

**Bank of America Merrill Lynch**

# **Low-Income Housing Challenge 2020**

## **Deadline for Registration: Wednesday, January 23, 2020 Noon PT**

What: The Bank of America Merrill Lynch Low-Income Housing Challenge (the “Challenge”) is a team ‘business plan’ competition for undergraduate and graduate students to provide a proposal for the development of housing for low-to-moderate income residents. The purpose of the Challenge is to inform, educate, and attract the next generation of affordable housing professionals. The Bank seeks projects that will exemplify affordable-housing development in the current economic and fiscal climate while demonstrating excellence in design and sustainability.

Who: Teams comprised solely of undergraduate and graduate students. We recommend each team have individuals with finance, architecture, planning, and policy backgrounds. Each team may also have an academic advisor and developer sponsor. Bank of America Merrill Lynch can introduce teams to potential developer sponsors.

Why: Obtain invaluable experience learning to develop affordable housing projects; access development, finance, planning, and architecture leaders; receive school credit (if applicable); be recognized as a Challenge participant; and, possibly, win the competition.

The winner will be recognized at the annual Challenge celebration event and will be provided access to key leaders in the affordable housing industry.

When: May 14, 2020

Where: San Francisco, California

### Important Dates:

1. **Registration:** January 23 at noon Pacific
2. **Introductory Session – 1 Hour:** January 28 at 12:00 p.m. Pacific
3. **Finance Session – 2 Hours:** February TBD, 2019 10:00 a.m. Pacific
4. **Submit Initial Proposal:** February 18\*
5. **Notification of Acceptance of Proposal:** February 21\*
6. **Proposal Feedback Sessions – 2 Hours:** To-Be-Determined – From February 24 to February 28
7. **Submit Draft Financing Plan:** March 11 at 10 a.m. Pacific
8. **Review of Draft Financing Plan – 1 Hour:** March 12 to April 9
9. **Submit Proposal for Regional Competition (if necessary):** April 16\*
10. **Oral Presentation for Regional Competition (if necessary):** April 23 in person at regional site or via conference call\*
11. **Notification of Acceptance for Final Competition (if necessary):** April 24\*
12. **Submit Proposal for Final Competition:** May 7
13. **Submit Multimedia Presentation:** May 11
14. **Oral Presentation Final Competition and Celebration:** May 13 or 14 in San Francisco, California

*\*DATES ARE SUBJECT TO CHANGE*

## Project Requirements

The Challenge is seeking feasible and creative solutions to address our Nation's significant lack of affordable housing. Since the Bank's goal is for your proposed project to be built, we suggest focusing on feasibility while remembering that creativity is what wins this challenge.

The project requirements set forth below are provided solely to ensure the project meet the needs of low-to-moderate income families.

- **Project Type:** Rental or For-Sale, or a combination.
- **Affordability:** Projects must address the affordability needs within the project's geography.
  - **Rental:** A project must qualify for an allocation of federal Low-Income Housing Tax Credits ("LIHTC") from the agency that awards credits in the project's state or demonstrate feasibility without LIHTC. In addition, at least
    - 20% of the *project's* units must be affordable, and
    - 60% of the *affordable* units must be for families earning at or below 50% of Area Median Income ("AMI")
  - **For-Sale:** All units must be for families earning at or below 120% of AMI
- **Mixed-Use:** Mixed-use projects are acceptable, provided that the
  - Non-residential component comprises a minority of total developed square footage,
  - Non-residential component comprises a minority of total development costs, and
  - Affordable residential component does not subsidize the operations of the non-residential component

## Judging criteria

Projects will be judged based on the following criteria and weights:

- Project Finance – 35%: Financing scheme; cost effectiveness; source feasibility and reliability
- Project Design – 20%: Site plan and architectural renderings; planning and zoning; green building
- Community Impact and Support – 20%: Identification and fulfillment of affordable housing need; supportive service or special-needs housing; neighborhood acceptance, non-profit partnerships; political cooperation
- X Factor – 25%: Innovativeness; creativity; quality of the proposal; feasibility

## Registration

Each team must have a minimum of three members and a maximum of seven members.

Please register by following the directions at <http://corp.bankofamerica.com/business/ci/landing/low-income-challenge>. The registration must include both the registration form and name and likeness release.

## **Introductory session**

Each team must have a minimum of two team members attend the webinar introductory session. The introductory session will include an overview of the Challenge and its rules, highlight important deadlines, and provide an opportunity for participants to ask questions.

