

Healthy Neighborhoods, Inc.
Neighborhood Stabilization Program (“NSP2”)
Request For Qualifications (“RFQ”)
For Single Family Homeownership Development

Healthy Neighborhoods, Inc. is requesting qualification statements from developers to create affordable homeownership opportunities in connection with its implementation of a grant award under the Neighborhood Stabilization Program 2 (NSP2), funded through the American Recovery and Reinvestment Act of 2009 (Recovery Act). NSP2 provides federal funds to acquire and redevelop foreclosed and abandoned properties with the goal of stabilizing neighborhoods impacted by the collapse of the mortgage market.

I. Background

Healthy Neighborhoods was awarded \$26,092,880 of NSP2 funds from the federal Department of Housing and Urban Development (HUD) to carry out its proposed stabilization program by acquiring and redeveloping foreclosed or abandoned residential properties in designated neighborhoods in Baltimore, Maryland. The properties are to be sold to households whose incomes are at or below 120% AMI. The award was received on February 11, 2010 and all funds must be totally committed and spent by February 10, 2013.

Healthy Neighborhoods, a nonprofit, is the Lead Member of the NSP2 grant, along with five other participants: three non profit partners: Druid Heights Community Development Corporation, Inc.; Habitat for Humanity of the Chesapeake, Inc.; and St. Ambrose Housing Aid Center, Inc.; Telesis Baltimore Corporation, a for profit development partner; and Baltimore’s Department of Housing and Community Development.

II. Summary

Healthy Neighborhoods, Inc. is soliciting qualification statements from developers to create affordable homeownership opportunities under the NSP2 program. Developers must demonstrate capacity and experience in single family acquisition, rehabilitation, and sale to homeowners. The ideal respondents must have the financial and organizational capacity to successfully implement and complete the project by February 10, 2013. Healthy Neighborhoods will require respondents to provide additional capital from private sources to an NSP2 project. Experience with complex federal programs and reporting will be a factor in the selection process. Selected developers will enter into a written agreement with Healthy Neighborhoods and comply with all NSP2 related regulations.

In addition to the goals of the NSP2 program, Healthy Neighborhoods desires to improve real estate values which means selling the homes at the after rehabilitated appraised value. NSP2 funds will be utilized to subsidize the difference between the total development cost and the appraised value. The subsidy will be forgiven as a grant to the project.

Selected developers will be responsible for obtaining a minimum of 30% of the total development costs from private sources. Private funds will be disbursed to the project proportionally to NSP2 funds.

A developer fee of 15% of the approved total development costs will be paid upon sale of the property to an eligible homeowner.

A detailed budget for the proposed project must be submitted to Healthy Neighborhoods for approval. Payment can only be made for costs incurred. Requests for payment are made to Healthy Neighborhoods. Payment of fully substantiated costs can be made within seven to ten business days.

Selected developers will be responsible for the property selection, acquisition, rehabilitation, assisting buyer to find homeownership counseling and end loan financing, and ultimate sale to an eligible homebuyer.

- Houses must be in designated census tracts; meet the required definitions of foreclosed, vacant, abandoned, or being sold as a “short sale”; are subject to environmental review approval; and be purchased at a discount of a minimum of 1% below the “as is” appraised value. Properties cannot be purchased without prior approval by Healthy Neighborhoods.
- Acquired houses may need varying scopes of rehabilitation or repairs. Rehabilitation of homes must meet all applicable codes and standards including historic, lead paint requirements, energy efficient and “green”, etc. Scopes of work and all requests for payment will be reviewed by Healthy Neighborhoods’ construction inspectors for approval.
- Homes must be sold to eligible homeowners earning less than 120% of area median income. Rental or lease purchase agreements are not acceptable.
- Sales price cannot exceed the lesser of the after rehabilitated appraised value or total development costs. The difference between the total development cost and the appraised value will be subsidized by NSP2 funds as a grant to the project.
- Closing cost assistance of \$6,000 is available for all eligible buyers.

