

January 6, 2012

## **Request for Proposals Southland Community Development Fund Fund Management & Administration**

Due date: February 17, 2012

### Outline

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### **I. Introduction**

#### **A. Sponsorship and Mission of the Fund**

This Request for Proposals is being issued by the South Suburban Mayors and Managers Association (SSMMA) in order to select a Fund Manager to organize and manage a financing facility including a structured fund and an investment consortium that will make loans and equity investments (hereinafter referred to as “the Fund”). The Fund will have the following mission: *In conjunction with other sources of investment, provide capital that is sufficiently flexible and substantial to execute Transit-Oriented Development and Cargo-Oriented Development projects that fulfill the sustainable development plans of Chicago’s south suburban communities.*

Chicago’s south suburban region (also known as the Southland) contains 22 towns with unemployment levels exceeding the federal threshold for economic distress; the region also contains prosperous communities and significant assets which can provide the basis for area-wide redevelopment. SSMMA is a regional council of 42 governments that has adopted a comprehensive strategy for sustainable development known as the Chicago Southland Green TIME Zone. (TIME is an acronym for Transit, Intermodal, Manufacturing and Environment.) This strategy is featured at [www.chicagosouthlandcdc.org](http://www.chicagosouthlandcdc.org). It capitalizes on the area’s abundant freight and passenger transportation assets and prioritizes two types of land development:

- Cargo-oriented developments (COD) – the development of manufacturing and logistics businesses at locations with excellent access to railroads, expressways, intermodal freight terminals, complimentary nearby businesses and large pools of workers that allow for more efficient goods movement
- Transit-oriented developments (TOD) – the development of pedestrian-friendly community centers that integrate mixed-income housing, retail and offices near public transportation, a form of development that improves access to jobs and amenities and reduces household transportation costs

SSMMA is serving as the primary point of contact and facilitator in the process of selecting a suitably qualified Fund Manager, and it is assisted in this role by a Community Development

Fund Working Group composed of representatives of Southland municipalities, not-for-profit organizations working in partnership with SSMMA on the Green TIME Zone initiative, and advisors from Southland and Chicago regional public agencies and financial institutions who are volunteering their time for this work. The Fund will be: (a) managed by a qualified Fund Manager selected based on the Threshold Requirements and selection criteria described herein and (b) a legal entity separate from SSMMA.

### **B. Steps to Date in the Formation of the Fund**

SSMMA and its partners have secured millions of dollars in public funds, conducted in-depth planning, improved sites, reformed local ordinances, and established working alliances with development area stakeholders to advance each of the types of sustainable redevelopment pursued through the Green TIME Zone strategy. However, a number of high-potential projects are stalled by the lack of flexible capital to leverage much larger public and private investments. Capital is required to obtain control of crucial development sites as a prerequisite to securing public funds for brownfield remediation, intensive planning and infrastructure improvements and to close financing gaps in development projects that are funded through a combination of public and private investments.

Since 2007 the SSMMA has worked with a coalition of not-for-profit supporters led by the Center for Neighborhood Technology (CNT) and the Metropolitan Planning Council (MPC) to help its communities capitalize on their assets and launch sustainable redevelopment.

Achievements to date from these efforts include:

- Mapping and analysis of more than 20 high-opportunity sites for TOD or COD
- Over \$25 million in private investments, including the expansion of the Canadian National intermodal terminal
- Over \$15 million in public investment for market analyses, brownfields remediation, and affordable housing focused on transit access

In March 2011 SSMMA received a \$2.35 million HUD Sustainable Communities Challenge Grant for expertise and seed capital to create an acquisition fund and land bank to further Green TIME Zone initiatives by:

- Taking and clearing title on individual parcels
- Aggregating small parcels into development sites of significant size
- Coordinating environmental reviews and remediation
- Marketing development sites
- Aligning public and private financial resources and providing the gap financing to make TOD and COD projects work.

At least \$1.5 million of the HUD Sustainable Communities Challenge Grant will be used as seed capital for the Fund. The Fund must leverage these grant dollars on at least a 3:1 basis with other investments to establish a pool of \$6 million to meet its obligations under the HUD grant. The HUD award authorizes the use of its capital for TOD projects that are entirely residential or incorporate housing is a component. HUD also recognizes that the financing entity to be formed with its grant will also engage in COD projects, and a pending request to HUD asks for the flexibility to use HUD capital for COD as well as TOD projects.

