modest or significant rehabilitation, including “gut” rehabilitation of vacant structures, be considered eligible?

The Foundation’s housing preservation initiative focuses on preserving occupied, affordable rental housing. We recognize that a successful long- term preservation strategy needs to insure the long-term physical viability as well as affordability of this housing. In some circumstances it may not be cost-effective to preserve an obsolete or seriously deteriorated building, making it necessary to undertake a “gut” rehab or replacement of existing or vacant structures. While the Foundation will not consider proposals that focus exclusively on these activities, proposals that include such activities as part of a broader preservation strategy will be eligible for funding.

Eligible Applicants

13. The instructions for submitting a Letter of Interest indicate that applicants which are state agencies should control the administration of Low Income Tax Credits and tax exempt bonds. In our jurisdiction there are multiple jurisdictions with authority over different subsidy sources, such as CDBG, HOME, tax credits and bonds. Can an applicant use Memoranda of Understanding or others means to demonstrate that the proposal includes the support and active participation of such agencies even if the applicant itself does not control all these sources?

Yes.

14. Where there is more than one agency or jurisdiction participating in the proposed initiative, whose officials should sign the letter of interest?

Letters of interest should be signed by the highest officials responsible for the activities proposed. Where more than one agency or jurisdiction is involved, such officials from each agency and jurisdiction should sign the submission or submit separate signed submission letters.

15. Our jurisdiction cannot enter into binding agreements with sub- grantees until a competitive bidding process has been completed. We could not initiate such a process prior to receiving an award from the Foundation. Can we still submit a proposal that identifies the agencies/organizations with whom we would expect to partner even if we do not have a finding MOU in place at the time of submission?

Yes. The Foundation prefers that applications include documented agreement from proposed partners. But we recognize that some jurisdictions' contracting requirements preclude this at the time of submission. In such cases we would expect a clear explanation of these processes and would make any awards contingent on the successful completion of such a process and the submission of executed MOUs when they are available.

16. Is the density of the population in your market or target area a factor in the consideration for funding under this initiative?

There is no minimum population threshold for a successful application.

17. Currently, several jurisdictions in our state -- including large cities, large urban counties, and the state itself -- are undertaking significant housing preservation initiatives. Must these jurisdictions submit a coordinated, single application, or will applications from multiple jurisdictions be considered?

The Foundation expects to provide a total of \$35 million in grants and investments to up to 10 states and localities through these new awards. Prospective applicants should make their own determination about what would be the most effective strategy to leverage outside resources, accelerate change, and increase the preservation of existing affordable homes over time. We encourage those planning to submit a Letter of Interest to review all possible alternatives and choose the one that will best achieve these goals. Formal collaboration among overlapping or adjacent localities is not required, and multiple proposals from a single state will be eligible for consideration. However, because the Foundation is seeking to stimulate increased preservation activity throughout the country, it is unlikely that a majority of its funds will be used to support initiatives within a single geographic region.

18. We are developing a citywide plan to address homelessness by supporting nonprofit organizations that want to develop supportive housing projects. Would we be able to apply for MacArthur funds to support these types of projects?

This program seeks to support innovative strategic efforts that will demonstrably increase the preservation of existing, affordable rental housing. Within this specific context, funds may be used for strategies that are targeted at specific populations or which provide supportive services to tenants. However, the strategies must involve the preservation of existing properties in order to be considered for this program.

19. Can PRI funds be used for direct project financing?

No. However, the funds can be used as part of a pool of funds that is designed to support the preservation of multiple projects through providing flexible capital for predevelopment, property feasibility or acquisition financing.

20. When the Foundation describes wanting to lend to “credit worthy borrowers”, how will the credit worthiness be assessed? Will the applicant’s bond rating be a factor in the decision making? Will PRI loans need to be secured by collateral?

The Foundation makes PRIs to borrowers that have sufficient capacity to execute their proposed plan of work and a credible plan to repay a loan. If the borrower is a public agency with a bond rating, this may be taken into consideration, but there is no minimum rating to be considered “credit worthy”. In many cases PRI loans are structured as general recourse, unsecured loans; if made on a limited recourse basis, the PRI loan may be secured by the pledge of some form of collateral, although this may be done on a subordinate basis. All PRIs typically include loan covenants which require minimum levels of borrower liquidity and/or net worth.

21. When does the Foundation expect to be making its decision about the final awardees for grants and PRIs?

It is expected that most if not all of the awards for States and Local Housing Preservation Leaders will be announced before the end of 2008.