

**MINNEAPOLIS NEIGHBORHOOD STABILIZATION PROGRAM II
FORECLOSURE RECOVERY REHABILITATION PROGRAM
REQUEST FOR PROPOSALS/QUALIFICATIONS**

The City of Minneapolis, through its Community Planning and Economic Development (CPED) department is accepting applications for the Minneapolis Neighborhood Stabilization Program II (NSP 2) Foreclosure Recovery Rehabilitation Program. This program is being funded by a grant from the department of Housing and Urban Development (HUD) as authorized by the federal American Reinvestment and Recovery Act of 2009 (The Recovery Act). The Recovery Act provides emergency assistance to states and localities for the redevelopment of abandoned and foreclosed homes. Driven by the immense scope of the current foreclosure crisis and the destabilizing impact of these foreclosed properties in our neighborhoods, the City of Minneapolis, in 2008, created the "Minneapolis Foreclosure Recovery Rehabilitation Program" to assist in the rehabilitation of affordable single-family, duplex or multi-unit housing in areas which have been defined as areas of greatest need. In 2010, Minneapolis received additional funds through the NSP 2 program and is continuing the program. The program funds will assist non-profit developers with construction gap financing in the treatment of foreclosed and/or abandoned housing. All of the NSP 2 funds must be spent by February 2013, with 50% being expended by 2012.

CPED is offering, through a combined Request for Proposal (RFP) for development of rental housing and a Request for Qualifications for development of ownership housing, approximately \$9.1 million in NSP 2 funds. There is approximately \$3.6 million available for the development of rental housing (NSP 2 Activity B – Purchase Rehabilitation) that is affordable to households with income at or below 50% of area median income (AMI). These are limited to properties with at least two units. There are approximately \$5.5 million for development of ownership housing (NSP Activity E – Redevelopment) that is affordable to households with income at or below 120% AMI.

For the rental proposals, the entire \$3.6M will be awarded among the proposers meeting the minimum requirements. For the ownership proposals, funds will be awarded on a first come-first served basis once the unit has been identified by the approved/eligible developer. Eligible developers will be based on the proposals submitted as part of the application process.

All interested developers MUST complete the attached application to be considered for funding to support ownership and rental projects, please specify which development funding you are requesting. NOTE: One developer can apply for both Ownership and Rental funding.

Additional non-NSP, single family ownership funding may also be available to selected developers on a first-come first-serve basis. Developers interested in being considered for these funds must indicate their interest on the application.

The City of Minneapolis has identified three goals for the NSP 2 funding to:

1. maximize the revitalization and stabilization of neighborhoods hardest hit by foreclosure;
2. complement and coordinate with other federal, state and local investment in the targeted neighborhoods; and
3. preserve affordable housing opportunities in the target neighborhoods.

The definitions and requirements in this RFP/Q are intended to comply with and should be interpreted in accordance with the Recovery Act and HUD's implementing rules and regulations for NSP 2 which can be found at: www.hud.gov/nsp.

I. Definitions

Abandoned: Abandoned properties include homes where no mortgage or tax payments have been made by the property owner for at least 90 days or a code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies.

Acquisition Price: Foreclosed homes must be acquired at a discount of at least 1% from the appraised value of the property.

Area Media Income (AMI): Area median income as most recently established by HUD for the Minneapolis/St. Paul standard metropolitan statistical area, as adjusted for family size.

Current Market Appraised Value: The value of a foreclosed upon home or residential property that is established through an appraisal conforming with 9 CFR 24.103 and made within 60 days prior to the developer's offer to purchase the property.

Development Grants: Development grants will be provided for both rental and ownership housing developed under the NSP 2 program when the cost of development is greater than the sale price/value of the housing unit. A development grant must be requested prior to acquisition of the property and verified at the time of sale to a qualified home buyer or issuance of a Certificate of Occupancy. In the case of ownership housing the development grant will be provided by forgiving a portion of the development loan. For rental projects development loans will not be provided. The development grant may not exceed \$60,000 per unit.

Development Loans: For ownership projects development loans will be provided to eligible developers who are pre-qualified pursuant to this RFQ process. The loans will support the acquisition and rehabilitation for unoccupied and demolished, vacant, abandoned or foreclosed properties in the HUD –approved target areas. Development loans will provide first mortgage financing of up to \$200,000 per unit. The loans will be provided interest free and will be due in full at the time of sale to an income qualified

buyer or after not more than 6 months, whichever is first. A portion of the loan may be forgiven as a Development Grant or Homebuyer Assistance.