With support from its coalition partners SSMMA seeks to expand the Fund to a \$15 million capital pool making catalytic investments for modest returns, which will leverage over \$50 million in conventional private investments. The Fund must be in place by October 31, 2012, and funding needs to be deployed by March 2014 or it will be reallocated by HUD for other purposes.

### **C. Initial Proposals for the Structure of the Fund**

During 2011 SSMMA and its supporting organizations convened an Advisory Committee that included fifteen individuals who were all experienced managers of financial service organizations including banks, consultant firms, and Community Development Financial Institutions (CDFIs) in metropolitan Chicago. This committee met four times between May and November 2011 and developed a set of recommendations in regard to how the Fund might be structured and operated most effectively to achieve the goals of SSMMA. To gain additional local advice about the creation of the Fund SSMMA also convened an Oversight Committee including representatives of SSMMA member municipalities and businesses with financial or development expertise that operate in the Southland. The Oversight Committee met twice between October and December 2011; it reviewed the recommendations of the Advisory Committee and largely approved these recommendations with some refinements and additional recommendations. Through this process SSMMA has developed a set of fundamental ideas about the how the Fund should be structured and operated. These ideas are recorded in the document “*Fundamental Structural Proposals for the Southland Community Development Fund*”, which is Attachment A to this RFP. While many questions must still be resolved to establish the Fund as a functioning entity, these proposals provide a starting point for its creation.

## **II. Scope of Work**

The selected Fund Manager will be responsible for: raising the capital required to operate a viable Fund; establishing a corporate structure for the Fund; managing all aspects of the Fund; and reporting to the Fund’s investors and stakeholders. Specifically, the Fund Manager will be expected to undertake the following activities and any other functions required to establish and manage an organization that viably provides financing to fulfill the mission of the Fund. Respondents to this RFP will propose a Scope of Work for executing these responsibilities. In this Scope respondents will explain how they will carry out the responsibilities outlined in this paragraph and in the following points in accordance with the proposals provided in Attachment A to this RFP. To the extent that a respondent maintains that the mission of the Fund could be achieved more effectively by departing from these proposals, the respondent will explain its reasons for disagreement and state alternative proposals that will guide its Scope of Work.

### **A. Develop a Business Plan and Prospectus**

Develop a business plan and documents required for fundraising, including a prospectus or private placement memorandum that outlines a proposed investment strategy for the Fund, types of capital to be raised, proposed underwriting guidelines, projects to be financed, financing terms, and potential range of financing structures to be utilized by the Fund, as well as practices that will ensure transparency in Fund policy and public review of Fund performance with public input into the direction of the Fund. The Fund’s business plan must include a strong focus on

asset-based community development and incentive structures to ensure the success of TOD and COD projects in communities where some existing site conditions discourage development, taking into consideration the need for the Fund to be financially viable and provide a return to its investors while being open and responsible to the public. The Fund Manager should work closely with SSMMA and the Community Development Fund Working Group to create the business plan and prospectus, including underwriting guidelines and objectives for the projects to be financed.

### **B. Propose the Fund's Structure and Operating Guidelines**

Develop a detailed organizational structure and set of operating guidelines that will enable the Fund to invest capital in keeping with its mission. The Fund's structure should incorporate all the proposals presented in Attachment A to this RFP or alternative proposals designed to achieve the goals of the Fund more effectively, with an explanation as to why the applicant's proposals are preferred. The Fund Manager should also propose more detailed operating guidelines that are consistent with the structural principles of the Fund and necessary for the Fund's effective performance. This proposed structure and set of operating guidelines is recognized as a prerequisite for raising and capital, with the understanding that it will be finalized with investor input as discussed in section II.D. below. The Fund Manager's proposed structure and guidelines should be adopted initially with the approval of SSMMA in consultation with the Community Development Fund Working Group and after incorporation by the directors of the new Fund organization.

### **C. Raise Capital**

#### *1. Structured Fund*

Identify sources of investment and secure investments for a structured fund that will be a core component of the Southland Community Development Fund. Communications should be pursued with public sector bodies and agencies, foundations, financial institutions, and other sources of capital to achieve this goal.