More detailed information on these and additional NSP2 requirements are listed below. Maps of eligible neighborhoods are attached. The rehabilitation and energy specifications and maps of the areas can be found on Healthy Neighborhoods’ website at www.healthyneighborhoods.org.

III. Eligible Activities/Uses of Funds

NSP2 funds will be used to support the acquisition, rehabilitation and resale of foreclosed, abandoned, or “short sale” properties to households with incomes at or below 120 % of the Area Median Income (AMI) in targeted areas.

Target neighborhoods in which properties are eligible for redevelopment under this RFQ are:

- Better Waverly, Ednor Gardens-Lakeside, and Coldstream Homestead Montebello: Census Tracts 090300, 090500, and 090600; and
- Patterson Park and McElderry Park: Census tracts 060100 and 060200.

Healthy Neighborhoods is considering only developer qualifications at this time, with properties to be identified by the Healthy Neighborhoods or the developer after approval.

IV. NSP2 Requirements

- **NSP2 Target Areas:** NSP2 funds can only be spent in target neighborhoods as specified above.

- **Purchase Discount:** Any foreclosed upon or abandoned residential property acquired with NSP2 funds must be at a discount of at least one percent below current appraised market value, based on an independent appraisal.
- **Appraisals: Appraisals for the acquisition of an eligible property** must be conducted by a licensed appraiser. The selection of the appraiser must be approved by Healthy Neighborhoods and the appraiser cannot have a business relationship with the developer.
- **Definitions of Properties:** A property is eligible if it meets at least one of the following definitions:
 - Foreclosed: A home or residential property has been foreclosed upon if any of the following conditions apply: a) the property current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency; b) the property owner is 90 days or more delinquent on tax payments; c) under state or local law, foreclosure proceedings have been initiated or completed; or d) foreclosure proceedings have been completed and title has been transferred.
 - Abandoned: A home or residential property is abandoned if either a) mortgage or tax payment is at least 90 days delinquent; b) a code enforcement inspection has determined that the property is not habitable and the owner has taken no correctible actions within 90 days of notification of the deficiencies; or c) the property is subject to a court ordered receivership or nuisance abatement related to abandonment pursuant to state or local law or otherwise meets state definition of an abandoned home or residential property.

Vacant: The NSP2 program does not define the term vacant, but Healthy Neighborhoods' NSP2 defines a vacant property as one that has been unoccupied for at least 90 days and has no bona fide tenant with rights of occupancy. Property must have a vacant house notice issued by the Baltimore City Department of Housing and Community Development.
 - "Short sale": A home is considered a "short sale" when an arrangement is made between the current homeowner and the lender and the lender agrees to accept an offer for less than the total amount the borrower owes on the loan.
- **Relocation:** All homes acquired or rehabilitated with NSP2 funds should be vacant prior to initiation of the project and prior to Healthy Neighborhoods' funding commitment. Developers must consult with the Healthy Neighborhoods for approval of any purchase agreements for "short sales" that involve occupied properties.
- **Environmental Review:** All properties assisted under this RFQ will be subject to an Environmental Review by Baltimore City's Department of Housing and Community Development prior to acquisition. Developers will be required to submit the project site address to the Healthy Neighborhoods, which will submit the information to the City for review to determine compliance with 24 CFR Part 58. If the project passes the Environmental Review, Healthy Neighborhoods will issue a Notice to Proceed and only then may the developer move forward with the acquisition of property and ratification of a contract of sale.
- **Rehabilitation:** All work under this NSP2 must adhere to all applicable state and local laws, codes, zoning and other requirements relating to construction, rehabilitation and housing safety, quality, and habitability. In addition, all NSP2 assisted rehabilitation must be in compliance with the rehabilitation standards devised by Healthy Neighborhoods for all NSP2 properties and available for review on the Healthy Neighborhoods website: www.healthyneighborhoods.org.

