

# Low-Income Housing Challenge 2024

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## **Deadline for Registration: Wednesday, January 22, 2024 Noon PT**

What: The Bank of America 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 include individuals with finance, architecture, planning, and policy backgrounds, and have an academic advisor and developer sponsor. Bank of America 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.

When: April 25, 2024

Where: [Virtual]

Important Dates (\*subject to change):

1. Registration: Deadline January 22 by noon PT
2. Introductory Session – 1 Hour: January 24 at 12:30pm PT\*
3. Finance Session 1 – 2 Hours: January 25 PT\*
4. Finance Session 2 – 1 ½ Hours: February 1 at noon PT
5. Submit Initial Proposal: February 14
6. Notification of Acceptance of Proposal: February 16
7. Proposal Feedback Session – 45-minute session: February 19 to February 23
8. Submit Refined Proposal for Second Feedback Session: March 11 by noon PT
9. Feedback Second Session – 45-minute session: March 18 to March 22
10. Notification of Acceptance to Final Competition: March 25
11. Submit Draft Financing Plan to Lender/Investor: March 26 to April 5
12. Review of Draft Financing Plan with Lender/Investor – 1 Hour: March 27to April 18
13. Submit Proposal for Final Competition: April 22 by noon PT\*
14. Final Competition and [Virtual] Reception / Announcement of Winner: April 25\*

## **Registration**

Each team must have a minimum of three members and a maximum of seven members. Please register by emailing a completed registration form to Ann-Marie Olsson at [ann-marie.olsson@bofa.com](mailto:ann-marie.olsson@bofa.com). The registration must include both the registration form and name and likeness release. Registrations will be accepted between October 16, 2023 and January 22, 2024. Teams are encouraged to register prior to the registration deadline.

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## Project Requirements

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

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

- Project Type: Rental or Mixed-Use that includes a rental component.
- Affordability:
  - Projects must address the affordability needs within the project's geography.
  - Projects must qualify for an allocation of Federal Low-Income Housing Tax Credits ("LIHTC") from the agency that awards LIHTCs in the project's state or demonstrate feasibility without LIHTC. In addition, at least:
    - 20% of the project's units must be affordable to households with incomes of no more than 60% of Area Median Income ("AMI"); and
    - 60% of the affordable units must be for families earning at or below 50% of AMI
  - Project may include Income Averaging, with rents up to 80% of AMI as long as i) the average income limits is no more than 58% of AMI and ii) designated income limits are in 10% increments, including 20%, 30%, 40%, 50%, 60%, 70%, and 80%.
- Mixed-Use: Mixed-use projects are acceptable, provided that the:
  - Non-residential component comprises a minority (15% or less) of total developed square footage;
  - Non-residential component comprises a minority (15% or less) of total development costs; and
  - Affordable residential component does not subsidize the operations of the non-residential component.
- The development timeline must target substantial completion to be a date of no later than 48 months from proposal submission.
- Construction loan term shall not exceed 36 months, and the maximum 36-month term shall include sufficient time for i) completion, ii) lease up, iii) 90 day for stabilization period (93% occupancy at 1.15x DSCR) ("Stabilization Test") and iv) 60 days for conversion from construction to permanent debt.
- Debt service coverage ratio ("DSCR") on must-pay debt service shall be no less than 1.15x.
- Loan-to-Value (LTV) on permanent debt must be no more than 80%.
- Hard Cost Contingency – no less than 5% for new construction and 10% for rehab.

*Please see Project Submission – Written Proposals below for additional requirements.*

## 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; green/sustainability; feasibility

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## Overview of Sessions and Events

### 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 sessions

Finance sessions will utilize the financial model provided by the Bank (“Housing Challenge Model.”) Each team must have a minimum of one team member attend the finance sessions.

- Finance Session 1 will provide an overview of the Housing Challenge Model and affordable housing financing, including subsidy sources, the low-income housing tax-credit equity, construction loans, and permanent loans.
- Finance Session 2 will provide additional guidance on the Housing Challenge Model, common errors, and Q&A.

*We recommend more than one team member attend given the competition emphasizes finance.*

### Proposal and second feedback sessions

All applicants will be invited to two 45-minute feedback sessions with the Bank’s jury panel to discuss each proposal in greater detail. Each session will focus on finance, the market, 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 invited to the Final Competition must submit a substantially complete draft financing plan, to their designated Bank of America lender and 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 the Housing Challenge Model in excel format and summary of the project. After submitting the draft financing plan, each team will have a conference call with their lender/investor to receive feedback. Please be prepared to verbally describe the Project. After receiving feedback, each team must resubmit the financing plan to their lender/investor to receive a term sheet (educational use only).