#### *2. Investment Consortium*

Establish an investment consortium that will be a core component of the Southland Community Development Fund. The consortium should be comprised of financial institutions that support the mission of the Fund and wish to allocate capital on terms consistent with their standard business practices, in projects recommended by the Fund. These may be projects in which the Southland's structured fund is making an investment and wishes to secure other sources of financing or projects identified in the course of the Fund's operations that contribute to the sustainable development of the Southland but do not need the special assistance provided by a structured fund investment.

#### *3. Project Financing*

Explore and align financing from a wide range of sources that will be packaged with capital from the Southland Fund's structured fund and/or investment consortium in order to complete the financing needed for desirable TOD and COD projects in the Southland. Sources of financing that will be secured for use in this way include, as may be appropriate for particular projects: 1) low-income housing, new markets and other types of tax credits, 2) direct loans from financial lenders, 3) tax increment financing (TIF), either directly from TIF revenues or via municipal

bonds, 4) any other appropriate types of municipal bonds, and 5) other types of bond financing secured by appropriate liens from projects being contemplated by the Fund.

#### **D. Design and Manage Fund Operations to Achieve Projected Outcomes**

- With input from investors in the Fund, advise the Fund's directors and upon approval implement decisions regarding the Fund's structure and operating procedures including:
  - Precise terms defining risk, return on investment and other issues for the capital of different classes of investors in the Southland Fund's structured fund
  - Precise terms of participation in the Southland Fund's investment consortium
  - Term sheets for different types of financial products available through the Fund
  - Policies regarding how the Fund will relate to parties with which it works regularly
  - A structure of revenues from fees, interest, and earnings from investments that will ensure that Fund operations can become self-supporting over time.
- Design and manage a system by which proposals for investments or loans from the Fund will conform to a standard project plan so that they may readily be evaluated in terms of their community impact and financial soundness.
- Work closely with the housing and economic development staff of SSMMA and with other community partners to evaluate proposed TOD and COD projects and creatively structure ways that these projects can be financed either entirely through existing conventional resources or through the leveraging of conventional financing mechanisms with the resources of the Fund.
- Provide for transparency in the Fund's operations and for regular public review and input in regard to Fund policies.
- Invest the Fund's capital flexibly and prudently to ensure that it fulfills its mission particularly in regard to projects that require land assembly. By March 1, 2014 close loans or investments that fully deploy at least \$1.5 million in capital by HUD matched with at least \$4.5 million in matching non-federal public or private investments in projects that fulfill the mission of the Fund.
- Assume management responsibilities for the Fund which will include duties to :
  - Report regularly to the Fund Investment Committee and Governing Board
  - Analyze the Fund portfolio and recommend strategic and policy actions to improve Fund performance
  - Hire and supervise any workers or contractors engaged by the Fund
  - Conduct strategic planning continuously improve performance and sustain the Fund as an organization

The Fund Manager may initially work under a contract with SSMMA that will be succeeded by a contract with Fund after the organization is incorporated.

### **III. Proposal Selection Process, Timetable & Requirements**

Proposals will be reviewed and considered by the Community Development Fund Working Group described in Section I. Consortia or partnerships of different organizations that might

bring in different strengths towards the successful management of a Fund are encouraged to apply and submit joint proposals.

**A. Timetable.**

- Release of RFP: January 6, 2011
- Proposers' Meeting: January 17, 2012
- Written Questions due to SSMMA: January 24, 2012
- Questions & Answers e-mailed to all Proposers: January 31, 2012
- Written Proposals due: February 17, 2012
- Interviews of Short-List: within the dates of February 23 to 29, 2012
- Decision & Selection by: March 8, 2012