- **Contractors:** All construction contractors must hold a current license from the Maryland Home Improvement Commission of the Maryland Department of Labor, Licensing and Regulation. In addition:
 - Contractor also must be lead certified and licensed to perform rehabilitation on homes built before 1978, if applicable.
 - Contractor cannot be on the federal list of debarred, suspended or ineligible contractors. A list of such contractors can be found on the GSA List of Parties Excluded from Federal Procurement and Non-Procurement Programs (Debarred List) at www.epls.gov.
 - For contracts over \$100,000, contractor's Payment and Performance Bonds or Irrevocable Letter of Credit must be provided.
 - Documentation of Contractor's Builder's Risk Insurance and Workers Compensation Insurance must be provided.
- **Davis Bacon wage rates** do not apply to single family for sale rehabilitation projects under NSP2.
- **Energy Efficiency:** Plans must incorporate energy efficiency measures through materials, heating, ventilation and air conditioning (HVAC) systems, building design, and site orientation.
- **Lead-Based Paint:** If a rehabilitated home was originally placed into service prior to January 1, 1978, rehabilitation must comply with HUD lead-based paint rules (24 CFR Part 35 and 24 CFR Section 570.608). A lead-based paint risk assessment for lead based paint hazards shall be conducted, and rehabilitation work must be done by contractors meeting the requirements of the HUD rule and the EPA.

Renovation, Repair and Painting rule: All purchasers of NSP2 assisted houses constructed prior to January 1, 1978 must be notified of the hazards of lead based paint poisoning and of any clearance testing related to remediation work. Healthy Neighborhoods will provide required education materials to the developers and homebuyers.

- **Historic properties:** All properties will be reviewed by Baltimore City's Commission for Historical and Architectural Preservation to determine if the property is located in a historic district. If considered historic, all rehabilitation work must follow the Department of the Interior's Standards for Preserving, Rehabilitating, Restoring and Reconstructing Historic Buildings.
- **Sale Price Limitation:** Under the NSP2 rules, the price for selling homes to assisted households under NSP2 cannot exceed the cost to acquire and redevelop/rehabilitate the home plus related costs or the after rehabilitated appraised value, whichever is less. In determining the sale price, maintenance costs, such as boarding up units, lawn mowing etc., cannot be included. Any sales prices must be approved by Healthy Neighborhoods before listing of the property.
- **Buyer Requirements:** The following requirements pertain to the sale of the homes to eligible buyers:
 - **Occupancy by Moderate Income Households:** All units assisted with NSP2 funds must serve households with incomes at or below 120 % of the AMI.

2012 NSP2 Income Limits by Household Size Earning at or below 120% of AMI

1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$71,900	\$82,200	\$92,450	\$102,700	\$110,950	\$119,150	\$127,350	\$135,600

- **Primary Residence:** Homes acquired, rehabilitated and sold under NSP2 must be the primary residence of the buyer(s).
- **Homebuyer Counseling:** All homebuyers that are assisted through NSP2 funds must receive at least eight hours of homebuyer counseling through a HUD-certified homebuyer counseling organization. Potential homebuyers must provide a copy of the Homebuyer Education Certificate of Completion, prior to closing.
- **Closing Cost Assistance:** All eligible buyers will have access to NSP2 funds up to \$6,000 for closing cost and down payment assistance.
- **Buyer Note and Mortgage:** All NSP2 funds will be secured by a mortgage and note and will be provided in the form of a zero interest deferred loan consistent with the Affordability Period requirements listed below.
- **Affordability Period:** NSP2 assistance provided to the buyer as closing cost assistance and/or any development subsidy equaling the difference between sales price and after rehabilitated value of the property if applicable, must meet the affordability requirements for not less than the applicable period. During this period, homebuyers must occupy the unit as their principle residency, and, if the home is resold, must repay NSP2 funds due according to the terms of the note and mortgage. The amount of the NSP2 subsidy funds will determine the affordability period: less than \$15,000 - five years, \$15,000 to \$40,000 - ten years, and over \$40,000 - 15 years. The subsidy amount will decline in equal increments over the affordability period. Excess proceeds (after payment of any superior liens) will be split equally between Healthy Neighborhoods and the buyer at sale or transfer of the property up to the amount owed for the NSP2 subsidy. No payment will be required at sale or transfer of the property if there are no excess proceeds after the superior liens have been paid off. The amount of secured funds when added to any subordinate funding cannot be greater than the after rehabilitated appraised value.
- **Reporting:** Each funded developer will be expected to collect and report information about the uses of funds at least monthly, including, but not limited to: property location and activity; funds budgeted and expended (NSP2 and all funding sources); beginning and ending dates of activities; purchase price, appraisal and discount amount for each property acquired; sales price and NSP2 buyer subsidy amount for each property; other data needed to support HUD reporting requirements and performance measures; buyer income, family composition and other information required to document eligibility; jobs created and retained; and Section 3 hiring information.
- Other program requirements and restrictions may be required as developed during the implementation of the NSP2 program.

