

MACARTHUR

The John D. and Catherine T. MacArthur Foundation

www.macfound.org

Awards for State and Local Housing Preservation Leaders

INVITATION TO SUBMIT LETTERS OF INTEREST DUE: JANUARY 29, 2008

Summary

The MacArthur Foundation intends to provide \$35 million in new funding for innovative public sector initiatives to preserve and improve the existing stock of privately owned affordable rental homes. Eligible applicants are invited to submit Letters of Interest following the guidelines presented below. On or before Friday, March 14, 2008 based upon a review of these Letters of Interest, a limited number of these applicants may be invited to submit full proposals to the Foundation.

After reviewing these proposals, conducting site visits and other due diligence, the Foundation expects to select up to 10 (ten) states and localities to receive awards in 2008. These awards are likely to include grants and/or program-related investments¹ ranging from \$250,000 to a maximum of \$5 million. All of the funds must be used to design, demonstrate or scale up a significant preservation initiative. Eligible expenditures may include collection of relevant housing data, market studies, personnel costs, reasonable compensation to third-party consultants, the provision of financing and other outlays that fulfill the charitable purpose of providing housing affordable to low-income families and/or stimulating community and economic development.

These new awards for State and Local Housing Preservation Leaders are part of the Foundation's expanded commitment to *Window of Opportunity*, a national initiative launched in 2003. Through this initiative, MacArthur is committing \$150 million to the preservation and improvement of affordable rental homes across the U.S. This commitment includes support for policy analysis, data collection and technical assistance to encourage investment in rental housing and sound policies at federal, state and local levels. The Foundation also directly supports 25 mission-driven non-profit housing developers, specialized financial intermediaries, and model preservation programs in New York City and Cook County, Illinois.

To apply for the new awards, eligible applicants must submit a Letter of Interest to the Foundation no later than 5:00 p.m. CST on Tuesday, January 29, 2008. Each Letter of Interest must be submitted electronically on official letterhead signed by an authorized public official. The applicant must be a unit of government that plays a leading role in supporting the preservation of privately owned affordable rental housing. Instructions for the Letter of Interest and additional information about applicant qualifications and eligibility follow.

NOTE: This awards selection process is subject to the Disclaimer and Acknowledgement on Page 7. All Letters of Interest must be submitted in electronic form. Hard-copy submissions will not be accepted.

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.

Program Goals

The Foundation intends to provide a total of \$35 million in grants and program-related investments to state and local governments that have demonstrated outstanding leadership and commitment to preserving and improving affordable rental housing. Through these new awards, the Foundation aims to:

1. Fuel innovative, scaleable preservation strategies that meaningfully reduce the loss of affordable rental housing in a targeted city, county, state or region. Such strategies should also, where feasible, enhance sustainable development, ensure quality housing options in underserved rural, urban and suburban markets, and maintain access to affordable rental housing for special needs populations, including seniors, individuals with physical or mental disabilities, and the formerly homeless.
2. Demonstrate that preservation is sound policy and an essential part of the answer to the nation's growing need for stable, decent, and affordable rental homes – especially in areas with good access to transit, schools, social services and jobs.
3. Raise the visibility of model policies to preserve and improve affordable rental housing, encourage replication, and showcase the positive role that state and localities are playing in bringing preservation strategies to scale.
4. Foster dynamic working partnerships between state and local government, affordable housing developers and managers, investors, community and business leaders, universities and civic institutions committed to addressing the growing need for affordable housing.

“PRESERVING” AFFORDABLE RENTAL HOUSING: A DEFINITION

The MacArthur Foundation considers affordable rental housing preserved when an owner acts to keep rents affordable for low- and moderate-income households while ensuring that the property stays in good physical and financial condition for an extended period.

Preservation projects frequently involve transfer or sale to a new owner, but existing owners can preserve their properties too. All preservation owners must have a clear mission or legal obligation to maintain the affordability of safe, high-quality rental homes. These owners can be nonprofit, for-profit or public entities.

Every privately owned, occupied rental property can be a preservation candidate, whether or not it was developed with prior government assistance. Of course, not every existing property can or should be saved. But long-term subsidy contracts can still be retained by transferring them to a replacement or nearby property.

