



**Request for Qualifications
for
Market Study Analysts
And/Or Appraisers
Of Commercial Property**

INTRODUCTION

Through this Request for Qualifications (“RFQ”), Rhode Island Housing seeks to identify qualified firms to provide appraisals and market studies for multi-family housing.

INSTRUCTIONS

One (1) original(s) and two (2) copies of the proposal should be submitted to Rhode Island Housing, 44 Washington Street, Providence, Rhode Island 02903-1721, Attn: Anne Berman, Asst. Director of Development. Please also direct a courtesy copy by email to: aberman@rhodeislandhousing.org. Proposals should be concise and include all attachments and work samples. Proposals should be presented on business letterhead.

Proposals must be received no later than 5:00 EST p.m. on February 24, 2017.

Respondents are advised that all submissions (including those not selected for engagement) may be made available to the public on request upon completion of the process and award of a contract(s).

SCOPE OF WORK

Please see the Scope of Work provided at Attachment A.

ITEMS TO BE INCLUDED WITH YOUR PROPOSAL

A. General Firm Information

1. Provide a brief description of your firm, including but not limited to the following:
 - a. Name of the principal(s) of the firm.
 - b. Name, telephone number and email address of a representative of the firm authorized to discuss your proposal.
 - c. Address of all offices of the firm.

- d. Number of employees of the firm.
- e. Identify any relationships that you have with other appraisal firms.

B. Experience and Resources

1. Describe your firm and its capabilities. In particular, support your capacity to perform the Scope of Work.
2. Indicate which principals and associates from your firm would be involved in providing services to Rhode Island Housing. Provide appropriate background information for each such person and identify his or her responsibilities.
3. Please include a current client roster, including a lead contact name and telephone number for each..
4. Identify any conflict of interest that may arise as a result of business activities or ventures by your firm and associates of your firm, employees, or subcontractors as a result of any individual's status as a member of the board of directors of any organization likely to interact with Rhode Island Housing.
5. Identify any material litigation, administrative proceedings or investigations in which your firm is currently involved. Identify any material litigation, administrative proceedings or investigations, to which your firm or any of its principals, partners, associates, subcontractors or support staff was a party, that has been settled within the past two (2) years.
6. Describe how your firm will handle actual and or potential conflicts of interest.
7. Appraiser must include at least one (1) sample appraisal report of a commercial residential property of a minimum of forty units. Samples reports must be for multi-family properties that contain at least 20% affordability and/or low income housing tax credits and/or HUD Project Based Section 8 assistance.
8. Market Studies respondents must include at least one (1) sample feasibility study for a multi-family development of a minimum of forty units that includes units restricted under the low income housing tax credit program.

C. Miscellaneous

1. Rhode Island Housing encourages the participation of persons of color, women, persons with disabilities and members of other federally and State-protected classes. Describe your firm's affirmative action program and activities. Include the number and percentage of members of federally and State-protected classes who are either principals or senior managers in your firm, the number and percentage of members of federally and State-protected classes in your firm who

will work on Rhode Island Housing's engagement and, if applicable, a copy of your Minority- or Women-Owned Business Enterprise state certification.

2. Discuss any topics not covered in this Request for Proposals that you would like to bring to Rhode Island Housing's attention.

D. Certifications

1. Rhode Island Housing insists upon full compliance with Chapter 27 of Title 17 of the Rhode Island General Laws, Reporting of Political Contributions by State Vendors. This law requires State Vendors entering into contracts to provide services to an agency such as Rhode Island Housing, for the aggregate sum of \$5,000 or more, to file an affidavit with the State Board of Elections concerning reportable political contributions. The affidavit must state whether the State Vendor (and any related parties as defined in the law) has, within 24 months preceding the date of the contract, contributed an aggregate amount in excess of \$250 within a calendar year to any general officer, any candidate for general office, or any political party.
2. Does any Rhode Island "Major State Decision-maker," as defined below, or the spouse or dependent child of such person, hold (i) a ten percent or greater equity interest, or (ii) a Five Thousand Dollar or greater cash interest in this business?

For purposes of this question, "Major State Decision-maker" means:

(i) All general officers; and all executive or administrative head or heads of any state executive agency enumerated in § 42-6-1 as well as the executive or administrative head or heads of state quasi-public corporations, whether appointed or serving as an employee. The phrase "executive or administrative head or heads" shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel or chief of staff;

(ii) All members of the general assembly and the executive or administrative head or heads of a state legislative agency, whether appointed or serving as an employee. The phrase "executive or administrative head or heads" shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel or chief of staff;

(iii) All members of the state judiciary and all state magistrates and the executive or administrative head or heads of a state judicial agency, whether appointed or serving as an employee. The phrase "executive or administrative head or heads" shall include anyone serving in the

positions of director, executive director, deputy director, assistant director, executive counsel, chief of staff or state court administrator.

