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# HPD DISPOSITION PROGRAMS

## SALE AND REHABILITATION OF HUD-OWNED PROPERTIES

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### ***REQUEST FOR QUALIFICATIONS***

**ISSUE DATE: August 5, 2002**

**Department of Housing Preservation and Development**

**City of New York**

**Michael R. Bloomberg, Mayor**

**Daniel L. Doctoroff, Deputy Mayor**

**Jerilyn Perine, Commissioner**

# Request for Qualifications

This Request for Qualifications ("RFQ") is issued by the New York City Department of Housing Preservation and Development ("HPD") to determine the eligibility of experienced developers, contractors and/or property managers ("Applicants") to participate in the rehabilitation and management of vacant and occupied buildings owned by the U.S. Department of Housing and Urban Development ("HUD") or the City of New York ("City"). These buildings will be rehabilitated under HPD Program models that include, but are not limited to, the HomeWorks Program ("HomeWorks"), Neighborhood Homes Program ("Neighborhood Homes"), Neighborhood Entrepreneurs Program ("NEP"), and the Neighborhood Redevelopment Program ("NRP"). The purpose of this RFQ is to establish a list of organizations/individuals who are qualified for one or more of HPD's disposition programs. When properties become available for disposition, HPD will select qualified developers ("Developers") from among the list of Applicants who qualify through this RFQ. **It is important to note that not all Applicants deemed qualified will be assigned properties.**

## I. Introduction

This RFQ specifically addresses vacant and occupied single- and multi-family properties that were insured under HUD's 203(k) mortgage insurance program. The majority of the properties are located in upper Manhattan and central Brooklyn and are in need of moderate or substantial rehabilitation. HUD currently owns approximately 250 of the properties and anticipates acquiring the remaining properties through foreclosure over the next two years. As HPD disposition programs usually only involve City-owned buildings, HPD is acting on behalf of HUD, by placing the HUD-foreclosed properties in one of its disposition programs. These HUD-owned properties will be conveyed directly from HUD to the selected Developer.

HUD has committed \$130 million to finance the rehabilitation of these properties, which will be provided in the form of direct rehabilitation loans or grants from HUD to the selected Developer. In addition, HPD, as appropriate, will provide tax benefits to purchasers and Developers and Section 8 subsidies to eligible tenants to maintain affordability. Selected qualified Developers are expected to follow an aggressive time schedule with respect to the rehabilitation and operation of assigned properties as outlined by the respective HPD disposition program. In order to be considered for designation for calendar year '02, applications must be submitted by October 1, 2002.

Development sites may contain both HUD-owned properties and City-owned properties. In such cases, the HUD properties will be conveyed to the selected Developers by HUD, and any required subsidy to finance the rehabilitation will be provided in the form of a HUD loan or grant. The City-owned properties will be conveyed by HPD with any subsidies provided in accordance with the requirements of the applicable HPD Program. This RFQ qualifies Applicants for HUD-owned and City-owned properties in these development sites.

Applicants are encouraged to submit applications and establish their qualifications for consideration for current and future site offerings.

## II. HPD Disposition Programs

### A. **HomeWorks Program**

Under the HomeWorks Program, small, vacant buildings are sold to experienced Developers who rehabilitate them as one- to four-family homes and sell them to eligible buyers. The Developers are responsible for assembling a development team that includes a contractor, architect and marketing agent, obtaining construction and end loan financing from a private lender or lenders, undertaking the design and construction, and marketing the completed homes to eligible buyers.

The sales prices for the homes are determined by the Developers, subsequently reviewed by HPD, and should reflect market values. There are no income restrictions for the homebuyers, and no limitations on the rent that may be charged for any rental units. The homebuyers (or subsequent homebuyers) must occupy at least one unit in the building as a primary residence for at least six years following the initial purchase from the Developer.

The buildings are grouped together into development sites and sold to selected qualified Developers for \$1.00 per building, except in situations outlined below. Financing is to be provided by private construction lenders. A subsidy may be provided where total development costs exceed projected sales prices. The subsidy will consist of a zero percent, non-amortizing construction loan. Upon sale of the homes, a portion of the loan will be assumed by each homebuyer as a six year evaporating lien on the home.

Where current market prices are sufficient to cover anticipated development costs and developer fees, no subsidies will be provided and Developers may be required to pay an acquisition price of \$30,000 per post-rehabilitation dwelling unit for each property.

HPD will invite qualified Developers to submit detailed proposals for sites as they become available and will select from among those proposals based on the competitive selection criteria listed in Section VI.

#### **B. Neighborhood Homes Program**

The purpose of Neighborhood Homes is to convey vacant and occupied one- to four-family residential and mixed-use buildings to selected sponsor organizations for rehabilitation and homeownership by owner occupants. The sponsor will purchase the buildings in sites at \$1.00 per building prior to the construction start. Upon closing, HUD will provide a rehabilitation grant to carry out the approved rehabilitation up to a per unit cap of \$50,000. Sponsors may be required to obtain private construction financing. HPD will review and approve all scopes of work, cost estimates, specifications, and requisitions. The sponsor will purchase the properties subject to existing tenancies. Upon completion of the work, the buildings will be marketed to existing tenants or buyers who agree to reside in the building and who demonstrate an ability to qualify for mortgage financing to purchase the property.

Applicants will be selected to participate in the Neighborhood Homes Program based on competitive selection criteria listed in Section VI.

