

**NSP – SINGLE FAMILY DEVELOPERS RFP  
APPLICATION WORKSHOP QUESTIONS AND ANSWERS  
June 24, 2009 at City Commission Chambers**

**Question #1: The Purchase and Sale contract would be on the Developer's name?**

**Answer:** Yes

**Q#2: What is the process to identify the buyer?**

**A:** There are three ways to identify a potential buyer:

- 1) The Developer will advertise the NSP Program through his own marketing plan to attract potential buyers.
- 2) The City will refer a buyer from its internal client list
- 3) A realtor will bring the client to the developer

**Q#3: Does Developer need to identify a buyer?**

**A:** The Developer must have a qualified buyer to request the City's subsidy, and must also have a purchase and sales contract in place.

**Q#4: The property appraisal: When is it done?**

**A:** The appraisal is done when the Developer makes a final offer to the bank owning the property. The "as is" appraisal must be dated within 60 days of the final offer.

**Q#5: What would happen if the buyer defaults?**

**A:** There is always the risk that a buyer may default and exit the program. In that case, the Developer must replace the initial buyer by another qualified buyer.

**Q#6: At what point in the process the City will provide a full commitment of funds?**

**A:** The Developer will enter into a contractual agreement with the City after the \$250,000 is awarded to the Developer. The commitment for the funds will be in the agreement. The up to \$50,000 City's financing for each unit will come in the form of a loan with a zero (0) interest. When the Developer enters into a conditional purchase contract with the bank for a foreclosed property, the Developer will be presenting the project information, including the rehab costs to the City. At this point, the Developer must have in place the proper financing for the project and must have bridged the project's financial gap. The Bank/Developer agreement should include a reasonable time line as to allow the Developer to secure the sources of financing for the project.

**Q#7: What kind of contracts will be signed by the Developer and Bank and Developer and Buyer?**

**A:** Contracts between the Developer and the Bank, as well as the Developer and the buyer, will be standard FAR contract forms, with the addition of the NSP rider. The Developer will be providing a contingent contract to the Bank, contingent on an "as is" appraisal done within 60 days of the final offer, and insuring that the purchase price discount is at least a 1% discount below the appraised, "as is" value. The Developer and the Bank will enter into a Purchase and Sales contract, which should contain the NSP rider that the purchase is subject to the City's approval of appraisal and environmental reviews.

In addition, the developer must request a letter from the bank that the property was not occupied for 90 days before the foreclosure. If the housing unit was leased at the time of foreclosure, and the lender elected to terminate the lease, the lender must provide proof that the tenant was given the appropriate 90 day notice before the lender terminated the lease. Or, if the lender terminated the lease early after the foreclosure, the same proof of 90 day notification, must be given to the Developer for that unit. No NSP funds will be used to purchase properties that do not follow HUD's Uniform Relocation Act requirements. Please see clarification on US HUD's website at: [http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp\\_faq\\_recovery\\_act\\_changes.pdf](http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp_faq_recovery_act_changes.pdf)

**Q#8: If the buyer is referred by a Realtor, who pays the Realtor's fee?**

**A:** It is the seller who pays the realtor's fee. In the case that the realtor is the agent of the buyer, the developer steps into the buyer's role and the realtor's fee will be paid by the seller. If the Developer loses the first pre-qualified buyer, a future realtor commission can be paid from the Developer's development cost budget.

**Q#9: Would the \$50,000/unit loan provided by the City be in a second position?**

**A:** Yes.

**Q#10: Would the initial \$250,000 be converted into a revolving loan pool to fund the acquisition, rehabilitation and sale of more units?**

**A:** If the program in its initial phase proves to be successful, the funds must be re-allocated to the same developers, subject to approval by the City's Housing and Commercial Loan Committee. If the City solicits an increase in the allotted funds so that more units can be processed, more low income buyers may benefit, and more developers may be added to the program. The next highest scored developer application will be awarded the new funding.

**Q#11: What would be the rehabilitation standards?**

**A:** The rehab has to meet local City of Miami Codes as well as but at a minimum, it must meet U.S. HUD housing quality standards. The City's inspectors will verify the scope of work necessary for the developer to rehabilitate the property. They will inspect the property as soon as the developer submits their rehab budget to the City.

**Q#12: If you hire a Project Manager, would that be part of the rehab cost?**

**A:** Yes. However, respondents must note that the total rehabilitation cost must be reasonable and within industry standards.

**Q#13: How much cash should the Developer have available in case that the five units be rehabbed simultaneously?**

**A:** There is not a set limit in the cash that the Developer must have available. The City will look for a t a minimum cash available to cover the rehab of at least one unit. However, if the developer wishes to develop the 5 units simultaneously, the City will look for the

developer to have the difference between the total project cost less the \$250,000 from the City. This will not be known at the time of application.