If your answer is “Yes,” please identify the Major State Decision-maker, specify the nature of their ownership interest, and provide a copy of the annual financial disclosure required to be filed with the Rhode Island Ethics Commission pursuant to R.I.G.L. §§36-14-16, 17 and 18.

3. In the course of providing goods or services to Rhode Island Housing, the selected respondent may receive certain personal information specific to Rhode Island Housing customer(s) including, without limitation, customer names and addresses, telephone numbers, email addresses, dates of birth, loan numbers, account numbers, social security numbers, driver’s license or identification card numbers, employment and income information, photographic likenesses, tax returns, or other personal or financial information (hereinafter collectively referred to as the “Personal Information”). The maintenance of the Personal Information in strict confidence and the confinement of its use to Rhode Island Housing are of vital importance to Rhode Island Housing. Please include a letter from your president, chairman or CEO certifying that, in the event your firm is selected:

- (i) any Personal Information disclosed to your firm by Rhode Island Housing or which your firm acquires as a result of its services hereunder will be regarded by your firm as confidential, and shall not be copied or disclosed to any third party, unless Rhode Island Housing has given its prior written consent thereto; and

- (ii) your firm agrees to take all reasonable measures to (a) ensure the security and confidentiality of the Personal Information, (b) protect against any anticipated threats or hazards to the security or integrity of the Personal Information, and (c) maintain reasonable security procedures and practices appropriate to your firm’s size, the nature of the Personal Information, and the purpose for which the Personal Information was collected in order to protect the Personal Information from unauthorized access, use, modification, destruction or disclosure; and

- (iii) when discarding the Personal Information, it will be destroyed in a commercially reasonable manner such that no third party can view or recreate the information, electronically or otherwise.

These provisions, which implement the requirements of the Rhode Island Identity Theft Protection Act, R.I.G.L. § 11-49.2 et seq., will also be incorporated into the final contract with the selected respondent(s).

4. Please include a letter from your president, chairman or CEO certifying that (i) no member of your firm has made inquiries or contacts with respect to this Request for Proposals other than in an email or written communication to Anne Berman, aberman@rhodeislandhousing.org seeking clarification on the Scope of Work set forth in this proposal, from the date of this RFP through the date of your proposal, (ii) no member of your firm will make any such inquiry or contact until after February 24, 2017, (iii) all information in your proposal is true and correct to the best of her/his knowledge, (iv) no member of your firm gave anything of monetary value or promise of future employment to a Rhode Island Housing employee or Commissioner, or a relative of the same, based on any understanding that such person's action or judgment will be influenced and (v) your firm is in full compliance with Chapter 27 of Title 17 of the Rhode Island General Laws, Reporting of Political Contributions by State Vendors.

EVALUATION AND SELECTION

A selection committee consisting of Rhode Island Housing employees (the "Committee") will review all proposals and make a determination based on the following factors:

- Professional capacity to undertake the Scope of Work
- Work Samples Ability to perform within time and budget constraints
- Level of appraisal and/or market feasibility experience for lending purposes
- Previous work experience and performance with Rhode Island Housing and/or similar organizations
- Review of current client list
- Firm minority status and affirmative action program or activities
- Previous work performance with properties directly related to Rhode Island Housing lending, underwriting and disposition efforts, including quality of work and turn-around time
- Other pertinent information submitted.

Rhode Island Housing may invite one or more finalists to make presentations.

In its sole discretion, Rhode Island Housing may negotiate with one or more firms who have submitted qualifications to submit more detailed proposals on specific projects as they arise.

By this Request for Proposals, Rhode Island Housing has not committed itself to undertake the work set forth. Rhode Island Housing reserves the right to reject any and all proposals, to rebid the original or amended scope of services and to enter into negotiations with one or more respondents. Rhode Island Housing reserves the right to make those decisions after receipt of responses. Rhode Island Housing's decision on these matters is final.

For additional information contact: Anne Berman, aberman@rhodeislandhousing.org.

Attachment A

Scope of Work

REQUIREMENTS FOR APPRAISAL ASSIGNMENTS

Rhode Island Housing requires appraisals for all loans, whether a proposal is for the acquisition and/or rehabilitation of an existing property, or for the construction of new rental housing (the "Appraisal").

The principal purpose of the Appraisal is to estimate both the market value and the investment value of a property. The definition of market value shall be consistent with the Uniform Standards of Professional Appraisal Practice ("USPAP"). The Appraisal will be used by Rhode Island Housing to help underwrite the risk and evaluate the security for the loan. Appraisals must be performed by state-certified appraisers.