V. Eligible Costs

A budget for the total development costs for a property must be submitted to Healthy Neighborhoods for approval prior to purchase of an NSP2 eligible property.

- **Acquisition of existing property:** Normal and customary costs related to the acquisition of an existing property in need of rehabilitation are eligible. Properties are subject to the purchase discount limitation noted above. All Contracts of Sale must contain the required addendums which will be provided by Healthy Neighborhoods to the developers. All costs must be related

to the purchase must be approved by Healthy Neighborhoods prior to settlement of the property.

- **Rehabilitation Costs:** All costs must be reviewed prior to construction start by Healthy Neighborhoods' construction inspector. All rehabilitation proposals are reviewed for cost reasonableness and to guarantee inclusion of all required standards and materials.
- **Eligible soft costs:** NSP2 funds can be used to cover the soft costs associated with a project as long as they are reasonable and necessary to the project. Funding for soft costs is only eligible in conjunction with an eligible hard cost, and must be approved by the Healthy Neighborhoods. The following list defines the type of project related soft costs that are eligible under the NSP2 program: property appraisal fees; financing fees and other finance-related costs; title binders and insurance; recordation fees and transaction taxes; real estate sales commissions to selling agents; environmental reviews; architectural and engineering services; and construction management and related professional services.
- **Developer fees:** A developer fee of 15% of the approved total development costs, net the developer fee, will be paid upon sale of the property to an eligible homeowner and receipt of all close out information. The total development costs must be substantiated and approved by Healthy Neighborhoods before disbursement of the developer fee. Any fees for any affiliated entities, including contractor and realty fees, must be approved by Healthy Neighborhoods.
- **Proceeds of sale:** In order to avoid undue enrichment, proceeds from the sale of units, after all approved costs and approved developer fees are paid, shall be returned to Healthy Neighborhoods. Healthy Neighborhoods may approve the use of proceeds of sale for the production of additional units under the Developer Agreement.

VI. Respondent Criteria

The Respondent must be in good standing with the State of Maryland, the City of Baltimore, and with the U.S. Department of Housing and Urban Development (HUD).

Respondents' qualifications will be reviewed based on information provided covering the following criteria.

A. Organization Information and Capacity

- Provide an overview of the organization's history and experience in developing affordable housing and homeownership opportunities. Identify your experience in working with government funded programs, including the CDBG or HOME program.
- Describe relevant experience in the geographic areas listed in the RFQ or similar type communities and housing markets.
- List names of your development team and describe the role, experience, and capacity of each (including architects, contractors, construction managers, real estate brokers, marketing, etc.).
- Briefly describe the staff positions and qualifications of those individuals who would carry out the NSP2 program. Describe any existing commitments that would impact your ability to implement the project immediately.
- Have any persons employed by your agency been debarred by HUD or are otherwise restricted from entering into contracts with any federal agency?