Eligible Area: See Exhibit B

Eligible Developers: Developers must be non-profit development entities with experience using federal funds and must demonstrate professional development experience, a proven ability to undertake development projects of this type (at least 10 units in the past three years), and have the ability to obtain sufficient financing.

Eligible Uses and Properties:

Activity B - Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties. (Note: City's Activity B program is rental only)

Activity E - Redevelop demolished or vacant properties as housing

Foreclosed: The property is at least 60 days delinquent on its mortgage and the owner has been notified; or the property owner is 90 days or more delinquent on tax payments; or under state or local law, foreclosure proceedings have been initiated or completed; or foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, sub recipient, developer, or end user.

Homebuyer Assistance: The minimum assistance is \$1,000. The maximum "Incentive" assistance for households (81% to 120% AMI) is \$7,500. In addition to the incentive, households at or below 80% AMI may qualify for "Homebuyer Gap" assistance of up to an additional \$10,000. Households at or below 50% AMI may receive additional homebuyer gap assistance to reach a housing ratio of approximately 30%. The loan and requirements will be secured by a mortgage, promissory note and declaration of covenants and restrictions.

Homebuyer Counseling: Buyers must complete at least 8 hours of home buyer counseling through a HUD-approved counseling agency.

Homebuyer Investment: Homebuyers must contribute at least \$1,000 of equity to the purchase of the property.

Project Completion: A project is considered complete at the time that the closing has occurred with the end buyer or when the Certificate of Occupancy is issued on a rental project.

Rehabilitation: Any rehabilitation of a foreclosed upon home or residential property shall comply with the City's Foreclosure Recovery Rehabilitation Program Standards (see

Exhibit A) and applicable laws, codes, Minnesota Green Communities and other requirements relating to housing safety, quality, and habitability.

The developer must include exterior improvements and landscaping to enhance curb appeal in the scope of work for rehabilitation.

Sale Price: The lesser of a) the after-rehab market appraised value of the property and b) the developer’s cost of acquisition and rehabilitation.

Time of Performance: The developer must complete the rehabilitation of a housing unit within 180 days of acquisition. Exceptions may be authorized on a case-by-case basis.

II. Project Eligibility and Requirements

- Ownership—Single family units; Rental—duplex and multi-unit structures.
- The completed units must be advertised, offered and sold to the general public in accordance with an approved “Affirmative Marketing Plan.” The advertised price must be the home’s market appraised value, unless it exceeds the cost of acquisition and rehabilitation of the property.
- All projects must demonstrate compliance with city and federal requirements.
- All NSP 2 requirements must be met, including, but not limited to appraisal, environmental review, affirmative marketing, tenant protections, employment opportunities for low income persons, lead based paint hazard controls, reporting and rehabilitation standards.

Required Activities	Rental	Ownership
Abandoned, Foreclosed upon property	X	X
Ability to expend funds within the statutory period	X	X
Comply with Affordability period requirements	X	X
Detailed plan of proposed activities	X	
Eligible Area	X	
Eligible Developer	X	X
Eligible Use	X	X
Evidence of rental management experience	X	
Meet Program Rehabilitation Standards	X	X
Monthly reporting	X	X
Rent not to exceed HOME rents	X	
Sale price not to exceed cost to acquire/rehab		X
Service household(s) with income not to exceed 120% AMI	X	X
Vacant Property (Waiver may be obtained in special situations)	X	X

III. Affordability Period

For the purposes of NSP funding the City has elected to use the continued affordability standards as outlined in the table below:

Per unit amount of NSP funds for Acquisition/Rehab or Other Assistance	Minimum Period of Affordability
Under \$15,000	5 years
\$15,000 - \$40,000	10 years
Over \$40,000	15 years

The affordability requirements are further described in the “Continuing Affordability” section below. *NOTE: On ownership projects, the affordability period will be based on the amount of direct assistance to the homebuyer rather than the indirect assistance to the developer. Direct assistance may include incentive assistance, homebuyer gap assistance and any write down due to the NSP 2 cap on sale price.