I. Form of Appraisals.

- A. Small Residential Rental Property. Small residential rental properties are buildings that contain from two to four dwelling units, all of which are used for residential rental purposes. Appraisals of small residential rental properties must be made on the current Federal Home Loan Mortgage Corporation (FHLMC) Appraisal Report – Small Residential Income Rental Property, Freddie Mac Form 72 and Fannie Mae Form 1025. The form must be fully completed by a state-certified appraiser with accurate and current information.
- B. Residential and Commercial Income Property. Residential and commercial income property includes all buildings that contain one or more non-residential income producing unit, five or more residential rental dwelling units, or a combination of non-residential income producing units and residential rental dwelling units. Appraisals of residential and commercial income properties must be in a narrative form consistent with the appraisal standards of the USPAP requirements and shall include the following:
 - 1) An "as is" estimate of value;
 - 2) An opinion of the highest and best use of the property;
 - 3) The appraiser's certification;
 - 4) The appraiser's assumptions and all contingent and limiting conditions of the Appraisal (as well as special situations, unusual variables, and/or evidence of deterioration or obsolescence);
 - 5) A detailed description of the property and the market area in which the property is located;
 - 6) A legal description of the site;
 - 7) A description of any zoning restrictions, special assessments of record, and easements and covenants of record;

- 8) A three year sales history of the site;
- 9) Physical information about the development including site width, frontage and depth, available utility connections and restrictions, contour, topography and landscape features and unusual site features;
- 10) Pictures of the building and site;
- 11) Pictures of comparable sales and location map for comparable sales;
- 12) A final opinion of market value derived from analyzing capitalized value, replacement cost, and comparable sales prices; and
- 13) A final opinion of investment value utilizing a discounted cash flow approach.

II. Appraisal Requirements.

All Appraisals shall provide a market valuation under assumptions and requirements specified below. In addition, all appraisals, *except for* Small Residential Rental Property appraisals must provide an investment valuation under assumptions and requirements specified on pages 3 –4 of this document.

A. Market Valuation. The following market values should be derived without taking into account the benefits and limitations of subsidies and rent restrictions applicable to the property.

- 1) Capitalized Value. Each Appraisal shall reflect a capitalized value of the development. In analyzing capitalized value, the Appraisal must estimate net income based upon and supported by current market rents, vacancy rates and operating expenses for similar units in comparable developments. Comparable developments are those that provide amenities and contain living space similar to that provided by the property under valuation. Any variations in services, amenities and unit sizes must be reflected by reasonable adjustments to the rents, vacancy rates and operating expenses for the comparable development to derive the estimated net income. Rental income must be trended to the expected completion date of the development. In estimating rental rates, rental data on subsidized development may not be used as a comparable.

For developments that are occupied at the time of the Appraisal, the appraiser must analyze the operating history of the property. Estimates of future performance need not be identical to the development's historical performance, but any differences should be reasonable and explained by comment. The Appraisal must also identify the current rents for the development and the current vacancy rate.

The capitalization rate and the discount rate should be based upon current rates of investment and return for comparable risk rental properties and current market rents for debt for income producing properties. Documentation

supporting the rates used and an analysis of the method used to derive the capitalization rate and the discount rate must be included in the Appraisal.

- 2) Replacement Value. The cost approach should be utilized, including estimate of land value, regardless of the age of property. Replacement value must be based on cost estimates that reflect the general level of costs necessary to build a similar development in new condition. The Appraisal must include references for the sources of cost data used by the appraiser. This may include cost service index references or development cost estimates through analysis of comparable square footage construction cost data.
 - 3) Comparable Sales Value. The comparable sales are based upon the principle that an investor will not pay more to buy a property than it will cost to buy a comparable substitute property. The objective of this approach is to deduce from other sales of comparable properties the amount that the property under evaluation would bring on the open market. Comparable sales prices must be adjusted to reflect any differences between the comparable properties and the property under valuation. Adjustments for unit sizes, unit composition, amenities, special tax benefits, sales concessions, location and time since date of comparable sales must be considered in developing the comparable sales value. Each Appraisal must include at least three different properties for comparison. All adjustments must be noted and explained in the Appraisal. The market area from which comparable sales were selected should be defined and supported by narrative explanation. Any comparable sales in the market area that were not included should be noted and explained. If the appraiser documents that there have not been comparable sales in the market, area, an analysis of comparable sales value need not be included in the Appraisal. The appraiser should explain the reason for the lack of comparable sales. A sales location map relating to the sales to the subject is requested.
- B. Investment Valuation. An investment value should be derived utilizing the discounted cash flow approach. The appraiser must estimate net income taking into account applicable income and rent restrictions pursuant to the public funding sources received by the development. Capitalization and discount rates employed should reflect the favorable financing to the property, including any below market first or second mortgage financing. Also, a description of the specific methodology and source of data on capitalization and discount rates and tax benefits should be included in the narrative.