#### **C. Neighborhood Entrepreneurs Program**

In the Neighborhood Entrepreneurs Program (NEP), vacant and occupied multi-family buildings are conveyed to local entrepreneurs ("Neighborhood Entrepreneurs") for the rehabilitation and management of rental housing. NEP is designed to attract local business proprietors who have property management experience in communities with high concentrations of distressed property. Applicants will be selected to participate as Neighborhood Entrepreneurs based on competitive and selective criteria listed in Section VI. For HUD buildings, HUD will provide a rehabilitation loan or grant to carry out the approved rehabilitation.

After designation, the Neighborhood Entrepreneur assumes responsibility for the management, maintenance and rehabilitation of the buildings for a transitional period of approximately three years, pursuant to an agreement with the Enterprise Foundation, a national not-for-profit housing development organization. During this transitional period, title to the property is held by a not-for-profit Housing Development Fund Company controlled by the Enterprise Foundation. The Neighborhood Entrepreneur purchases the property after performance requirements are met.

The Enterprise Foundation contracts with local organizations to provide tenant support and referral services during the transition period. These services will include: building assessment and stabilization; linking tenants to services; assisting with planning for relocation; and monitoring the interaction of Neighborhood Entrepreneurs with tenants.

The oversight of the Neighborhood Entrepreneur and project is coordinated by the Enterprise Foundation. The Enterprise Foundation also provides technical assistance, a training package and access to financing that is tailored to the Neighborhood Entrepreneurs' business development needs. Additionally, HPD maintains compliance review over the program.

These projects are subject to the Rent Stabilization Code. Continued affordability of a portion of the units will result from income restrictions implicit in the funding sources and Section 8 subsidies will be made available to eligible tenants.

#### **D. Neighborhood Redevelopment Program**

The purpose of the Neighborhood Redevelopment Program (NRP) is to convey vacant and occupied buildings to selected community based not-for-profit organizations for rehabilitation and operation as rental housing. For HUD buildings, HUD will provide a rehabilitation loan or grant to carry out the approved rehabilitation. Section 8 subsidies will be made available to eligible tenants to maintain the affordability of rental units. HPD will review and approve all scopes of work, cost estimates, specifications and requisitions. In consultation with HPD, the Local Initiatives Support Corporation (LISC), and Enterprise will establish project development schedules, hold regular project status meetings and provide technical assistance as necessary. Initial rents for vacant units will not exceed market rents for apartments of comparable size. Units will be subject to rent stabilization.

Applicants will be selected to participate in the Neighborhood Redevelopment Program based on competitive selection criteria listed in Section VI.

### **III. Description of Properties**

The HUD-owned properties are located primarily in Manhattan Community Board 9 (West Harlem), 10 (Central Harlem), 11 (East Harlem), 12 (Washington Heights) and Brooklyn Community Board 3 (Bedford-Stuyvesant), 4 (Bushwick), 8 (Crown Heights), 16 (Oceanhill-Brownsville), with a smaller number in Bronx Community Board 1 (Mott Haven) and 3 (Morrisania), and Queens Community Board 14 (Far Rockaway). The remaining properties are scattered sites in other New York City neighborhoods. The properties include both occupied and vacant private dwellings, multiple dwellings and single room occupancy dwellings (SROs).

Exhibit A summarizes the location of the HUD-owned properties by Borough and Community Board.

#### **IV. Request for Qualifications Process**

##### **A. Submission of Applications**

On or before the submission deadline, Applicants must submit their qualifications in accordance with the instructions and attachments contained in Section VII, pages 16-17.

Submission of qualifications shall be deemed to be permission by the Applicant for HPD and/or HUD to make inquiries concerning the Applicant as deemed necessary.

##### **B. Review and Selection**

Applicants must meet the threshold requirements for at least one of the programs described in Section VI in order to be considered. **FAILURE TO MEET THRESHOLD REQUIREMENTS OR TO PROVIDE THE COMPLETE INFORMATION REQUIRED WILL DISQUALIFY THE APPLICANT FROM CONSIDERATION FOR THE PROGRAMS.**

All Applicants who pass the threshold requirements will be rated according to competitive selection criteria also described in Section VI. If sites and qualified Developers are matched, an official Negotiation letter will be issued by HPD.

Applicants who are deemed qualified are not guaranteed to be offered a site. HPD and HUD reserve the right to disapprove the inclusion of any or all members of the Applicant's team and to require selected Applicants to substitute other individuals or firms.

##### **C. Disposition**

Development sites may contain both HUD-owned properties and City-owned properties. HUD will convey its properties to the selected qualified Developers pursuant to HPD program guidelines. City-owned buildings will be transferred to the selected qualified Developers through the standard process outlined for the respective HPD disposition programs, regardless of the inclusion of HUD properties in the same development site.

#### **V. Program Guidelines**

##### **A. HomeWorks Program**

All proposals must conform to the following Program guidelines:

##### **1. DEVELOPER**

The Developer is responsible for assembling a development team, including a contractor, architect and marketing agent, which will rehabilitate and sell the buildings to individual homebuyers. The Developer is responsible for obtaining construction and end loan financing from a private lender.

##### **2. PROPERTY USE**

The sites must be developed for residential use only as one- to four- family homes.

##### **3. ELIGIBLE HOMEBUYERS**

Preference for all homes will be given to purchasers who are New York City residents at the time the application to purchase the home is submitted.