Eligibility

Applicants. Only the following entities can apply for funding through these awards: a city, county or state governmental body, or a formal collaboration among several governmental units operating in a common geographic region. This applicant should oversee key sources of funding and subsidy for developers and owners of affordable rental housing, including but not limited to Community Development Block Grants, local affordable housing trust funds, and proceeds from tax increment financing districts. State agencies applying for these awards should be responsible for allocating Low Income Housing Tax Credits and private activity bonds, in addition to major state-funded resources for affordable housing. In general, public housing authorities will not be eligible.²

² Public housing authorities that are directly involved in the financing, regulation or operation of affordable rental housing that is not supported by a federal Annual Contributions Contract (i.e., non-ACC housing) could be eligible to apply for the awards or to participate in a public sector preservation initiative supported by the Foundation. Such determinations will be made on a case by case basis upon review of each applicant's Letters of Interest.

Recipients of Funding. Funds made available through these awards may be directed solely to the applicant, or pursuant to a formal Memorandum of Understanding, directed in whole or in part to the following types of organizations:

- One or more government agency(ies) or unit(s) of government;
- Nonprofit entity(ies) created by or affiliated with the lead governmental agency(ies);
- Independent nonprofit organization(s), including universities, research centers, civic groups or industry associations.

In Chicago, for example, the Foundation provided grants to the Urban Land Institute to support coordination of the Preservation Compact (for more information about the Compact, please visit www.chicago.uli.org). Additional activities coordinated through the Compact are funded by the Foundation through direct support to the following organizations: the Real Estate Center at DePaul University, the Chicago Rehab Network, the Center for Neighborhood Technology, the Sargent Shriver National Center on Poverty Law, Local Initiatives Support Corporation, and the Community Investment Corporation.

In New York City, the Foundation has provided grants to a nonprofit affiliate of the City's Housing Department to support data collection, a national preservation symposium, and consultants advising on program development. The Foundation also provided grants to the Furman Center for Real Estate and Urban Policy at New York University and the nonprofit Urban Homesteading Assistance Board. In 2005 the Foundation made a \$5-million program related investment to help establish a \$200-million housing acquisition fund jointly capitalized by the City of New York, several foundations and a syndicate of private financial institutions.

More information about these and other recipients of Foundation support to preserve and improve affordable rental housing can be found at www.windowofopportunity.macfound.org.

Permitted Use of Funds

The Foundation expects that its awards for State and Local Housing Preservation Leaders will include grants and/or program-related investments³ ranging from \$250,000 to a maximum of \$5 million. All of the funds must be used to design, demonstrate or scale up a significant preservation initiative. Eligible expenditures may include collection of relevant housing data, market studies, personnel costs, reasonable compensation to third-party consultants, the provision of financing and other outlays that fulfill the charitable purpose of providing housing affordable to low-income families and/or stimulating community and economic development.

Funds provided by the Foundation through these awards are intended to support planning, demonstration, roll-out or expansion of public sector preservation initiatives. The Foundation does not provide long-term, permanent financing for individual real estate projects nor does it expect to provide ongoing support to the state and local preservation leaders selected for these awards beyond an initial start-up or expansion phase.

NOTE: All funding that may be made available by the Foundation through these awards must comply with applicable law, including relevant regulations of the Internal Revenue Code. Such determination shall be made in the sole discretion of the Foundation based on advice of counsel.

³ 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.

Instructions

To be considered for funding by the Foundation, interested applicants should submit a five-page letter addressing the topics outlined below. The questions listed in each section are intended only as a guide; applicants should use the Letter of Interest to make a clear and compelling case for supporting their preservation initiative. **NOTE:** the maximum length for a Letter of Interest is 5 pages or 2,000 words.

Overview

- How much funding and in what form (grant and/or program-related investment) are you requesting from the Foundation? Over what time period?
- How does your agency and its partner(s) plan to use these and other funds to preserve and improve the privately owned stock of affordable rental housing? (**Note: this may include property subsidized by federal, state, and/or local government, as well as unsubsidized rentals that are affordable**).
- What geographical area will be targeted and why has it been selected? What other areas of particular focus distinguish your preservation priorities (e.g. specific neighborhoods, property types, populations)?
- Which key opportunities and barriers to preservation will your initiative address? What aspects of this activity do you consider more promising and/or innovative?
- How would you describe your overall vision of success and what measures will be used to assess progress?
- Specifically, how many affordable rental homes do you expect to preserve over the next 5-10 years?