**B. Proposal Requirements.**

1. Six (6) paper copies of the proposal printed double-sided should be sent for delivery by 3:30 p.m. CST on February 17, 2012 to the attention of:  
Edward Paesel  
Executive Director  
South Suburban Mayors and Managers Association  
1904 W 174<sup>th</sup> Street  
East Hazel Crest, IL 60429
2. An electronic copy of the proposal should also be sent by electronic mail by 3:30 p.m. on February 17, 2012 to [reggie.greenwood@ssmma.org](mailto:reggie.greenwood@ssmma.org).
3. The Proposal should be printed double-sided and contain the following information in the following sequence:
  - a. **One-page Cover Letter**, including:
    - Proposer's primary contact name, title, mailing address, email address and telephone number
    - Location of the office(s) of individuals assigned to the Fund project
  - b. **Table of Contents**
  - c. **Executive Summary.** The Executive Summary should summarize key aspects of the proposal, including the Proposer's background, history of relevant experience particularly in the Chicago region and experience in the development and management of comparable funds in other regions, date of formation, key considerations and structuring ideas for the Fund. If a consortium or partnership of organizations is presenting the proposal, a discussion of each party's role in performing duties of the Fund Manager should be provided, including an explanation of how simple and direct accountability for performance will be assured. The Proposer should also confirm the conflicts of interest and insurance and indemnification statements found in Section V.A and V.B.
  - d. **Proposer's Qualifications.** In this section, the Proposer should demonstrate its experience and financial capability to manage the Fund, including:
    - A summary of the Proposer's background, experience, and current information to demonstrate that the Proposer meets the Threshold

Requirements stated in Section IV.A. of this RFP and that it has the capability to successfully undertake the Scope of Work.

- Current information. Proposer must provide information on its current activities or funds that it is currently managing to address each of the following items:
  - List of existing projects similar to or eligible for what is being contemplated in the Southland Community Development Fund,
  - List of funding sources available to the Proposer, respective committed amounts and timeframe for each commitment
  - Sample schedule of loan or investment costs, including interest rates or return on investment as well as commitment and closing fees for the types of loan products or investments that the Proposer estimates might be appropriate for the Fund
  - Description of the Proposer’s existing real estate-related loan and investment portfolio, including: (1) types of loans or investments (i.e. acquisition, predevelopment, minipermanent, construction, etc.); (2) number of loans or investments; the number of housing units (including income restricted housing units), businesses, and acres of property involved in these projects; and total \$ amount loaned or invested in each type of project; (3) percentage by type of current and delinquent loans as well as investments and the status of investments in regard to realization of expected returns; (4) Planned expansion of the portfolio in regard to: number of loans or investments; the number of housing units (including income restricted housing units), businesses, and acres of property involved in planned projects; and the projected total \$ amount to be loaned or invested in each type of project
  - A summary of the organization and staffing for the Proposer’s existing loan or other financial service programs
- Four references from appropriate and relevant clients, sponsors, or investors into at least two different funds or financing facilities that Proposer is either currently managing or has managed in the past, including at least one reference each from a public entity, a philanthropic entity and a financial institution. For each reference, please provide contact name, title, organization, a description of the nature of the Proposer’s working relationship with each reference, telephone number and e-mail address.
- At least two, and up to four references from borrowers that have repaid loans originated or underwritten by the Proposer or co-investors that have completed projects with the proposer that are as similar as possible to the loans or investments being contemplated by the Fund.
  - If the proposer is a consortium or partnership in which more than one organization, the points of information listed above should be provided for each member of the consortium that would be responsible for aspects of the management of the Fund’s loan and investment portfolio.
- e. Discussion of key issues that the Proposer would consider important in designing, raising capital and structuring a Fund given: (i) HUD’s requirement that the portion of its grant allocated for capital be leveraged at least 3:1 and ready to be deployed by October 31, 2012 and the expectations of SSMMA and its supporters to establish a