Homebuyers are required to occupy at least one of the units in the building as their primary residence for at least six (6) years.

#### **4. SALES PRICES**

The sales prices projected in the proposal are to be determined by the Developer, subsequently reviewed by HPD, and should reflect market value. The City subsidy for City-owned buildings and the HUD subsidy for HUD-owned buildings, if offered, is intended to bridge the gap, if any, between the sales prices and the total development cost of the buildings that comprise the site.

For both HUD-owned and City-owned buildings, where changing market conditions permit a Developer to ultimately sell the completed homes at prices above those stated in the proposal, HPD will allow the Developer to retain 50% of the aggregate increase in sales proceeds. The remaining 50% of the increase in aggregate sales proceeds must be paid to HUD or HPD, as appropriate. This requirement applies whether or not a HUD or City subsidy has been allocated for development of the site.

#### **5. FINANCING**

##### **a. Equity**

The construction lender will determine the amount of the Developer's equity. Applicants should expect, however, an equity requirement equal to at least ten percent of the total development cost of the site(s) for which applied.

##### **b. Private and Other Sources of Construction and End Loan Financing**

- i. It is the responsibility of the Developer to obtain construction and end loan financing from private lenders in amounts consistent with the proposal. Developers may use different private lenders for construction and end loan financing.
- ii. Within 120 days of HPD's issuance of a Negotiation Letter, each selected Developer will be required to submit a commitment letter from a private lender for construction financing for the site(s). The negotiations with the Developer may be terminated if the required commitment letter is not submitted within 120 days.

##### **c. HUD Subsidy and City Subsidy**

As stated in Section V.A.4., "Sales Prices," a HUD subsidy for HUD-owned buildings or City subsidy for City-owned buildings, is provided only where necessary to bridge the gap between total development costs and sales prices where the market sales prices are lower than the total development cost.

Because the current market prices in Harlem are sufficient to cover anticipated development costs, it is anticipated that no City subsidy or HUD subsidy will be provided for any of the Harlem HomeWorks sites.

Initially, the City subsidy, if any, will be provided in the form of partial construction financing to the Developer at zero interest. It will be deposited with the construction lender at the construction loan closing and disbursed pari passu with the private construction loan. The HUD subsidy will be provided in a similar fashion, however, the funds will be drawn down directly from a federal accounting source known as the LOCCS system. Upon completion of construction and sale of the buildings, both the City's construction loan and the HUD subsidy will be converted into zero-interest, six year evaporating loans to homebuyers. See Section V.A.7., "Resale Restrictions and Repayment of the City Loan by the Homebuyer" for details.

**d. Other Public Funding Sources**

Any proposed use of other public funds must be evidenced at the time of application by a firm commitment letter or by actual funds in hand. Other public funds may not be used without prior HPD consent, which will not be provided if the use of such funds would require income or rent restrictions inconsistent with the purposes of the respective HPD Disposition Program.

**e. Mortgage Recording Tax**

In calculating development costs, Applicants shall assume payment of the full mortgage recording tax applicable to both the private mortgage loan and to the City Loan or HUD subsidy, if any. This requirement applies both to for-profit and to not-for-profit Developers.

**f. Self-financing Requirements**

If the Developer contributes its own funds toward development instead of obtaining a construction loan from an institutional lender, the following applies:

i. Construction Loan Servicer. The Developer must identify a construction loan servicer acceptable to HPD or HUD, as appropriate.

ii. Equity. At the construction loan closing, the Developer must deposit in escrow with the construction loan servicer the full amount of the self-financed portion of the construction loan. During the construction period, these funds will be drawn down before any City or HUD subsidy funds are disbursed.

iii. Letter of Credit. Prior to the construction loan closing, the Developer must provide HPD or HUD with an irrevocable standby letter of credit in an amount equal to the greater of (i) 10% of the total City or HUD subsidy funds, or (ii) 10% of the total construction cost of the site. The letter of credit must be drawn on a New York Clearinghouse bank in a form satisfactory to HPD and must stipulate that the funds are available upon "sight."

iv. Background Reviews. The source(s) of private funding may be subject to standard credit, reference and New York City Inspector General reviews.

**6. MARKETING AND SALES/NEIGHBORHOOD PREFERENCE POLICY**

The marketing and sales of the rehabilitated homes to eligible homebuyers is the sole responsibility of the Developer. In carrying out these functions, the Developer must comply with HPD's marketing and sales requirements, which include the selection of homebuyers through a lottery system supervised by HPD. Preference is given to applicants currently residing in the neighborhood of the available housing. The marketing and sales of the homes will be monitored by HPD staff to ensure compliance with HPD requirements.

**7. RESALE RESTRICTIONS AND REPAYMENT OF THE CITY LOAN BY THE HOMEBUYER**

For all HomeWorks buildings, HUD's subsidy or the City's loan to the homebuyer will take the form of a zero interest, six-year evaporating loan. The amount of the loan will be calculated by allocating the total HUD or City subsidy for the site on a per dwelling unit basis to the individual homes that comprise the site. For sites without a HUD subsidy or City loan, the aggregate as-is appraised value of the properties prior to conveyance will be treated as the loan amount for purposes of this provision and pro-rated on a per dwelling unit basis to the individual homes.

