
Neighborhood Stabilization Program (NSP)

City of Modesto
Parks, Recreation and Neighborhoods Department



Overview of the NSP

- The City of Modesto received \$8.1 million in U.S. Department of Housing and Urban Development (HUD) funding.
 - Stabilize communities impacted by the foreclosure crisis.
 - Serve low/moderate/middle income (LMMI) households.
 - Be allocated within 18 months:
 - Incentive Transfer Program;
 - Down Payment Assistance Program;
 - Acquisition and Rehabilitation
 - Airport, Weed & Seed Target Areas; and
 - Scattered Sites

Overview of the NSP

■ Incentive Transfer Program

- Administered by the Housing Authority of the County of Stanislaus. Moves current residents in public housing into scattered sites throughout Modesto to take the next step in self sustainability. Serves those at and below 50% of the area median income.

■ NSP Down Payment Assistance Program (NSP DPAP)

- \$1,271,031 of NSP funds allocated to assist program eligible low/moderate/middle income (LMMI) homebuyers.
 - Funds can be utilized for down payment assistance, reasonable closing cost, and rehabilitation of foreclosed properties.
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Overview of the NSP

- Acquisition and Rehabilitation - Capacity to purchase and rehabilitate foreclosed properties:
 - Airport, Weed & Seed Target Areas
 - Scattered Site throughout the City of Modesto.
- Properties will need to be resold or rented to those at or below 120% of the area median income.

Request for Qualifications (RFQ)

- **Request for Qualifications (RFQ)** to be released to solicit, evaluate and select experienced and financially capable Development Team(s) to purchase and rehabilitate foreclosed and abandoned properties.
 - GOAL: Assist the City of Modesto in stabilizing neighborhoods hit hard by the foreclosure crisis.
 - Intended to produce a list of qualified developers based on the Developer's projects and management plans for the properties.

RFQ Submittal Requirements

- A description of recent housing development experience (in the last five years) including projects that included affordable units.
- The narrative shall include the following basic information:
 - A description of the organizational structure
 - Residential rehabilitation or development track record, and
 - Financial capability (identifying specific relevant projects including number of units, sale or rental prices, tenant mix, etc.).

RFQ Submittal Requirements

- Submit a copy of most recent year end Financial Statements.
- A description of relevant associated professionals, architects, project managers, and others (Development Team).
- A description of specific and relevant experience of the Development Team. Experience in property management or association with an experienced property management firm.
- At least three (3) business and financial references. Include a contact person address and telephone number.
- A list of three (3) additional professional references with contact information.

RFQ Submittal Requirements

- Selected Organization's) shall maintain appropriate insurance requirements and provide the City of Modesto evidence of insurance.
 - (a) Workers' Compensation- in compliance with the statues of the State of California, plus employer's liability with a minimum limit of liability of \$1,000,000.
 - (b) General Liability insurance with a minimum limit of liability of \$1,000,000 per occurrence for bodily injury, property damage and personal injury.
 - (c) Automobile Liability insurance with a minimum limit of liability of \$1,000,000 per occurrence for bodily injury, property damage and personal injury. This insurance shall cover any automobile for bodily injury and property damage.
 - (d) Property Insurance required in the amount needed to insure Organization's contents and any improvements and betterments.
 - (e) Waiver of Subrogation

Selection Criteria

- ❑ The Selection Committee may use a point scale system to select a chosen developer using the following criteria listed below (No particular order):
 - The experience of the Developer and the Development Team.
 - Experience in owning and managing affordable housing projects.
 - Property Management Plan.
 - Local vendor preference
 - The capabilities of the Developer in financing and constructing or rehabilitating quality housing projects.
 - Green building standards and techniques.
- ❑ Selected Development Team(s) will be placed on a qualified list and be eligible to present viable projects for funding through NSP.

Property Eligibility

- Must be a foreclosed property (i.e. bank owned);
- Single family home, condominium, or a planned unit development, or manufactured housing on its own lot and affixed to a permanent foundation;
- Located in a residentially zoned area within the City limits of Modesto;
- Purchase price must be at a minimum of 15% discount from the current market appraised value of the home.
 - Discount should ensure that the homebuyer is paying below-market value for the home.

Property Eligibility

- The purchase price of the home or after-rehabilitation value must not exceed the actual 95% of median sale price for Modesto:
 - Currently \$228,000 for 1-unit, as determined by HUD;
 - Must be vacant at the time of listing.
- Must meet Housing Quality Standards (HQS), as defined by HUD after rehabilitation.

Properties Identified ... What next?

- Approved Developer submits plan to City for foreclosed or abandoned properties identified to purchase and rehabilitate
 - Things to consider for the project proposal include:
 - Fund leveraging ratio (extent to which funds are leveraged on a per unit basis)
 - Unit/cost ratio
 - Development schedule
 - Quality project rehabilitation
 - Number of units
 - Green building techniques
 - Long term management plan
 - Utilizing local vendors
- Review Committee will determine the funding to be awarded based on project feasibility.

Low/Moderate Middle Income Guidelines (LMMI)

- All NSP funds shall be used to benefit individuals and families whose incomes do not exceed 120 percent of area median income, adjusted to family size.