- larger fund. Proposals should include a discussion of whether and how the Proposer thinks the matching funds can be raised in the current economic environment, (ii) the real estate context of the Chicago Southland, and (iii) potential strategic options given lessons learned from the experiences to date from acquisition funds established over the past five years in other parts of the country. This discussion could include options for consideration in terms of fund structure, types of projects to be financed, other sources of capital (for example ARRA funding through specific public agencies or New Markets Tax Credits) to be leveraged on a project by project basis either as take-out financing or co-investment funds, and a proposed strategy for accessing this capital (e.g. Redevelopment Agencies), and type and cost of financing that the Fund could provide based on clearly enumerated assumptions and scenarios. In this section, Proposer should estimate the potential cost of capital of various sources of capital it anticipates bringing into the Fund and estimate the interest rate(s) that might be charged to borrowers or the return on equity investments from the Fund based on the type of lending products or equity investments Proposer anticipates providing through the Fund.
- f. Describe the Proposer's approach, staffing, timeline and milestones to undertake the Scope of Work and meet a potential deadline of October 31, 2012 for establishment of the Fund and March 1, 2014 for fully investing HUD capital with matching funds.
    - Include brief biographies of the key staff who will be leading and implementing the Scope of Work
  - g. Propose a budget for each milestone of the Scope of Work. SSMMA has up to \$100,000 that could be available towards the cost of setting up and fully capitalizing the Fund in the first year. Identify any anticipated sources of outside funding that would be required to help cover the Fund's operating costs and for accessing these funds.
  - h. In the budgeting process propose a schedule of revenues from fees, interest payments, return on investment, and other earned sources of income that will make the Fund self-supporting overtime.
  - i. Also in the budgeting process propose a schedule and formula through which the Fund Manager will be compensated on a performance basis.
  - j. One-page descriptions of at least three analogous projects or funds in which the Proposer has been involved, including its role, and contact name, title, organization, telephone number and email address for associated references provided in response to Section III. B. 3 d. (ii) of the: 1) sponsoring public agencies, 2) lead philanthropic investor and 3) lead commercial investor in each project.
4. A copy of the Proposer's most recent and prior two fiscal years' audited financial statements, including the Notes to Financial Statements.
  5. Identify by name, case and court jurisdiction any pending litigation in which Proposer is involved or judgments against Proposer in the past five years. Describe size and scope of any pending or threatening litigation against the Proposer or Proposer's principals.

#### **IV. Selection Criteria**

Proposers and their proposals will be evaluated based on the following criteria and point-allotment. Proposers who do not meet the Threshold Requirements will not be considered unless they are part of a consortium or collaboration that is jointly submitting a single Proposal.

**A. Threshold Requirements**

In order to be eligible for consideration, Proposers must meet the following threshold requirements:

1. The Proposer must have at least three years of experience managing a loan fund or financing facility that is either similar to the one being contemplated in this Request for Proposals or includes loans or equity investments similar to the types of loans and investments being contemplated by the Fund. Proposer must have experience structuring multi-use loans, which include significant affordable housing components and involve multiple investors or funders – including public agencies, foundations and commercial sector investors - into the Fund.
2. The Proposer must demonstrate knowledge of, or at the very least, familiarity with, the take-out financing options most commonly used or available by Chicago region non-profit housing developers. This includes knowledge not only of evolving lender and investor underwriting and tax issues, but also of the way the competitions work for 4% and 9% Tax Credits and scarce state and local resources including the Section 8 project-based voucher program. Given the current challenging situation with respect to Low-Income Housing Tax Credits, Proposer should also demonstrate a familiarity with other options that might be viable sources of long-term financing for affordable rental housing in the Chicago region. The Proposer should also demonstrate familiarity sources of state and federal funding and financing that may be available for COD projects.
3. The Proposer must demonstrate its experience and track-record in managing such a fund or underwriting loans, preferably in the Chicago region, that are somewhat similar to what is being contemplated for the Fund by being able to provide at least four references from (i) appropriate and relevant clients or sponsors, investors into funds that it is managing (including at least one reference from a public entity, a philanthropic entity and a financial institution), and (ii) at least two borrowers or co-investors.
4. The Proposer must demonstrate an appropriately experienced management team and organizational capacity to undertake the Scope of Work.
5. The Proposer must demonstrate ability to meet the deadline of October 31, 2012 for establishing the Fund with a minimum fund total of \$6 million and a proposed fund of \$15 million.
6. False, misleading, incomplete or deceptively unresponsive statements in connection with a proposal shall be sufficient cause for rejection of the proposal.

**B. Proposer’s Qualifications, Performance History and Relevant Experience (40 points)**

Since this is an ambitious, multi-faceted undertaking, an important criterion for selection is relevant experience in raising the different types of capital that will be required for a Fund and successfully underwriting loans and making investments that are most similar to those being contemplated for the Fund. Collaborations or partnerships between different types of lending and fund management entities are encouraged, so long as the relationships and assignment of responsibilities among partners is clear.