If the home is resold during the three-year period following the initial purchase from the Developer, 100% of the seller's net profit must be used to reduce the outstanding balance of the City loan for City-sold buildings, or the HUD enforcement mortgage for the HUD-sold buildings. If the home is resold after three years, 50% of the seller's net profit must be used to reduce the outstanding balance of the City loan for City-sold buildings. For HUD-sold buildings, 50% of the seller's net profit must be given to HUD. This requirement applies both to the initial buyer and to any subsequent buyer.

Net profit is defined as the difference between the purchase price to the homebuyer and the resale price minus closing costs.

For all buildings sold prior to year 6, any portion of the HUD subsidy or City loan, as applicable, that is outstanding at the time of resale must be assumed by the resale - homebuyer.

Any resales within the six years following initial purchase of the home from the Developer must be to buyers who will be owner-occupants.

**8. BUILDING DESIGN AND CONSTRUCTION REQUIREMENTS**

The plans for the buildings and any adjacent lots included in the sites must conform to the HPD Program Design Guidelines and Construction Requirements, as well as the current New York City Zoning Resolution, the Building Code and all other applicable laws and regulations.

Plans for buildings that are located in New York City historic districts will require approvals from the New York City Landmarks Preservation Commission.

The selected Developers will be required to submit proposed layouts to HPD for review and approval. Although Developers may offer interested homebuyers options with regard to finishes and appliances, they may not make substantial alterations to HPD-approved layouts without the prior approval of HPD. Since it is HPD's policy to accomplish the rehabilitation and occupancy of the homes created through the HomeWorks Program promptly, Developers will not be permitted to customize the design of the homes to meet the preferences of individual homebuyers.

The rehabilitation of façades, including front entrance doors, shall be carried out in a manner that is compatible with the original design and current context of the buildings. While the rehabilitation of buildings that are not landmarks or located in landmark districts is not subject to the review requirements pertaining to landmarks, it is HPD's policy that the rehabilitation of buildings through City programs is to be carried out in a manner that is sensitive to the history and aesthetic character of the streets and neighborhoods in which they are located.



Developers are encouraged to use high performance or “green” technology that will promote energy conservation. For information about an incentive program to encourage the use of “Energy Star” lighting and appliances sponsored by the EPA, the Department of Energy and NYSERDA, please contact:

NYSERDA Program - 1-877-697-8271

New York “Energy Star: Appliances and Lighting Program  
c/o Aspen Systems Corporation  
233 Spring St., Suite 518  
New York, NY 10013  
(212)206-8666  
Fax: (212)206-8654

**9. DISPOSITION PRICE**

It is the intent of HPD to recommend disposition of the sites at a price of \$1.00 per building. Such a recommendation is subject to City Council and Mayoral approval for City-owned properties only. Where current market prices are sufficient to cover anticipated development costs and developer fees, Developers may be required to pay an acquisition price of \$30,000 per post-rehabilitation dwelling unit for each property.

**B. Neighborhood Homes and NRP Program Guidelines**

The following sections state the general requirements that apply to all sites:

**1. Income Limits/Maximum Rents**

**a. NRP**

Existing legal tenants may be eligible for rental assistance if the restructured rents exceed 30% of their income.

For HUD-owned properties, rents will be set at affordable levels subject to the approval of HUD and HPD. Section 8 vouchers will be used to avoid displacement and to keep rents at an affordable level to existing tenants.

For City-owned properties, cross subsidies created by renting vacant units at area market rates and the funding of operating reserves through the syndication of Low Income Housing Tax Credits (LIHTCs) will be assembled to prevent displacement of existing legal tenants.

**b. Neighborhood Homes**

Existing legal tenants in the rental units must be offered a two year lease or alternative affordable housing upon completion of the work at a new rent not exceeding 30% of their income. These units will not be subject to rent stabilization unless they receive a tax exemption under Real Estate Tax Law Section 489 (“J-51”).

## **2. Tenant Selection**

Tenant selection for NRP must comply with HUD's Affirmative Fair Marketing Regulations, and all other applicable requirements, which include the selection of homebuyers through a lottery system supervised by HPD. Preference is given to applicants currently residing in the neighborhood of the available housing. The marketing and sales of the homes will be monitored by HPD staff to ensure compliance with HUD Affirmative Fair Marketing requirements.

## **3. Responsibilities of Sponsor Organization**

### **a. Leasing Responsibilities**

- Sponsor organizations will be required to keep tenants informed of the rehabilitation plans and provide necessary services. The sponsor must fully cooperate in all efforts to provide notices and information to tenants.
- The sponsor organization will be required to develop a relocation plan, subject to HPD and LISC/Enterprise approval, prior to construction, identifying appropriate relocation resources and coordinating any relocation necessitated by the rehabilitation work.

### **b. Rehabilitation Services**

- The sponsor organization will have overall development responsibility for the properties they are managing. The sponsor organization will be responsible for developing a scope of work and completing in a timely manner, plans and specifications in consultation with, and subject to the approval of, HPD and LISC/Enterprise. If the scope of work requires the services of an architect, the cost of such services will be paid through the project budget. The sponsor organization must enter into a contract with a general contractor from a short list of at least five contractors submitted to HPD and LISC/Enterprise, who will evaluate and approve the list. Sponsor organizations are required to work with the general contractor to plan, implement and complete the rehabilitation work in a professional and timely manner. The sponsor shall monitor the quality of work and timeliness of the performance of the general contractor.
- The HPD commitment letter will set forth total project cost, including operating costs during rehabilitation and the amount of subsidy available.