- Provide current financial statements or other information that establishes the financial capacity of the developer to undertake and complete the proposed project.
- Provide evidence of access to equity or capital to finance the project.
- Provide realistic estimated cost projections and schedules to meet the time deadline of February 10, 2013 for completion.
- Provide evidence of insurability for the insurance standards listed below:

The developer shall maintain for the duration of the contract(s), at its cost and expense, insurance against claims for injuries to persons or damages to property, including contractual liability, which may arise from or in connection with the performance of the work by the vendor, its agents, employees, representatives, assigns or subcontractors. This insurance shall cover such claims as may be caused by any negligent act or omission.

Amounts: All insurance shall be written up for the following limits of liability:

- Bodily Injury Liability Insurance: \$1,000,000.00 each person, \$1,000,000.00 each occurrence;
- Property Damage Liability Insurance: \$1,000,000.00 each person, \$1,000,000.00 each occurrence;
- Professional Liability: \$1,000,000.00; and
- Worker's Compensation: \$250,000.00.

- Please provide a bank reference or similar type of reference.

B. Proposed Project/Property Information

- Identify the specific geographic location(s) you plan to implement your project, reflecting the eligible target areas noted above.
- Provide a detailed description of the proposed project for which funds are being requested. Proposed projects are for homeownership only and not for rental or lease purchase.
- Provide a projection of how many units will be completed and the timeframe for completion. Identify key tasks and completion dates that identify how your project is ready to proceed.
- Identify a list of strategically located properties that meet program and eligibility requirements.
- Provide a project or property development sources and uses budget:
 - Indicate the NSP2 funding requested for development.
 - Provide documentation evidencing other sources of construction or acquisition funding.
 - Provide an estimated budget for the acquisition, rehabilitation, and disposition of the property (including soft costs such as developer fees, realtor fees, appraisals, inspections, marketing, carrying costs, etc.).
- Describe the work to be performed, method of approach, and finishes for the property.
- Describe any experience you may have implementing "green" and energy efficient building techniques and materials.
- Describe the methods you will utilize to ensure cost effectiveness of your project.

- Describe the marketing and outreach strategy to reach your target program participants, including compliance with all fair housing and non-discrimination requirements.
 - Describe any fees beyond the developer's fee proposed to be earned by affiliates of the developer, for each unit developed under this RFQ.
- C. Format of Submissions:** Respondents should submit no more than five pages outlining their capacity and experience. Boilerplate, glossy and unnecessarily elaborate submissions are neither expected nor desired.
- D. Conflicts of Interest:** Please describe any conflict waivers you would expect to require (of Healthy Neighborhoods or other parties) for you to represent Healthy Neighborhoods and its members with respect to this matter. Members include Healthy Neighborhoods; Druid Heights Community Development Corporation; Habitat for Humanity of the Chesapeake, Inc.; St. Ambrose Housing Aid Center, Inc.; Telesis Baltimore Corporation; and Baltimore City's Department of Housing and Community Development.
- E. Equal Opportunity/Affirmative Action and Section 3.** Please provide information regarding whether the respondent has been qualified as a small business, minority-owned firm, or women's enterprise. Please provide information regarding the respondent's record in the hiring and promotion of minority and women. In addition, your record of hiring Section 3 eligible employees, and information regarding MBE/WBE vendors with whom you regularly subcontract for services. The work to be performed under this Agreement is a project assisted under a program providing direct Federal financial assistance from HUD and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701). Section 3 requires that to the greatest extent feasible opportunities for training and employment be given to low- and very low-income residents of the project area, and that contracts for work in connection with the project be awarded to business concerns that provide economic opportunities for low- and very low-income persons residing in the metropolitan area in which the project is located.
- F. Selection, Submission, and Additional Information:** Healthy Neighborhoods expects to select the respondent whose qualifications are responsive to the criteria set forth in this Request for Qualifications and is most advantageous to Healthy Neighborhoods, considering price, quality, and other factors set forth herein. Healthy Neighborhoods reserves the right to reject any submission of qualifications if it is in Healthy Neighborhoods' interest to do so. Responses and requests for additional information should be directed to:

Lisa R. Evans, Senior Program Officer
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Responses are requested by 12:00 pm eastern time on Tuesday, January 31, 2012.