## **Finance session**

Each team must have a minimum of one team member attend the finance session. The finance session will provide an overview of affordable housing financing, including subsidy sources, the low-income housing tax-credit equity, construction loans, and permanent loans. *The competition emphasizes finance so we suggest more than one team member attend.*

## **Initial Proposal**

The Proposal is your opportunity to provide a high level summary and analysis of your proposed project. The proposal must not exceed 10 pages of text and 10 pages of appendixes; there is no minimum page number. The proposal should summarize the market, site, entitlements, design concept, and financing structure. It may also be helpful to consider resident services and community engagement and the development timeline, as the final Project Submission requires those elements. The finance discussion must include an operating proforma summary and construction and permanent sources and uses. Please refer to the Project Submission section for more detail on the areas to be included in the proposal.

The Proposal must be submitted in pdf format to the provided online file sharing system **and** emailed to Rob Reinhardt at [robert.reinhardt@baml.com](mailto:robert.reinhardt@baml.com) and Ann-Marie Olsson at [ann-marie.olsson@baml.com](mailto:ann-marie.olsson@baml.com) by noon on the due date.

Notification will be provided within 2 business days as to whether the team has been invited to submit a Project Submission. Any team that is not invited to make a Project Submission may request feedback from Rob Reinhardt at [robert.reinhardt@baml.com](mailto:robert.reinhardt@baml.com).

## **Proposal feedback sessions**

All applicants will be invited to two 25-minute feedback sessions with the Bank's jury panel to discuss each proposal in greater detail; one session will focus on finance and the market and the other on the design concept, the site, and entitlements. Applicants should assume the jury will have read the proposals in advance of the meetings and should utilize the time to ask questions and seek advice from the jury. Upon notification of the acceptance of your team's proposal, you will be requested to schedule a time for the feedback sessions. At minimum, two team members must be present at each feedback session.

## **Draft financing plan**

Each team must submit a substantially complete draft financing plan to a designated Bank of America Merrill Lynch lender (construction and permanent) or equity investor to obtain feedback on their proposed financing plan. The draft financing plan is a draft of the Project's Financing Structure (see section below) with exhibits and models in excel format. After submitting the draft financing plan, each team will have a conference call with the lender or equity investor to receive feedback; please be prepared to verbally describe the Project. After receiving feedback, each team must resubmit the financing plan to the lender or investor to receive a term sheet (educational use only). The term sheet is required for the Project Submission.

## **Project Submission**

Due to increasing interest in the Challenge, Bank of America Merrill Lynch may implement a regional competition to limit the number of teams presenting in the Final Competition in San Francisco. Upon proposal acceptance, teams will be notified if there is a regional competition. If no regional competitions are required, the dates detailed above may be modified.

The project submissions for the regional competition and final competition will include a written proposal and an oral presentation whose requirements are detailed below. Teams invited to the final competition will have the opportunity to amend their written proposal. The primary difference between the regional and final competition relates to the depth of the proposal required, which is reflected in the maximum written proposal length and oral presentation time allotted.

### Written Proposal

Proposals should consist of the following sections and materials. The body of the proposal should not exceed 30 pages for the regional competition and 50 pages for the final competition, and applicants are free to submit less-lengthy proposals should they feel that they can present the project effectively with a shorter submittal. Applicants may incorporate figures and/or tables in any section of the proposal to accompany a narrative discussion; these elements will be treated as body material and will be counted toward the page limit. Optional appendices may exceed the page limit.

The written proposal may be uploaded to the competition website after the Celebration.

**Executive Summary** – A five-page (maximum) summary that highlights the key points necessary for the jury to judge your proposal. The Executive Summary is the most important part of the proposal and you should assume the jury refers to the body of the written proposal only to augment points detailed in the executive summary. The executive summary include a table showing project's construction and permanent sources and uses. The executive summary is counted toward the page maximum.

**The Market** – Applicants should introduce the geographic area where the project will be located and describe the socio-economic conditions that render the subject location ideal for affordable housing. Specifically, applicants should address how the type and size of the project they are proposing (e.g. for-sale or rental, number of units, unit size) both is appropriate for the market the project intends to serve and aims to achieve maximum socio-economic impact, including the differential between the affordable and market rental rate/sale cost. As absorption of the affordable units is a crucial component in evaluating the risk profile of the project, the proposal should include a discussion of available affordable-housing stock in the market, an approximation of the number of income-eligible residents available to occupy the project, and the market and affordable vacancy rate.