### **c. Reporting Requirements**

Reports regarding building management, rehabilitation, tenant relations, and marketing and lease-up will be required. Monitoring to ensure compliance with applicable Federal and City requirements for a 15 to 30-year period post-construction is an integral aspect of this program. Applicants should therefore anticipate the need for appropriate allocation of staff time for this purpose. Required reports may include, but are not limited to, the following:

- Reports required by Federal funding sources, including HOME and LIHTC compliance reports
- Reports required by the New York Equity Fund

**In addition, sponsor organizations will be expected to maintain necessary records and back-up documentation for all reports. All records and reports are subject to review and audit by HPD, HUD and the Comptroller of the City of New York and any other governmental entities with jurisdiction.**

#### **4. Sponsor Fees**

##### **a. NRP\***

Subject to the terms of the tax credit syndication, the not-for-profit organization may be permitted to earn a development fee of \$5,000 per unit or \$2,400 per unit where minimal rehabilitation is required.

##### **b. Neighborhood Homes\***

The sponsor organization may be permitted to earn a development fee estimated to range from \$2,400 to \$5,000 per unit. This fee is subject to change based on the sales price of the home. The use of LIHTCs is not anticipated at this time. Management, general contractor fees and price will be negotiated as part of the project budget based on the needs and conditions of the assemblage of buildings selected for each sponsor.

\*Fee schedule will apply to City-owned and HUD-owned properties

#### **5. Financing**

##### **a. NRP**

For HUD-owned properties, HUD will provide a grant to the sponsor to fund the total development costs for the properties. Section 8 subsidies will be used to keep rents affordable and subsidize operating reserves.

For City-owned properties, HPD will make available the funds necessary to complete approved rehabilitation. A combination of City Capital, Federal HOME, Community Development Block Grant funds, and proceeds from the sale of LIHTCs will be available to fund the construction loan.

For both HUD-owned and City-owned properties, real property tax exemptions with respect to these properties may be available under J-51. As an alternative, HPD may request the City Council to approve a tax exemption under General Municipal Law Section G96 ("UDAAP").

##### **b. Neighborhood Homes**

For HUD-owned properties, HUD will provide a lump sum subsidy of \$50,000 per unit.

For City-owned properties, HPD will provide a lump sum subsidy of \$50,000 per unit, which will be utilized to fund rehabilitation and associated soft costs, if necessary. Not-for-profit organizations in Neighborhood Homes will be expected to work with private lenders to obtain partial or full homeowner end loans for individual buildings.

For both HUD-owned and City-owned properties, HPD will request that the City Council approve a tax abatement for each property for 10 years subsequent to the sale or transfer of the property to a not-for-profit organization.

### **C. NEP Program Guidelines**

The following sections state the general requirements that apply to all NEP sites.

#### **1. Income Limits/Rents**

For City-owned properties, existing legal tenants may be eligible for rental assistance if the restructured rents, instituted during the transition period, exceed 30% of their income. Cross subsidies created by renting vacant units at area market rates, and funding of operating reserves through the syndication of Low Income Housing Tax Credits (LIHTCs) will be assembled to prevent displacement of existing legal tenants.

For HUD-owned properties, rents will be set at affordable levels subject to the approval of HUD and HPD. Section 8 vouchers will be used to avoid displacement and keep rents at an affordable level to existing tenants.

#### **2. Tenant Selection**

Tenant selection must comply with HUD Affirmative Fair Housing Marketing Procedures, which include the selection of homebuyers through a lottery system supervised by HPD. Preference is given to applicants currently residing in the neighborhood of the available housing. The marketing and sales of the homes will be monitored by HPD staff to ensure compliance with HUD Affirmative Fair Marketing requirements.

#### **3. Obligations of the Neighborhood Entrepreneur**

The management and development agreements will require the following, among other, obligations:

##### **a. Management Services**

- In conjunction with the selected community partner, Neighborhood Entrepreneurs will be required to begin working with the tenants during the transition period, keeping tenants informed of rehabilitation plans and providing necessary services. Neighborhood Entrepreneurs must fully cooperate in all efforts to provide notices and information to tenants.
- Neighborhood Entrepreneurs will be required to work with a community partner to develop a temporary relocation plan prior to construction and to coordinate any relocation necessitated by the rehabilitation work.
- Neighborhood Entrepreneurs and their contractors will be expected to participate in an Employment Program for tenants.

##### **b. Rehabilitation Services**

- The Neighborhood Entrepreneurs will have overall development responsibility for the properties they manage. The Neighborhood Entrepreneur must enter into a contract with a general contractor (GC) in accordance with the program's bidding and GC selection process. HPD, Enterprise and a private lender will evaluate and approve the list of GCs provided by the Entrepreneur. Neighborhood Entrepreneurs are required to work with the GC to plan, implement and complete the rehabilitation work in a professional and timely manner. Every effort will be made to utilize the skills and experience of the neighborhood's workforce.

- Neighborhood Entrepreneurs shall be responsible for hiring an architect to develop a scope of work and complete plans and specifications in consultation with, and subject to the approval of Enterprise, HPD and the private lender. Neighborhood Entrepreneurs shall monitor the quality of work and timeliness of performance of the GC.
- Neighborhood Entrepreneurs will be required to obtain all or a portion of the construction financing from a private lender, which requires personal guarantees of all principals.
- The management and development agreement will set forth total project costs including operating costs during rehabilitation and the amount of subsidy available. Neighborhood Entrepreneurs must be prepared to guarantee rehabilitation costs that are within approved cost parameters consistent with industry standards.

