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CITY OF ELK GROVE NEIGHBORHOOD STABILIZATION PROGRAM (NSP) AFFORDABLE HOUSING ACQUISITION, REHABILITATION AND RESALE PROGRAM REQUEST FOR PROPOSALS (RFP)

CLARIFICATIONS

Single Family Residential Construction and/or Rehabilitation Experience

The City reserves the right to consider for-profit Proposers with substantial single-family residential construction and/or rehabilitation experience who demonstrate the ability to deliver housing units in a timely fashion and on budget, as well as for-profit Proposers who have particular experience in the evaluation of foreclosed properties. If deemed in the City's best interest, this combined experience shall be considered in addition to, or in lieu of, direct experience with federally-funded programs. All applicants must display knowledge of the federal regulations applying to Neighborhood Stabilization Program (NSP) funds, regardless of whether they have direct experience with federally-funded programs.

Financial Capability

The City may request additional information on the financial capability and financial strength of Proposers, including, but not limited to, information on the Proposer's ability to raise necessary project capital for acquisition, pre-development, rehabilitation/construction, and holding costs.

ANSWERS TO QUESTIONS SUBMITTED

Is this project prevailing wage?

The Davis-Bacon Act (federal prevailing wage) and related acts will apply to this project, in accordance with the federal regulations for the Community Development Block Grant (CDBG) program. There is an exemption for projects where fewer than eight units are rehabilitated, and this exemption typically covers rehabilitation of single-family homes.

Is this the City only or is it being split with Sacramento County?

The City received its own NSP funds.

What is the development fee? Do you split this with the entity?

The City is looking for proposers to offer information on their developer fees. Evaluation of the fee will be a part of the proposal review process. The City of Elk Grove does not anticipate sharing the developer fee(s).

What is the percentage used for the mark-up on work completed by vendors?

This is information the proposer would need to determine. It may be used in evaluation of cost reasonableness.

If the home is not sold in a six-month period and the City options to rent the home, what portion of the development fee is released to the entity?

This is negotiable.

Will funds be available upfront through NSP to purchase/acquire and rehab the foreclosed/abandoned properties; or is the program designed to reimburse the housing developer after the initial purchase, rehabilitation, and resale of the home?

Typically the City has operated on a reimbursement-only basis. However, we understand that this is a lot of money to spend in a relatively short period of time, and we will consider providing funds upfront when costs can be closely documented. We may also consider reimbursement at key points throughout the process (such as after purchase).

My understanding of HERA is that subrecipients cannot keep program income resulting from an acquisition/rehab/resale using NSP funds. Could you tell me if the proposer(s) the City awards to will be considered subrecipients under this program? Basically, we're just trying to determine how to develop our proposal to you and whether we should format it with program income or a developer fee.

The City anticipates a "contractor" relationship for this project, as opposed to a "subrecipient" relationship. Program income will be returned to the City, which may elect to allow the selected developer(s) to reuse the program income to complete additional units.

I read in the RFP that a 55-year resale control was proposed for all NSP properties. Is that decision made by the City, or will there be some flexibility on this strategy? We are concerned that the market may not support such onerous restriction. Why would a buyer purchase an NSP home with restrictions, if for the same price they could purchase a home without that regulatory restriction? The worst possible outcome is to end up not being able to remarket the home with this restriction.

The 55-year affordability restriction stems from a desire to operate a program roughly consistent with our current housing programs. The City currently has several units with 55-year affordability restrictions and shared equity provisions in its Affordable Homeownership Program. We have found that buyers are willing to purchase the units with an affordability restriction when the price is right.

We understand the market is rapidly changing, and we will be flexible to the extent that it still meets the City's goal of ensuring long-term affordability of units. We do not anticipate requiring shared equity on these units. We do anticipate that the unit prices may be somewhat lower than properties in comparable condition currently on the market in Elk Grove.

The RFP states that the proposer is responsible for provision of standard real estate advisory and acquisition services related to the project. Can you clarify?

The City expects that each proposer will conduct their own real estate and acquisition services, or contract with a firm that can offer those services. The City will not directly assist the developer(s) in locating units or negotiating to purchase them.

Can a 10 percent marketing budget to resale the properties include a 6 percent listing/selling agent commissions and/or 3-4 percent closing cost assistance figures?

Marketing budgets may include a real estate agent commissions, so long as they are reasonable and consistent with the market. Closing cost assistance will not be eligible.

Does the City of Elk Grove have a list of blighted and/or partially completed homes that are on their “radar” as a priority to clean up/get finished and sold?

No, we do not currently have such a list.

Does the City of Elk Grove work with the Sacramento Housing and Redevelopment Agency (SHRA) in the city limits for affordable units or housing owned by SHRA that would be allowed to be acquired within the NSP area (EG city limits) with NSP funds?

The City does not currently work with SHRA. The City’s NSP funding is entirely separate from SHRA’s NSP funding.

Can the acquired properties be condominiums and/or townhomes?

There is no prohibition against this.

Is there a minimum leverage requirement that the City of Elk Grove is looking for (as a percentage of NSP funds)?

The City has not established a minimum leverage percentage. The City will be evaluating proposers’ capacity to leverage funds as a part of the proposal evaluation process.

Can the sale price of the home to the target group (at or below 120 percent of the area median income) be more than the aggregate total of the cost to acquire and rehab the property?

No, the maximum resale price of the home must be no more than the purchase price of the property plus the hard rehabilitation costs. Therefore, if you purchase a home for \$100,000 and hire a contractor to rehab it for \$50,000, the maximum sales price of the home will be \$150,000.

Item #8 on page 7 of the RFP – Delivery: are you wanting a tab in the response binder that indicates the approx delivery date of the binder getting to you? Isn’t the delivery Tuesday, 2/23 by 3pm or is this referencing something else?

No, proposers do not need to include a special tab for this item. Including the information in the introductory letter is sufficient.