**C. Proposer’s Approach and Ideas for the Development and Operation of the Fund (35 points)**

Another important criterion for selection will be demonstration of Proposer’s knowledge and understanding of the range of development strategies, financing approaches and underwriting considerations for a Fund, particularly addressing the issues raised in the requirements for the Scope of Work in Section II and in Sections III.B.3.(e)-(f) and IV.A.(2).

**D. Proposer’s Approach and Ideas for the Financial Viability of the Fund (25 points)**

A final critical selection factor is the Proposer’s ability to plan and implement realistic short-term and long-term strategies for ensuring the financial viability of the Fund, particularly addressing the issues raised Sections III.B.3.(g)-(i), including a program for deriving income from the Fund’s transactions without seriously impeding deal flow and provisions for the Fund Manager’s compensation.

Total points: 100

**V. Other Requirements**

**A. Indemnification**

The selected Proposer will be required to comply with the indemnification provisions outlined in this section.

The selected Proposer or Fund Manager shall be required to indemnify and hold harmless SSMMA, members of the Community Development Fund Working Group, and their commissioners, directors, officers, agents, and employees from any and all claims, demands, suits, loss, damages, injury, and/or liability (including any and all costs and expenses in connection therewith), incurred by reason of any negligent or otherwise wrongful act or omission of the Fund Manager, its officers, agents, employees and subcontractors, or any of them, under or in connection with this Agreement; and the selected Fund Manager shall be required to agree at its own cost, expense and risk to defend any and all claims, actions, suits, or other legal proceedings brought or instituted against SSMMA, members of the Community Development Fund Working Group, and their commissioners, directors, officers, agents, and employees, or any of them, arising out of such negligent or otherwise wrongful act or omission, and to pay and satisfy any resulting judgments.

Without limiting Proposer’s indemnification of the SSMMA and organizations and individuals supporting its efforts in regard to the Fund, Proposer shall procure and maintain at its own expense comprehensive general liability, property and other insurance reasonably requested for the time period during which time Proposer is serving as Fund Manager for the Fund. The selected Proposer shall procure, maintain and provide to the SSMMA proof of insurance coverage for all the programs of insurance along with associated amounts specified herein. Comprehensive and professional liability insurance coverages should have a single limit of at least \$1 million for each occurrence and at least \$2 million general aggregate coverage. Such insurance shall be secured from carriers admitted in Illinois, or authorized to do business in Illinois. Such carriers shall be in good standing with the Illinois Secretary of State’s Office and

the Illinois Department of Insurance. Such carriers must be approved by the Illinois Department of Insurance and must be included on the Illinois Department of Insurance List of Eligible Surplus Line Suppliers.

Said insurance shall be in a form acceptable to SSMMA. In the event such insurance does provide for deductibles or self-insurance or if such insurance is inadequate, Proposer agrees that it will defend, indemnify, and hold harmless the SSMMA and organizations and individuals supporting its efforts in regard to the Fund and their officials, representatives, employees, and agents in the same manner as they would have been defended, indemnified, and held harmless if full coverage under any acceptable policy had been in effect.

**B. Conflicts of Interest**

Proposer certifies that no employee of SSMMA or any organization supporting its work in regard to the Fund whose position in the respective organizations enables him/her to influence the selection of a Fund Manager for this RFP, or any competing RFP, nor any spouse or economic dependent of such employee, shall be employed in any capacity by a Proposer or have any other direct or indirect financial interest in the selection of a Fund Manager.

The selected Proposer or Fund Manager will be required to covenant that it has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under the Fund Manager Agreement (the “Agreement”). The Fund Manager will further be required to covenant that in the performance of the Agreement no person having any such interest shall be employed. The selected Fund Manager will be required to certify that it has made a complete disclosure to the SSMMA and the organization that shall be established to operate the Fund of all facts of which it is or should be aware bearing upon any possible interest, direct or indirect, which it believes any member, officer, agent or employee of SSMMA or any organization supporting SSMMA’s work in regard to the Fund, presently has, or will have in the Agreement, or in the performance thereof, or in any portion of the profits thereunder. Willful failure to make such disclosure, if any, shall constitute grounds for cancellation and termination hereof by the SSMMA or Fund Advisory Committee.