**c. Reporting Requirements**

- Financial and status reports regarding building management, rehabilitation, tenant relations, marketing and lease-up will be required. Monitoring to ensure compliance with applicable Federal and City requirements is an integral aspect of this program. Applicants should therefore anticipate the need for appropriate allocation of staff time for this purpose. Required reports include, but are not necessarily limited to, the following:
  - ⇒ Quarterly Report for each building in regard to the lead paint protocol
  - ⇒ Reports required by Federal funding sources, including HOME and LIHTC compliance reports
  - ⇒ Reports outlining tenant relocation and building rehabilitation plans
  - ⇒ Annual audited financial statements

**In addition, Neighborhood Entrepreneurs will be expected to maintain necessary records and back-up documentation for all reports. All records and reports are subject to review and audit by Enterprise, HPD, HUD and the Comptroller of the City of New York.**

**4. Neighborhood Entrepreneur Fee\***

Neighborhood Entrepreneurs will be permitted to earn a development fee estimated at approximately 10% of the project costs. A portion of this fee may be drawn down according to a predetermined schedule; the remaining portion will be credited towards the purchase of the site. Neighborhood Entrepreneurs will also be entitled to receive an administrative cost allowance for management during the transition period. Development fees, management fees, general contractor fees and acquisition price will be negotiated as part of the project budget based on the needs and conditions of the assemblage of buildings selected for each Neighborhood Entrepreneur.

\*Fee schedule will apply to City-owned and HUD-owned properties.

## **5. Financing**

For HUD-owned properties, HUD will provide a loan or grant to the sponsor to fund the total development costs for the properties. Section 8 subsidies will be used to keep rents affordable and subsidize operating reserves.

For City-owned properties, HPD and private lenders intend to make available the funds necessary to complete rehabilitation. HPD will also restructure rents and provide advances against the development budget to support building operations, before and during construction.

For both HUD-owned and City-owned properties, real property tax exemptions with respect to these properties may be available under J-51 or UDAAP.

## **VI. Selection Criteria**

### **A. Threshold Criteria**

#### **1. All HPD Disposition Programs**

The application must include all required information and must be deemed complete by HPD and HUD. Upon review, HPD, at its discretion, may notify an Applicant that additional information or clarification is necessary. Failure to meet any of the requirements listed below may result in the rejection of the application. Applicants for all HPD Disposition Programs must meet the following criteria in order to be considered for a site:

- a. If an Applicant is a for-profit entity, they must demonstrate the ability to contribute financial equity toward the project (ranging from 5% to 10% of total development costs).
- b. If the Applicant is a not-for-profit organization, the entity must be a Community Housing Development Organization (CHDO) or HUD-approved not-for-profit for FHA activities.
- c. Applicant must meet the minimum experience and qualification requirements of at least one HPD Disposition Program as outlined in the following sections.
- d. No adverse findings with respect to:
  - City mortgage foreclosure proceedings or arrears;
  - In Rem foreclosure or substantial tax arrears;
  - A record of substantial building code violations or litigation against properties owned by the Applicant or by any entity or individual that comprises the Applicant;
  - Tenant harassment conviction or pending case;
  - Arson, fraud, bribery, or grand larceny conviction or pending case;
  - Previous record of default on work done under government contract;
  - Formal debarment or suspension from entering into contracts with any governmental agency or other notification or ineligibility for or prohibition against bidding or proposing on government contracts;
  - Denial of a contract based on any obligation to, or unsatisfied judgment or lien held by, a governmental agency;
  - Subject of any voluntary or involuntary bankruptcy proceeding; or
  - A negative history with HPD.
  - Entity, or principal thereof, cannot receive a HUD grant if subject to a debarment, suspension, or limited denial of participation under 24 CFR Part 24.

- e. Criteria for not-for-profits only:
  - The Applicant, and co-Applicant, if any, must be an incorporated not-for-profit organization located in New York City
  - The Applicant must have a tax exempt status under Section 501(c)(3) of the Internal Revenue Code prior to closing
  - The provision of low-income housing must be an objective stated in the organization's charter, articles of incorporation, or by-laws.

## **2. HomeWorks Program Applicants**

The following are minimum requirements for Homeworks only. HPD will invite selected Developers who meet these requirements to submit detailed proposals for sites consistent with their qualifications as sites become available.

- a. At least one principal of the Developer must have "comparable development experience," defined as the successful completion, as a developer or general contractor, of the substantial rehabilitation of at least one residential project containing at least 5 buildings with at least 8 dwelling units in New York City in the last 5 years.
- b. At least one principal of the Developer, or its selected marketing agent, must have successfully completed the marketing of a homeownership rehabilitation or new construction project of at least 5 homes in New York City in the last 5 years.
- c. Developer must have the ability to secure private market financing sufficient to develop a site and must possess sufficient liquid assets to make the required equity investment in the project and meet pre-development and marketing costs

## **3. Neighborhood Homes Program Applicants**

The following are minimum requirements for Neighborhood Homes only:

- a. Applicant must demonstrate experience in developing home ownership opportunities for low- and moderate-income households. This includes providing home ownership counseling to existing tenants and marketing/pre-sale of homes.
- b. Applicant must demonstrate experience in developing and maintaining cooperative relationships with tenants.
- c. Applicant must have experience in the target neighborhood or a similar neighborhood in the past 3 years. If Applicant is a joint venture, one partner must be neighborhood-based.
- d. Applicant must currently manage at least 50 residential units, or have managed an average of 50 units over the last 3 years.
- e. Applicant must demonstrate acceptable management of currently owned and/or managed buildings.