IV. Application Procedure

One electronic Minneapolis Neighborhood Stabilization Program 2 proposal must be submitted to edythe.oliveto-oates@ci.minneapolis.mn.us and one original hard copy including all required attachments must be delivered to:

Community Planning and Economic Development
105 Fifth Avenue South – Suite 200
Minneapolis, MN 55401
Attention: Edie Oliveto-Oates

DUE 4:00 PM on Friday, May 21, 2010 NO LATE PROPOSALS WILL BE ACCEPTED

V. Selection Criteria

Priority Ranking - Activities	Rental	Ownership
Developer/Development team experience	25	25
Evidence of ability to expend 100% of funding within the Statutory timeline	15	15
Evidence of project funding secured	15	
Evidence of long-Term Affordability - Rental	15	
Treatment of Boarded & Vacant Property	10	10
Evidence of compliance with Minnesota Green Community standards	15	15
Integration with broader City's revitalization efforts	15	15
Affirmative Marketing Plan/Strategy	15	15
Plan for compliance with Section 3	15	15
Ability to use funds within one year	15	15

The City reserves the right to reject any or all proposals, in whole or in part, to negotiate modifications of proposals submitted, and to negotiate specific work elements with a proposer into a project of lesser or greater magnitude than described in this RFP/Q or the proposer's reply. Staff will review and rank proposals and make recommendations for funding of rental project developers and/or qualification of ownership project developers to the City Council. Preliminary funding commitments granted by the Council will be for a twelve-month period during which time developers must demonstrate compliance with program requirements at reasonable intervals, secure project funding and conduct the project closing. As the funding is time-sensitive the City reserves the right to re-allocate unused funds during the project period.

VI. FUNDING AGREEMENT & PROJECT(S) CLOSING(S)

- ◆ The City will enter into a funding agreement with each developer who is awarded NSP2 funds for rental project(s). For ownership projects, each prequalified developer may request a reservation of loan funds. Depending upon demand, the City will limit the number of funding commitments to a developer. Loans will be made on a project-by-project basis.
- ◆ Prior to the commencement of rehabilitation of each project to be assisted with NSP2 funds under the agreement, the developer will be required to submit documents related to purchase and financing, a pro forma establishing the actual development cost gap, a title binder in a form satisfactory to the City, evidence of insurance, documentation of compliance with applicable contracting and employment requirements (e.g., bidding, bonding, affirmative action plan, preconstruction booklet, small and underutilized business program, Section 3, prevailing wage, apprenticeship) and other applicable required documentation for the project.
- ◆ The City of Minneapolis must be a certificate holder/mortgagee on all types of insurance.

- ◆ Once all requirements are satisfied with respect to each assisted unit, the developer and CPED staff will issue a notice to proceed to the developer.
- ◆ NSP funds will be secured by a note and a mortgage recorded against the property at project closing.
- ◆ Funds will be disbursed as follows:
 - Single Family Projects:
 - Acquisition funds will be disbursed at acquisition
 - Additional disbursements, based on actual costs, will be made at reasonable intervals during construction with a 10% retainage.
 - Final disbursement is at Homebuyer Closing (remaining 10% of project award)
 - Rental Projects (Two installments)
 - Initial disbursement is at acquisition (Actual cost to date, not to exceed 90% of the project award, or the acquisition price of the building)
 - Final disbursement is at submission of Certificate of Occupancy (remaining project award, based on initial disbursement)

VII. PROJECT COMPLETION

- ◆ General Requirements
 - Projects must be completed within six months after issuance of the notice to proceed.
 - Pursuant to the final inspection, all punch list items must be corrected before final payment is disbursed.
 - A code compliance certificate or Truth-In-Housing and Certificate of Occupancy must be submitted at project completion.
- ◆ Ownership Projects
 - A copy of the purchase agreement with the homebuyer must be provided to CPED, including copies of income verifications from all sources and/or a Fannie Mae 1003 application form signed by the homebuyer and approved by the lender's underwriter.
 - The primary financing can be any fixed-rate FHA, VA, Fannie Mae, or Freddie Mac insured or uninsured loan product that is generally considered in the lending industry to be an "A" or "prime" lending product. A contract for deed financed product must be in compliance with the Department of Housing & Urban Development and the City of Minneapolis Contract for Deed Policy before it will be allowed. Developers are encouraged to market the Minneapolis Advantage Program to eligible borrowers to provide greater opportunity.
 - All homebuyers must document that they have received at least eight hours of homebuyer counseling by providing a certificate of attendance at a HUD-approved pre-purchase workshop.
 - At the homebuyer closing, the buyer(s) must sign an affidavit of owner-occupancy, a declaration of restrictive covenants and a "continuing affordability" note and mortgage in favor of the City.

- CPED staff must receive written notice of the homebuyer closing at least 15 business days prior to closing.
- CPED will provide a release or satisfaction of the note and mortgage at the homebuyer closing.
- Demographic information (See Exhibit C) about the homebuyer will be required on all projects.
- ◆ Rental Projects
 - At project closing, the developer must sign a note and mortgage and a “continuing affordability” regulatory agreement/declaration of restrictive covenants in favor of the City.
 - CPED will provide a satisfaction of the developer’s “development cost gap” note and mortgage and release the declaration of restrictive covenants at the end of the affordability period.
 - Developer shall provide annual certification that each tenant meets the affordability guidelines in accordance with the HOME regulations.
 - All units must be maintained at Section 8 Housing Quality Standards.
 - Demographic information about the tenants will be required on all units.