HOUSEHOLD SIZE	INCOME LIMIT
1 Person	\$50,050
2 Person	\$57,200
3 Person	\$64,350
4 Person	\$71,500
5 Person	\$77,200
6 Person	\$82,950
7 Person	\$88,650
8 Person	\$94,400

Special Terms

- HUD requires NSP funding to be expended on activities where continued affordability is ensured. The term of the affordability covenant depends on the total amount of financial assistance provided by the City.

<u>Loan Amount</u>	<u>Affordability Period</u>
Less than \$15,000	5 years
\$15,000 - \$40,000	10 years
More than \$40,000	15 years

The above affordability periods are based on HOME regulation 24 CFR 92.252 (for renters) and 92.254 (for owners), depending on the amount of NSP funding provided, the above affordability periods could increase.

- Affordability periods run with the land.

Special Terms

- If the home is rented, it must be rented to a LMMI household, if the developer sells the home during the affordability period, the loan amount shall be recaptured, and the developer will be required to repay all or a portion of the subsidy and the home must be sold to an income eligible household.
- Affordable rents need to be calculated to ensure that purchasers and renters of NSP-assisted structures do not have problems making mortgage or rent payments. A common standard is that housing payments should not exceed 31% of adjusted family income.

Financial Assistance and Affordability Period

- The terms and conditions of financial assistance can vary based upon the type of organization as well as the experience and financial stability of the organization. Some examples of assistance are as follows:
 - For-Profit Organizations
 - A recapture clause will be incorporated on the loan so that the remaining funding is repaid if the property is sold during the affordability period..
 - If the equity gain is in excess of \$50,000, an equity share clause will be in place to have 10% due back to the City minus the Developers contributed.
 - Affordability period based on amount borrowed per HOME regulations.
 - Defer first five years of the loan. Year six 3% simple interest will accrue annually.
 - Loan Terms for Non-Profit Organizations
 - A recapture clause will be incorporated on the loan to have the remaining balance paid if the property is sold. If the affordability covenant is not met, the loan would be 0% simple interest for the first 5 years and from year six through year 30, 3% simple interest will begin to accrue annually..
 - Affordability period based on amount borrowed per HOME regulations.
 - No payments due, if affordability period is met, the loan will be converted into a grant and will be forgiven.

Other Requirements to Consider

- **Environmental Review** – Prior to approval of funding awards, projects must be assessed in accordance with the provisions of the California Environmental Quality Act (CEQA). In addition, the projects must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA). NEPA assessments will be prepared by City staff and submitted to HUD for review and approval.
- **Affordability Covenant** – HOME regulations 24 CFR 92.252 (e)(f) requires rental units to have an Affordability Covenant based on the amount of funding. For large amounts of funding, the City of Modesto could impose a longer affordability period.

Other Requirements to Consider

- **Nondiscrimination** – All recipients must agree to not discriminate on the basis of race, color, ancestry, national origin, religion, sex, sexual preference, age, marital status, family status, source of income, physical or mental disability, or any other arbitrary basis.
- **Conflict of Interest** – Employees, agents consultants, officers and officials of the City who exercise any functions or responsibilities with respect to activities assisted with City housing funds, or who are in a position to participate in a decision-making process or gain inside information with respect to these activities, are prohibited, during their tenure and for one year thereafter, from obtaining financial interest or benefit from City housing funds or from having an interest in any contract or subcontract, either for themselves or those with whom they have family or business ties. Recipients of City housing funds are responsible for ensuring that such conflicts or interest do not occur.

Overview of NSP Limitations

■ **Rehabilitation –**

- ❑ Shall be to the extent necessary to comply with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability, in order to sell, rent, or redevelop such homes and properties.
- ❑ May include improvements to increase the energy efficiency or conservation of such homes and properties or provide a renewable energy source or sources for such homes and properties.

Overview of NSP Limitations

■ **Sale of Home – ??**

- If an abandoned or foreclosed upon home or residential property is purchased, redeveloped, or otherwise sold to an individual as a primary residence, then such sale shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition.

General Requirements

- One (1) original and five (5) copies of the RFQ are required on 8.5-inch by 11-inch paper.
- The City of Modesto will consider RFQ's received by 4:30 p.m. on May 26, 2009, by the Parks, Recreation and Neighborhoods Department to be eligible for inclusion in the initial roster.
 - Facsimiles, CD's and e-mails are not acceptable RFQ submissions.

Disclaimers

- All costs associated with the preparation of a Statement of Qualifications Proposal (RFQ) shall be borne by the preparer/submitter.
- All responses to the RFQ shall become the property of the City.
- At its sole and absolute discretion, the City of Modesto reserves the right to reject any and all submissions and to modify or cancel, in part or in its entirety, without cause.
- Incomplete applications will be deemed invalid.
- Applicants certify that by submitting a proposal all information to be true and accurate and that submitting false documents, will result in immediate rejection of application.
- If selected organization does not adhere to all State and Federal Regulations required by the Neighborhood Stabilization Program, funding will be pulled and could be subject to repayment.