Background

- How has your agency previously demonstrated its commitment to preserving affordable rental housing?
- Have you focused on particular populations, geographic areas and/or property types?
- What policies, investments, regulatory reforms or other measures has this past support for preservation activity included (please see "Model Policies" box on page 5 for examples)?
- What were the greatest challenges you encountered in pursuing this work and how have you overcome them?
- What are some of your most notable accomplishments to date – i.e., units preserved, creation of strategic partnerships, new funding etc.?

Proposed Use of Funds

- What total amount of combined public and private investments will be needed to achieve your preservation goals?
- How would the Foundation's funds be used to help raise or leverage these resources?
- What are the specific purposes for which Foundation funds would be used?
- How will these outlays help support an increased volume of preservation activity in your targeted region?

Key Relationships and Governance

- How does your agency cultivate productive relationships with other key local, state and federal agencies, including the U.S. Department of Housing and Urban Development?
- Do you have formal partnerships or collaborations with private sector financial institutions, business leaders, community groups, tenant organizations, representatives from local universities or other relevant organizations? How will these partners contribute to the success of your preservation initiative?
- How will your agency oversee or coordinate preservation activities supported by the Foundation?

MODEL POLICIES TO PRESERVE AND IMPROVE AFFORDABLE RENTAL HOMES

Throughout the country, states, cities and regions are paying greater attention to the need to preserve and improve the existing stock of affordable rental housing. New preservation-oriented policies and practices taking shape across the U.S. include the following:

Better Information and Coordination - Rental housing databases, clearinghouses and project monitors; New risk assessment tools and reports; Improved notice laws (i.e., “early warning” when owners intend to opt-out); Interagency Councils, preservation “ombudsmen,” coordinators, task forces, and “One-Stop Shops” for review and approval of preservation projects; Targeted outreach, training and expert assistance for sellers, buyers, residents and public officials.

Less Red Tape and Greater Regulatory Flexibility– Executive and legislative measures and new administrative practices to clarify, simplify and align relevant program rules and funding; Debt restructuring and concessions to facilitate preservation; Permission to modify loans, subsidies or properties to meet current market/community needs and revitalize aging or distressed properties.

Easier Access to Financing and More Dependable Funding – Creation of public-private funds for predevelopment, acquisition and bridge financing; Tax Credit/Bond set-asides and special “QAP Points” for preservation projects; Dedicated preservation funding sources (e.g., trust funds, special taxes, fees, etc.); Tax relief for long-term preservation owners; Tax and financial incentives to encourage preservation sales and renewal of long-term affordability restrictions.

Increased Support for Long-term Owners – Greater allowance for cash flow distributions to nonprofit owners; Funding and incentives to help owners increase capacity, strengthen financial performance and achieve economies of scale; Adequate fees for asset management and appropriate reserve levels.

Greater Incentives to Innovate with Preservation - Funding targeted to projects serving seniors, the formerly homeless or other special needs populations; Resources and improved financing for preservation properties in rural areas or for owners of smaller, unsubsidized multi-family properties; New grant and loan programs for preservation projects incorporating energy conservation upgrades, mixed-income or transit-oriented development and other “smart growth” strategies.

Supplemental Materials

To provide additional background, applicants may submit one or more of the following documents in electronic form. These documents should accompany the Letter of Interest and be submitted following the instructions provided below.

- Applicant agency’s current strategic plan and/or annual report, if available;
- Existing market study or other analysis of rental housing stock, affordability and preservation challenges issues in relevant region;⁴
- Biographical information on key staff or leadership likely to be involved with the execution of the preservation initiative;
- An initial list of individuals and/or organizations expected to provide oversight and leadership for the proposed preservation initiative.

⁴ Successful applicants invited to submit a full proposal for multi-year funding will be asked to provide a baseline analysis of the current housing market in the targeted jurisdiction(s) that includes: identification of affordable rental housing that is in danger of being lost; an estimate of likely future losses over the next five years based on reasonable expectations absent the proposed strategies and actions to be supported through these awards; specific and measurable goals that will be pursued.

Submission Procedures

All Letters of Interest and required attachments must be submitted to the Foundation by 5:00 p.m. CST Tuesday, January 29, 2008. NOTE: Only electronic submissions will be accepted; documents transmitted by mail, courier or facsimile will not be considered. All Letters of Interest should be on official letterhead and signed by an authorized public official.

Submissions must be sent to the Foundation by email using the following address: housing@macfound.org. The subject line should read: *“MacArthur Housing Preservation Awards - Letter of Interest for [STATE/LOCALITY]”*

The Foundation will send each applicant an automatic email confirming receipt of the Letter of Interest.