**Q#14: If the sales price limit of each unit is \$236,000 is the total cost to the Developer included in this amount?**

**A:** Yes, the \$236,000 includes the developer's fee.

**Q#15: What is included in the environmental review?**

**A:** The environmental review includes a general inspection of the property following U.S. HUD environmental review standards. The City will be responsible for the review. The typical environmental review by the City should take less than a week. If the rehabilitation cost is more than 75% of the property's current value, the project will be considered as new construction triggering a lengthy environmental review and a Phase 1. We are hoping that none of the properties will require such an extensive rehab to trigger a lengthy HUD environmental review.

**Q#16: When is Section-3 applicable?**

**A:** All NSP funds are covered by Section 3. Section-3 requirements will apply to projects funded with federal funds, and contractors should track information on contracted labor as to comply with HUD's reporting requirements. Miami-Dade County keeps a listing of Section-3 certified contractors available to the public. Please contact – Margaret Hall at Miami-Dade County at (305) 644-5182 for the list.

**Q#17: What would happen if the two developers chosen by the City do not perform?**

**A:** The City will pick the two developers with the highest score. If they fail to comply with the City requirements, the City will terminate their agreement with the developers, and substitute them with the next highest scored developers.

**Q#18: What kind of financial resources are allowed for threshold? And what are the standards for the preliminary letter of commitment?**

**A:** The City expects that the chosen Developers will have funds committed at least for the acquisition and rehabilitation cost of the first unit minus the \$50,000 the City will be providing for that unit. The preliminary letter of commitment should be issued by an FDIC bank or another lender acceptable to the City, and should state the intention of the use of the funds, and include the term of the loan, the rate and must be accepted by the developer. The commitment can include certain conditions that can reasonably be expected to be met by the developer. Please note that a letter of interest from a lending institution is NOT a commitment since it does not obligate the bank to provide the funds.

**Q#19: Regarding the green bonus points, it would be difficult for the Developer to know which items from the list to choose before acquiring the property. How does this work?**

**A:** For bonus points, the Developer can choose whatever items they would be able to provide, with the understanding that, if the property requires one or several of the chosen items, the Developer **must** provide them as part of the rehab process.

**Q#20: Will the Developer be required to have insurance in place at the submission of the RFP?**

**A:** Normally, when a contract is executed, the City wants to see the insurance certificate in place. Insurance requirements are specified in exhibits E and F of the RFP. If the Developer and the General Contractor are the same entity, requirements in exhibit F will apply. An insurance bond will be required depending upon the size of the rehab work. We are still addressing the question if there is a dollar amount of rehab for which a bond will not be required. For a REO property requiring a small amount of rehab work, the City expects to fund those projects directly.

**Q#21: How can a for profit work with a non-profit to increase its score?**

**A:** A private developer who wants to increase its score can partner with a not-for-profit entity. A formal agreement or Memorandum of Understanding (MOU) should be in place. As seen in the scoring model, if the non-profit provides some housing related activity, such as home-buying counseling services, additional scoring points are awarded.

**Q#22: Of the \$50,000 per unit provided by the City, how much can be allocated to rehab and how much to acquisition?**

**A:** The RFP guidelines indicate that of the \$50,000, \$40,000 is allocated to acquisition and \$10,000 to rehab cost. This will benefit the financing of the project as a prospective lender will look positively at having a \$40,000 second position mortgage on the property as a cushion for acquisition. Also, since the majority of the City money will be put in early in the project, it will reduce the financing cost to the developer and ultimately, the cost to the buyer of the home.

**Q#23: If the Principals of the development entity have enough financial back-up (cash or lines), would this be enough?**

**A:** Yes.

**Q#24: Can interest and financial costs on a line of credit be charged to project cost?**

**A:** Yes, if it comes from a bank or financial institution. Any interest charged on the use of owner's capital cannot be added to the cost of the development.

**Questions from the Public**

**June 29, 2009**

**Q #25: We just want to confirm whether an organization has to be a non-profit to be able to qualify for either of the NSP programs?**

**A:** No, an applicant does not have to be a non-profit to qualify for NSP1 or NSP2, but they can be.

**Q:#26 Can you provide a list of businesses that are considered to be "Business 3"?**

**A:** See answer to Question #16.

**Q:#27 Can you provide a list of interested buyer's that have signed up for the NSP program?**

**A:** The list will be provided to the successful Applicants.

**Q:#28**      **Please clarify Question 1 – Training and Employment Goals / Economic Opportunity Plan, are you asking how are we going to implement the training, hiring and retention of key personnel and subcontractors, taking into consideration ethnic minorities and small businesses?**

**A:**            I am guessing that you are referring to Exhibit C: Section 3 Clause. For clarification, see the sample plan questions on the following Section 3 page of your application. This question is asking who will be responsible for this function, their past experience, and how that person will become familiar with Compliance with the Section 3 requirements.

**Q:#29**      **Section V: Financial Capacity, there seems to be a confusion on what is required from the applicant, if the applicant is a profit organization and is in partnership with a non-profit organization, do they need to provide (3) fiscal years audited financial statements for each one of the companies or just the applicant company?**

**A:**            The Applicant would provide the 3 fiscal years of audited financial statements. If the non profit and the for profit were both Applicants, then we would require 3 years of audited statements for each one.