The educational term sheet is required for Project Submission for the Final Competition. The educational term sheet shall include a summary of terms and conditions of construction debt, permanent debt, and LIHTC equity. The educational term sheet will not include terms for:

- Other financing sources (e.g. New Markets Tax Credits, Historic Tax Credits, subordinate debt, tax abatements, rental subsidy, etc.)
- Debt or equity proceeds to cover the cost of components of the project that are non-residential or ineligible to receive LIHTC proceeds. This includes any shared portion of common areas that are to be paid for with financing from non-LIHTC financing proceeds.

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## Oral Presentation – Final Competition

The Oral Presentation is approximately 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 responses to questions posed by the Jury. We recommend each team to:

- Keep their presentation to 10 minutes and allow for the remainder of the time for the jury to ask questions of the Project.
- Utilize a Microsoft PowerPoint presentation as a visual aid, which should be submitted with the Proposal.

In addition, each team member is required to either present or answer questions from the Jury.

## Oral Presentation – [Virtual] Reception / Celebration

Each team that presented at the final competition will be invited to make a 3 to 5 minute presentation at the [Virtual] Reception where the winner of the Challenge will be announced. Attendees typically include executives, key staff, project managers, and other practitioners from Bank of America, affordable housing developers, housing agencies, architect firms, financial consultants, and the teams' advisors.

## Project Submission – Written Proposals

### Initial Proposal

The Initial 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 appendices; 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 a summary of the operating proforma and construction and permanent sources and uses. *Please see below for more detail on the areas to be included in the proposal.*

### Proposals – Second Feedback Session and Final Competition

Proposals should consist of the following sections and materials. The body of the proposal should not exceed 30 pages for the second feedback session and 50 pages for the final competition. 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.

## Proposal Components

### Required Appendices:

- An executive summary of the proposal (to be appended to the front of the submittal)
- Housing Challenge Model, which teams may modify to meet the needs of their project (*not required for Initial Proposal, but to be included for submissions to the Second Feedback Session and Final Competition*)
- Terms Sheets (Educational-use-only) from Bank of America for construction and permanent debt and LIHTC equity (**Final Competition Only**)

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**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 for the Second Feedback Session and Final Competition. They may include, but are 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, New Markets Tax Credits, Historic Tax Credits, etc.

Aside from the executive summary, appendices should not consist of original work product, but instead be comprised of 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.

*The written proposal may be uploaded to the competition website after the competition, shared with other participating teams and provided to teams of future competitions.*

**Executive Summary** – A summary that highlights the key points necessary for the jury to judge your proposal, which may not exceed five pages. 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 should include a table showing project’s construction and permanent sources and uses.

**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 their proposed project is appropriate for the project’s submarket and neighborhood and how it aims to achieve maximum socio-economic impact. 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.

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

- Zoning designation
- Permitted uses
- Architectural, building, design, and massing requirements, including (to the extent they are codified or regulated):
  - Density
  - Floor area ratio (“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. These renderings may consist of one or more of the following:

- Site plans
- Floor plans
- Typical unit layouts
- 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 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.

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**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; and
  - 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 includes itemized architectural/design, acquisition, construction, and financing costs to available sources. The budget should show sufficient sources to cover total development costs.
- 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.

Applicants also must address the financing of the non-residential components of their projects if 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 must target substantial completion to be a date of no later than 48 months from proposal submission.

**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 must identify (*noting the source*) 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.

Proposals must be submitted in pdf format to the provided online file sharing system and emailed to Daniel Rodriguez at [drodriguez54@bofa.com](mailto:drodriguez54@bofa.com) and Ann-Marie Olsson at [ann-marie.olsson@bofa.com](mailto:ann-marie.olsson@bofa.com) by noon on the due date.



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Notification will be provided within two 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 Daniel Rodriguez at [drodriguez54@bofa.com](mailto:drodriguez54@bofa.com).

## Questions

Applicants should feel free to contact Ann-Marie Olsson at [ann-marie.olsson@bofa.com](mailto:ann-marie.olsson@bofa.com) (telephone: (415) 913-3368) with any questions concerning these guidelines. Applicants must not contact any member of the Bank's jury panel during the Challenge.

## Past Participants included teams from:

California Polytechnic State University  
Columbia University  
Cornell University  
Hunter College  
Mercy College School of Business  
Metropolitan State University  
Portland State University  
Stanford University  
University of Arizona  
University of California, Berkeley  
University of California Irvine  
University of California, Los Angeles  
University of Pittsburgh  
University of Southern California  
University of Washington  
Yale University

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## 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

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

### Connecticut

[Connecticut Housing Finance Authority](#)

### Minnesota

[Minnesota Housing](#)

### Nevada

[Nevada Housing Division](#)

### New York

[New York State Housing Finance Agency \(HFA\)](#)  
[New York City Housing Development Corporation \(HDC\)](#)  
[New York City Department of Housing Preservation and Development \(HPD\)](#)

### Oregon

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

### Pennsylvania

[PA Housing Finance Agency](#)

### 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](#)