Tax benefits derived from the utilization of low-income housing tax credits should also be factored into the valuation analysis as they represent an additional value to the property. The investment value includes tax credit benefits such as the 10-year tax credits, cash flow from the development, depreciation losses, and some residual value or proceeds after the obligations have been satisfied. This value of the tax benefits can then be added to the value of the real estate derived from the discounted cash flow approach. This combination will form a total

investment/collateral value for the development. A sample of such an analysis is attached for your review.

If rental subsidies will be available to the development, then the appraiser may consider these subsidies in projected rents during the term of the subsidy contract. When rental subsidies will not be available, then the appraiser should consider the lower of market rent or the maximum allowable rent pursuant to public funding sources received by the project (such rent limitation will be specified in the Rhode Island Housing engagement letter and/or supporting documentation). If a development is proposed to include both "market rate" and "affordable" units, then the appraiser should consider (i) market rents for the market rate units and (ii) the lower of market rents or "affordable" rents pursuant to restrictions of public funding sources (including Rhode Island Housing) for the "affordable" units.

Total Valuation including Investor Tax Benefits

Discount Rate: 15%

Year	Tax Credit Benefits	Other Benefits*	Total Benefits	PV Factor	Present Value
1	\$10,653	\$21,445	\$32,098	0.86957	\$27,911
2	\$21,306	\$18,325	\$39,631	0.75614	\$29,967
3	\$21,306	\$26,790	\$48,096	0.65752	\$31,624
4	\$21,306	\$22,473	\$43,779	0.57175	\$25,031
5	\$21,306	\$19,412	\$40,718	0.49718	\$20,244
6	\$21,306	\$18,392	\$39,698	0.43233	\$17,163
7	\$21,306	\$16,525	\$37,831	0.37594	\$14,222
8	\$31,306	\$12,691	\$33,997	0.32690	\$11,114
9	\$21,306	\$9,176	\$30,482	0.28426	\$8,665
10	\$21,306	\$7,049	\$28,355	0.24718	\$7,009
11	\$10,653	\$5,761	\$16,414	0.21494	\$3,528

ATTACHMENT B

MARKET STUDY REQUIREMENTS

The Internal Revenue Service and the Qualified Allocation Plan (“QAP”) for Rhode Island require that a comprehensive market study be completed in connection with the allocation of Low Income Housing Tax Credits (“LIHTC”). In accordance with Section 42(m)(1)(A)(iii) of the Internal Revenue Code, the entity preparing the market study must be a disinterested party, have no interest in the development or have a relationship with the owner of the development. Upon receiving a reservation of HTC, Rhode Island Housing will commission a market study from a list of pre-approved market study analysts.

Market studies for LIHTC developments must utilize of the National Council Housing Market Analysts (NCHMA) Model Content Standards for Market Studies for Rental Housing, as well as its Market Study Terminology and its Market Study Index.

In addition to NCHMA, analysts should also consider the following:

1. Proposed Project Description: Analysis of the influence of location on the marketability of proposed units. (Consider attractiveness of site; improvements and surroundings; proximity to social and civic services; availability of transportation; parking.)
2. Market Area Analysis: Determination of market area; propensity of renters from market area to move to the proposed development.
 - Availability and proximity to transportation
 - Availability and proximity of social services
 - Employment data: Unemployment rates, major employers, typical wages in relation to Eligible Income Range at Subject, distance from employment sources
 - Primary market area demographic analysis: population and household trends, household income trends, household size, renter tenure
 - For assisted living, consider age and assets of existing population in market area

Include a description of demographic trends (including income profiles) for defined market area.

3. Supply Analysis: Consideration of existing and planned competition within or proximate to market area, to include a detailed presentation of comparable properties including:
 - Date built (and improved if applicable)

- Occupancy rate
 - Size of units
 - Breakdown of rental rates and costs to tenants. For assisted living consider cost of services to tenants.
 - Market characteristics should be discussed and compared with projects for the subject including vacancy, leasing pace, absorption, reasonability of rents, turnover, rent increases, concessions and waiting lists.
4. Demand Analysis: Estimation of absorption and turnover rates including the following components:
- Income eligibility calculation – number of households eligible to reside at the subject
 - Capture rate by bedroom type
 - Annual capture rate
 - Demand for Section 8/Public Housing waiting list, occupancy and number of recipients.
5. Operating Expense Analysis: Feasibility of rents (and in assisted living the cost of services) for proposed market population.
- Compare operating expense projections to determine whether the proposed budget is reasonable, given the achievable rent levels and what is common in the market.
6. Conclusions and Recommendations: The conclusions resulting from the market study are summarized in this section. Recommendations for the subject property are also discussed. Recommendations may include modifying the unit mix, unit size, suggestions as to whether to or not to offer a particular amenity, changes to rent, and other pertinent changes.