Applicants who do not receive an email confirmation by 12:00 Noon CST on Friday, February 1, 2008 should contact Marion Goldfinger at 312-726-8000. Please do not contact the Foundation by phone unless you experience technical difficulties with your electronic submission. If you have questions about the awards selection process or need additional information in order to prepare your Letter of Interest, please follow the instructions below.

Notification

On or before **Friday, March 14, 2008**, the Foundation will contact each applicant that submitted a complete Letter of Interest. The Foundation expects to invite full proposals from 15-20 applicants; no more than 10 preservation initiatives are likely to be selected for actual funding through these awards. Applicants who are invited to proceed with the next phase of the selection process will receive written instructions for submitting a full proposal and the Foundation’s timetable for completing its review.

Questions and Additional Information

All 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 send a reply within no more than five (5) business days. Responses to frequently asked questions about the awards and the selection process will be posted at www.windowofopportunity.macfound.org. Interested applicants should check the site periodically for updates.

Conference Call Contact List

The Foundation plans to hold a conference call for applicants to ask questions about the awards on Wednesday, December 19, 2007 at 12:00 Noon CST. To participate in this conference call, please send an email as soon as possible to housing@macfound.org. The subject line must read: *“MacArthur Housing Preservation Awards – Contact Information for [STATE/LOCALITY].”*

Prospective applicants may list up to three individuals to be notified. For each contact, please provide full name, title, organization, phone number, mailing address and email address.

Disclaimer and Acknowledgement

Nothing herein represents a commitment by the Foundation to make any program-related investments or grants to any entity participating in, responding to, or submitting subsequent information in response to this invitation to submit Letters of Interest for funding.

The Foundation fully reserves the right to terminate, alter or suspend this process at any time. By submitting an application or information pursuant to this invitation to submit a Letter of Interest, each applicant shall be deemed to have acknowledged that the Foundation shall have no obligation to make any grant or program-related investment and shall have no liability to any applicant or other person or entity should it determine not to proceed with this process or to make any grants or program-related investments. **It is further understood that any grant or program-related investment that may be considered pursuant to this process must satisfy certain legal criteria in the sole discretion of the Foundation.**

All information and applications submitted to the Foundation shall become the property of the Foundation to be used for its internal purposes. Information submitted by applicants may be shared with third-parties engaged to assist the Foundation with the selection process for these awards.

About the *Window of Opportunity* Housing Preservation Initiative

In 2003 the Foundation launched a \$50-million national initiative, *Window of Opportunity*, to help preserve and improve affordable rental housing across the United States. Funding provided through the initiative has enabled national and regional nonprofit housing developers to demonstrate new, cost-effective ways to acquire, recapitalize and renovate existing rental properties. In New York City, MacArthur helped establish a \$200-million acquisition fund that aims to preserve 30,000 low-cost rentals. In Cook County, Illinois, the Foundation and the Urban Land Institute brought together leaders in the public, nonprofit and private sectors to create the Preservation Compact, a comprehensive action plan to preserve and improve 75,000 affordable rental homes by 2020.

To build on this success and accelerate the spread of promising policies and practices, the Foundation has tripled its support for the *Window of Opportunity* initiative to \$150 million. We expect this investment will directly help preserve and improve at least 300,000 affordable rental homes nationwide. More broadly, we hope to make it easier, faster and more cost-effective for rental property owners to retain and renew the existing affordable stock and, ultimately, to help reverse the loss of existing, affordable rental homes by stimulating reforms that provide the resources and incentives needed to preserve at least one million units over the decade ahead.

About the MacArthur Foundation

The John D. and Catherine T. MacArthur Foundation is a private, independent grantmaking institution helping to build a more just and sustainable world. Through the support it provides, the Foundation fosters the development of knowledge, nurtures individual creativity, strengthens institutions, helps improve public policy, and provides information to the public, primarily through support for public interest media. With assets of more than \$6.4 billion, the Foundation makes approximately \$260 million in grants annually.

The *Window of Opportunity* housing preservation initiative is part of MacArthur's larger program focused on stable, affordable housing with a special emphasis on rental housing. The Foundation welcomes inquiries about this work and encourages interested parties to contact recipients of its support and other housing leaders. For more information, including organizations and resources to help preserve and improve affordable rental housing, please visit www.windowofopportunity.macfound.org.