Applicants also are encouraged to summarize the approved housing element of the jurisdiction's general plan as it pertains to providing affordable or diverse housing in the community, noting the community's progress to date in meeting the housing needs of its residents.

**The Site** – Applicants should introduce the specific site where the project will be located and discuss:

- The site’s current use and existing improvements, if any
- The site’s current ownership status, along with plans for acquisition of the site for use in the project
- The site’s soil, infrastructure, and environmental conditions, including any special considerations or remediation that will be necessary to render the site suitable for developing the project

Applicants are strongly encouraged to include maps or aerial photographs to depict the site location at both a macrocosmic (city/county/area) and a microcosmic (neighborhood) level.

**Entitlements** – Applicants should introduce the planning and zoning framework for developing the project and discuss:

- The site’s current zoning designation
- The site’s current permitted uses
- The site’s current architectural, building, design, and massing requirements, including (to the extent they are codified or regulated):
  - Density
  - FAR
  - Height/Bulk
  - Setbacks and open space
  - Off-street parking
  - Signage
  - Trees and foliage

**Design Concept** – Applicants should provide an overview of the proposed project with respect to both type/size (consistent with discussion of the market as requested above) and overall physical attributes, including construction type, building materials, design philosophy, and sustainability. Should any of these elements deviate from the site’s current planning and zoning status, applicants should (1) identify the specific variances, (2) describe the process for obtaining approval of the variances, and (3) project the likelihood of obtaining approval, given the jurisdiction’s policies and practices.

Applicants also are strongly encouraged, to the extent they are able, to provide renderings of the project that can aid the selection panel in fully appreciating the design concept. These renderings may consist of one or more of the following:

- Site plans
- Floor plans
- Building elevations
- Building perspectives

Any renderings included in the proposal will count toward the page limit.

Apart from any planning or zoning considerations, design concepts should conform to all applicable building and safety requirements and be compatible with the target population. Specific discussion of this compliance is not required, but should be evident in the proposal.

**Resident Services and Community Engagement** – Applicants should address the need, if any, for any supportive services to ensure and/or enhance the well-being of the project’s target population and discuss the availability of these services to the project’s residents, including any accommodations proposed to offer these services onsite. Applicants also should identify potential stakeholders among both the target population and the community at large, summarizing the strategy and methods for obtaining their endorsement of the project. Applicants are not required to have undertaken community engagement in advance of submitting the proposal, although discussion of any successful engagement to date will be considered favorably.

**Financing Structure** – Applicants should discuss the project’s financial feasibility at both the development and operating stages, demonstrating how sufficient sources will be available to build and maintain the project over the long term. This section should include:

- In separate subsections, itemizations of the project’s construction and permanent sources of funds, noting:
  - The provider of the source
  - The source’s pricing and repayment terms, if any
  - The underwriting terms imposed by the provider on the project, especially any debt-service-coverage, loan-to-value, loan-to-cost, or occupancy requirements
  - The availability of the source generally, including the timing and size of any funding or application rounds
  - The availability of the source in the specific amount needed, including a discussion or calculation to show how the amount was derived, as well as how the project qualifies for that amount
- A development budget (or sources and uses statement) that couples itemized architectural/design, acquisition, construction, and financing costs to available sources; this budget should show sufficient sources to cover total development costs
- For a for-sale project, a schedule that details the proceeds available for any required repayment of construction financing from the sale of project units; sales prices must be supported by available mortgage or subsidy products that can facilitate homeownership by low-to-moderate-income buyers. This schedule should show sufficient sales proceeds to retire any must-pay construction debt
- For a rental project, an operating budget (or proforma) that details how effective gross income (through gross residential rents and other income) will cover assumed operating expenses and must-pay debt service; this budget should show net cash flow that is breakeven or better for a minimum of 15 years from the time the project is placed in service. Projects with operating deficits should demonstrate the availability of sufficient subsidy sources or withdrawals from capitalized/impounded reserves to achieve breakeven net cash flow. Subsidies should be treated as permanent sources of funds and detailed in that subsection of the proposal. If less than 60% of the units are for families earning less than 50% AMI, a detailed description of the reasons why more affordable units is not feasible, must be included.

Applicants also should address the financing of the non-residential components of their projects to the extent applicable.