## **4. Rental Housing Program Applicants (NEP, NRP)**

The application must include all required information and must be deemed complete by HPD and HUD. Failure to meet any of the requirements listed below may result in the rejection of the application. Applicants for these rental programs must meet the following criteria in order to be considered for a site:

- a. Applicant's primary business is located in one of the target communities.
- b. Applicant must currently manage at least 50 residential units, or have managed an average of 50 units over the last 3 years;
- c. Applicant's relevant experience may include multi-family housing owned and managed by the Applicant, managed for private owners, under contract with or employment by government agencies, or pursuant to court appointment.

- d. Applicant's experience with rehabilitation or repair of occupied multi-family housing. Relevant experience may include the use of in-house rehabilitation crews and/or experience in sub-contracting for/or overseeing the installation of major systems such as windows, boiler, electrical, plumbing or other rehabilitation work.

## **B. Competitive Selection Criteria**

### **1. HomeWorks Competitive Selection Criteria**

HPD will select from among the qualified Developers to participate in HomeWorks and will ask those Developers to submit proposals for development sites appropriate to their experience and capacity as such sites become available. The proposals will be provided in a format prescribed by HPD. The following are factors that will be considered in evaluating the proposals:

- a. Feasibility of Development Proposal: Estimated development costs must be within industry parameters. Proposed sales prices must be realistic in terms of the market prices for similar properties in comparable locations. The financing plan must be sufficient to provide for the development of the site.
- b. Lowest Subsidy Requirement: Proposals that require the lowest subsidy will be ranked highest.
- c. Quality and Extent of Previous Development Experience: HPD will consider the following factors: (i) quality of construction in completed projects or those under way; (ii) number and size of projects previously completed; (iii) effectiveness of marketing of completed projects; and (iv) responsiveness to consumer complaints and prompt handling of punch list items.
- d. Likelihood of Early Construction Start: HPD will consider Applicant's track record in delivering projects on time and within budget; proposed financing from a construction lender who would permit a construction start with no or limited pre-sales; and the financial and other resources of the Applicant.
- e. Affordability: Preference will be given to proposals whose sales prices provide the widest affordability.
- f. Local Participation: Additional consideration will be given to Applicants who have a principal that does business in or is active in the Community Board where the site is located.

### **2. Neighborhood Homes, NEP and NRP Competitive Selection Criteria**

For Neighborhood Homes, NEP and NRP, for all Applicants that pass all minimum threshold criteria, the following competitive criteria will be considered:

- a. Organizational Capability  
The Applicant should demonstrate that it possesses sufficient capacity to undertake the project, including effective staffing, record keeping abilities and overall organization. This includes the experience, qualifications and stability of staff who would be involved in the development and management of the project; the organization's record of success in carrying out its stated mission; and board leadership.
- b. Financial Capacity  
This includes financial stability of the organization and the quality of its financial management.



- c. **Housing Experience**  
This includes both the extent and quality of experience in developing and/or managing rental or home ownership housing for low- and moderate-income households. For the home ownership programs, this also includes experience in working with home ownership programs and potential homebuyers. The experience and qualification of members of the development team other than the Applicant are subject to review by HPD and/or LISC/Enterprise.
- d. **Tenant Relations**  
The Applicant must demonstrate its experience in developing and maintaining cooperative relationships with tenants and tenant associations.
- e. **Current Capacity**  
The Applicant's current workload in relation to its staffing and other resources will be evaluated to determine whether it has the capacity to market, sell, manage and undertake the rehabilitation of an additional project within the time frame required by this RFQ. Selected qualified Developers are expected to follow an aggressive time schedule with respect to rehabilitation and operation or marketing of assigned properties as outlined by the respective disposition program.

## **VII. Submission Requirements**

### **A. Contents of Proposal and Tabbing**

Three originals and two copies of each application and supporting documentation shall be submitted. The original applications must be signed by an authorized representative of the Applicant. **Please note that each original and copy of the Applicant's qualifications must contain the following forms and supporting documentation:**

#### **TAB A – Applicant Description**

A completed Description Form 1. All Applicants must complete Form 1; not-for-profit Applicants must also complete Form 2.

#### **TAB B - Residential Development Experience**

A completed Residential Development Experience Form, Form 3 for the principal(s) of the Applicant and, if applicable, the contracted agent responsible for rehabilitation. List all projects that have been completed within the last five years or that are in construction, in pre-development or have otherwise been committed. **Also include a reference Letter(s) from a Bank(s) together with a list of all outstanding loans and bank officer contacts.**

#### **TAB C - Residential Management Experience**

A completed Residential Management Experience Form, Form 4 for the principal or managing agent proposed for the management of the Properties. List all properties that have been managed in the last five years. If any other principal of the Applicant has other management experience that the Applicant wishes to be considered, a separate form should be completed for that principal.

#### **TAB D – Principal's Property Listing**

A completed Principal's Property Listing Form, Form 5 for the principal(s) of the Applicant and, if applicable, the contracted agent responsible for the rehabilitation.