VIII. CONTINUING AFFORDABILITY

To ensure that NSP-assisted homeownership properties will remain affordable to low/moderate/middle-income homebuyers, the City is imposing recapture requirements consistent with the HOME program standards at 24 CFR 92.254. If the homeowner transfers the property during the affordability period, the NSP2 assistance must be repaid.

For rental properties, the City will impose occupancy and rent restrictions consistent with the HOME program standards at 24 CFR 92.252(a), (c), (e) and (f) through loan documentation and a regulatory agreement/declaration of restrictive covenants.

IX. CIVIL RIGHTS, AFFIRMATIVE ACTION, SUBP, SECTION 3 AND DAVIS BACON

Civil Rights/Affirmative Action. The developer and its contractors and subcontractors with contracts exceeding \$50,000 will be required to submit a written affirmative action plan in connection with the project(s). The developer also must comply and cause its contractors to comply with applicable provisions of Chapters 139 and 141 (Title 7, Civil Rights), Minneapolis Code of Ordinances, nondiscrimination provisions contained in Chapter 181, Minnesota Statutes, the Americans with Disabilities Act of 1990 (as amended), Section 109 of the Housing and Community Development Act of 1974 (as amended), the Age Discrimination Act of 1975 (as amended) and Executive Order 11246, as amended by Executive Order 12086.

Small and Underutilized Businesses Program. Development projects that receive financial assistance in excess of \$100,000 must comply with Chapter 423 of the Minneapolis Code of Ordinances. Chapter 423 encourages the use of businesses owned by women and minorities in securing construction and professional services, and is applicable to the developer and its contractors. A list of certified businesses can be obtained by contacting the **Small and Underutilized Businesses Program** at 612 673-2112 or at www.govcontracts.org.

Developers must require their contractors take all necessary affirmative steps to ensure that minority firms, women's business enterprises, and labor surplus area firms are used when possible. Per HUD regulations, affirmative steps shall include:

- ◆ Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
- ◆ Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
- ◆ Dividing total requirements, when economically feasible, into small tasks or quantities to permit maximum participation by small and minority business, and women's business enterprises;
- ◆ Establishing delivery schedules, where the requirements permit, that encourage participation by small and minority business and women's business enterprises; and
- ◆ Using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce;

Developer or their representative shall contact the City's Department of Civil Rights to obtain goals and determine any other requirements prior to soliciting bids.

SECTION 3. Developers receiving more than \$200,000 of federal funds for a project and any contractor or subcontractor with a contract on such a project in excess of \$100,000 are subject to the Section 3 requirements outlined in 24 C.F.R. Part 135. All Section 3 covered contracts shall include the following clauses (referred to as the "Section 3 Clause"):

- A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701 u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD's regulations in 24 C.F.R. part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative or workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 C.F.R. part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 C.F.R. part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 C.F.R. part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. part 135.
- F. Noncompliance with HUD's regulations in 24 C.F.R. part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Davis Bacon/Prevailing Wage. For projects with 8 or more units, the developer must cause its general contractor and subcontractors to comply with the wage and hour standards issued by the United States Secretary of Labor pursuant to the Davis Bacon Act, 40 U.S.C. Sections 276a to 276a-5, as amended, and the Contract Work Hours and Safety Standards Act 40 U.S.C. Sections 327-333. The contractors and subcontractors must pay prevailing wages as determined by a federal wage decision and provide weekly certified payroll records to the Minneapolis Department of Civil Rights. The

signed contract that contains the building specifications for the project must contain a copy of the appropriate United States Department of Labor Federal Wage Decision document and the HUD Form 4010, Federal Labor Standards Provisions.

Federal Funding Accountability and Transparency. Grantees and first tier sub-awardees receiving NSP2 funds must have a DUNS number and must be registered in the Central Contractor Registration (CCR) system. Additionally, the City is required to report certain information to HUD on a quarterly basis, including the total amount of recovery funds received from HUD; the amount of recovery funds received that were expended or obligated to projects or activities; a detailed list of all projects or activities for which recovery funds were expended or obligated, including name, description, evaluation of completion status, and an estimate of the number of jobs created or retained by the project or activity. Developers will be required to timely report information to the City to enable the City to comply with these requirements.