**Development Timeline** – Applicants should include a plausible timeline for financing, constructing, and completing the project, noting any applicable milestones for requesting/receiving sources of funds, commencing construction, and placing the project in service. These milestones should conform to the requirements established by the project’s sources of funds. The development timeline should target a date of no later than 48 months from proposal submission for substantial completion, defined as (1) completion of construction and receipt of certificates of occupancy, (2) closing on all permanent financing, and (3) either sale of all for-sale units or lease-up of at least 75 percent of all rental units.

**Developer Capacity** – Applicants should include résumés or biographical summaries for their principals, noting any prior experience in real-estate development or finance. Proposals also should include a narrative introduction of any developer-partners, noting recent affordable-housing projects undertaken by those organizations.

**Work Product Disclosure** – Applicants should identify any elements of their proposal that was not prepared primarily by themselves, including (1) any that are substantial replications, in whole or in part, of the work product or intellectual property of their developer-partners and (2) any that were obtained on a fee-for-service basis from a third-party provider.

**Required Appendices:**

- An executive summary of the proposal (to be appended to the front of the submittal)
- Letters of interest or Terms Sheets/Commitment Letters (Educational-use-only) from Bank of America Merrill Lynch (the Bank can provide a list of underwriters to contact) or prospective equity investors (the Bank can provide a list of potential equity investors)

**Optional Appendices** – Applicants may, but are not required to, submit additional materials in support of their proposals. These items will not count toward the page limit. They may include, but not be limited to:

- Letters of endorsement from project stakeholders to evidence community engagement
- Documentation to support the project’s eligibility to receive financing, including scoring projections for LIHTC, Federal Home Loan Bank Affordable Housing Program, and other application rounds
- Educational-use-only term sheets or commitment letters from public/philanthropic subsidy providers and other sources of subordinate financing

Aside from the executive summary, appendices should not consist of original work product, but instead should comprise third-party content or the completion of third-party documentation or forms. Appended material considered to be similar in form or substance to the body of the proposal, or more appropriately included therein, will count toward the page limit and, if found to exceed the limit, will be viewed unfavorably.

## **Oral presentation**

The Oral Presentation is approximately 25-minutes for the regional competition and 45-minutes for the final competition and provides an opportunity for teams to summarize and supplement the written Project Submission, and for the Jury to ask detailed questions. Historically, the emphasis of the Oral Presentation has been the Jury asking questions. We recommend the team bring visual aids to assist in the presentation and a projector will be provided. In addition, each team member is required to either present or answer questions from the Jury.

## **Multimedia Presentation**

Each team invited to the final competition must prepare a multimedia presentation that will be shown at the celebration that is a maximum of 5 minutes. The presentation should provide an overview of the project with minimal emphasis on the financial components of the project. The presentation must be submitted to a dropbox folder by noon of the due date. Lastly, the winning team may have the presentation be uploaded to the competition website.

## **Below are a list of helpful Links and Resources**

[Novogradac Affordable Housing Resource Center](#)  
[Novogradac Low-Income Housing Tax-Credit — State Tax Credit Allocating Agencies](#)  
[Affordable Housing Investors Council — Tools & Resources](#)  
[Federal Home Loan Bank — Affordable Housing Program](#)  
[National Low Income Housing Coalition](#)  
[Make Room USA](#)

### **Arizona**

[Arizona Department of Housing](#)

### **California**

[Non-Profit Housing of Northern California — Resources](#)  
[Southern California Association of Non-Profit Housing](#)  
[California Tax Credit Allocation Committee](#)  
[California Debt Limit Allocation Committee](#)

### **Nevada**

[Nevada Housing Division](#)

### **Oregon**

[Oregon Housing and Community Services](#)  
[Oregon Opportunity Network](#)  
[Housing Development Center](#)  
[Portland Housing Bureau](#)

### **Washington**

[Washington State Housing Finance Commission](#)  
[Seattle Office of Housing](#)  
[King County Housing and Community Development](#)  
[Housing Development Consortium of King County](#)  
[A Regional Coalition for Housing \(ARCH\)](#)  
[Affordable Housing Consortium of Pierce County](#)

## **Questions**

Applicants should feel free to contact Ann-Marie Olsson at [ann-marie.olsson@bamf.com](mailto:ann-marie.olsson@bamf.com) (telephone: 415.913.3368) with any questions concerning these guidelines. Applicants should not contact any member of the Bank's jury panel during the Challenge.