**TAB E – Legal Status (for not-for-profit organizations only)**

The following is to be included in the original bound application only:

- Articles of Incorporation
- Bylaws
- For not-for-profits, a determination letter from the Internal Revenue Service (IRS) granting Applicant tax exempt status under Section 501(c)(3) of the Internal Revenue Code

**TAB F – Organization Description**

The organization description shall include:

**For not-for-profit organizations only:**

- Map of organization's catchment area
- Organizational charts showing the relationship of Applicant to each subsidiary and affiliate
- Organization structure within the Applicant organization and each subsidiary and affiliate

**For both for-profit and not-for-profit organizations:**

- Resumes for proposed members of the development and management team and staff members who would work on this project

**TAB G – Proof of CHDO (Community Housing Development Organization) or HUD approval for FHA activities (for not-for-profit organizations only)****TAB H – Financial Qualifications**

The financial qualifications shall include:

- A completed Assets Statement Form, Form 6 for the principal(s) of the Applicant and, if applicable, the contracted agent responsible for rehabilitation.
- Most current and prior two fiscal years audited financial statements and management letters.  
Note: Applicants without an audited financial statement should submit a balance sheet (assets and liabilities) and an accounting of income and expenses over the current and past two years and provide any additional pertinent information regarding the Applicant's finances.
- For not-for-profits, copies of the most current and prior two years IRS Form 990 (Federal tax form indicating exemption from federal income tax)
- Operating budgets for the current and prior two fiscal years

**B. Application Submission**

All applications become the property of HPD. HPD reserves the right to ask for additional information. Submissions will be promptly reviewed by HPD. Interviews, site visits and/or additional information may be requested. In order to be considered for designation for calendar year '02, applications must be submitted by October 1, 2002.

Applications must be delivered **by hand** to:

**Grace Samala  
Department of Housing Preservation & Development  
100 Gold Street, Room 4-O1  
New York, NY 10038**

Each application requires a non-refundable fee of one hundred dollars (**\$100.00**) in the form of a certified check, cashier's check or money order payable to "NYC Department of Housing Preservation and Development." For not-for-profit organization Applicants, the fee is reduced to fifty dollars (**\$50.00**). **No cash or personal checks will be accepted.**

## **VIII. Terms and Conditions**

This RFQ is subject to the specific conditions, terms and limitations stated below:

- A. Properties transferred under these programs shall be made to conform to, and be subject to, the provisions of the New York City Zoning Resolution, and all other applicable laws, rules, regulations and ordinances of all Federal, State, and City authorities having jurisdiction, as the same may be amended from time to time.
- B. The City and HUD are not obligated to pay, nor shall they in fact pay any costs or losses incurred by any Applicant, including the cost of responding to this RFQ, at any time.
- C. The City reserves the right to reject at any time any or all submissions and/or withdraw this RFQ in whole or in part, to negotiate with one or more qualified Developers, and/or cause properties to be transferred on terms other than those set forth herein. Likewise, the City reserves the right, at any time, to waive compliance with, or change any of the terms and conditions of this RFQ, and to entertain modifications and additions to the applications of the qualified Developers.
- D. Selection of an Applicant as a qualified Developer for this program and assignment of a property to a qualified Developer will not create any rights on the Applicant's part, including without limitation, rights of enforcement, equity or reimbursement.
- E. This RFQ and any agreement or documents resulting therefrom are subject to all applicable laws, rules and regulations promulgated by any Federal, State, or Municipal authority having jurisdiction over the subject matter thereof, as the same may be amended from time to time.
- F. This RFQ does not represent any obligation or agreement on the part of the City, which may only be incurred or entered into by written agreement which has been (i) approved as to form by the City's Law Department, (ii) approved by the Mayor after a hearing on due notice, and (iii) duly executed by the Applicant and the City. This RFQ does not represent any obligation or agreement on the part of HUD, which may only be incurred or entered into by written agreement which has been executed by a HUD official with delegated authority for such action.

## **IX. Conflicts of Interest**

The City Charter imposes certain restrictions on post -employment business relationships with the City by former City employees and on business relationships with the City by current City employees. Such individuals should consult Chapter 68 of the City Charter on specific provisions on this issue. Any questions concerning such provisions should be addressed to the Conflict of Interest Board by mail to: 2 Lafayette Street, New York, New York 10007, or by phone at (212) 442-1400.

**HUD-OWNED PROPERTIES RFQ  
EXHIBIT A**

**Locations of HUD-owned Properties by Borough and Community Board (CB)**

<b><u>Manhattan (55)</u></b>	
<b>Community Board</b>	<b>HUD Properties</b>
CB 9	8
CB 10	31
CB 11	10
CB 12	6

<b><u>Bronx (12)</u></b>	
<b>Community Board</b>	<b>HUD Properties</b>
CB 1	6
CB 3	3
CB 5	2
CB 12	1

<b><u>Brooklyn (180)</u></b>	
<b>Community Board</b>	<b>HUD Properties</b>
CB 2	2
CB 3	82
CB 4	33
CB 5	13
CB 6	5
CB 7	1
CB 8	11
CB 9	1
CB 13	1
CB 14	1
CB 16	26
CB 17	3
CB 18	1

<b><u>Queens (17)</u></b>	
<b>Community Board</b>	<b>HUD Properties</b>
CB 5	1
CB 12	2
CB 13	1
CB 14	13