

City of Flint Neighborhood Stabilization (NSP) Program Pre-bid Meeting Summary Qs & As – August 4, 2009

The City's goal of the NSP is to stabilize neighborhoods where there are significant numbers of abandoned and mortgage foreclosed properties. The city has issued a request seeking proposals from developers, for-profits, non-profits, contractors, developers and other experienced entities for proposals to redevelop the NSP target areas.

Developers/Contractors will be responsible for identifying a target area or areas in which to work, identifying properties to redevelop, and identifying buyers to purchase the properties. The city of Flint will provide the services of the appraiser and energy savings performance contractor.

The following clarifications were made at the meeting:

1. The RFP stated that for-profits would not be allowed to acquire properties using NSP funds. For profits *will be* allowed to borrow NSP funds to acquire properties for redevelopment.
2. The RFP stated that properties must be purchased at a discount from the appraised value and the overall average discount for the program must be 15 percent. HUD has determined that single acquisitions must be purchased at a discount of 1 percent below the appraised value.

All proposals are due on August 24, 2009 no later than 5:00 p.m. at the City of Flint's Department of Community and Economic Development. Fax and e-mail copies will not be accepted. Bids will be opened on Tuesday, August 25, 2009 at 10:30 a.m.

The following is a number of the questions that were asked at the meeting:

1. Q. Are all contractors/developers required to work within the target areas?
 - A. Yes, the programs are limited to NSP eligible activities to occur within the NSP target areas. These areas were identified as the areas of greatest need due to the high rate of mortgage foreclosures and homes financed by sub prime mortgage related loans.
2. Q. Can funds from the Home Investment Partnership Program (HOME) be used along with NSP funds to carry out the NSP activities?
 - A. Yes, but the two sources of funds will not be combined in a single housing rehab project.

3. Q. What happens if a contractor/developer borrows NSP funds to acquire and rehab a property, but cannot sell it to recoup the cost of acquisition & rehab. For example, if a contractor developer acquires a property for \$20,000 and rehabs it for \$50,000, for a total project development cost of \$70,000, but can only sell the property for \$40,000, then what are the ramifications?

A. In the example used in the question no. 3 above, if a contractor/developer acquires a property and rehabs it using \$70,000 in borrowed NSP funds, but can only sell the property for \$40,000, then the amount of the loan paid back to the city would be limited to the proceeds of the sale. The difference between the development cost of \$70,000 and the amount for which the house sold, \$40,000, would be considered a developer subsidy and would not have to be paid back to the lender, the City of Flint.

Also, In accordance with NSP regulations, if an abandoned or foreclosed upon 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 the property up to a decent, safe and rehabilitate condition. In the example, the house cannot be sold for more than the cost to acquire and rehab the house, or \$70,000.

4. Q. If a contractor/developer borrows NSP funds and uses such funds to acquire and Rehab a property, can the contractor/developer then purchase the rehab property for his/her personal use?

A. No.

5. Q. What happens if a contractor/developer acquires and rehabs a property, but cannot sell it?

A. To avoid such situations, the contractor/developer should identify areas that attract homebuyers. Also, there is a rental component to the program. If rehabbed homes cannot be sold, the homes will be rented to eligible families. The contractor/developer must take property management into consideration when contemplating rental units.

6. Q. Early in the presentation, it was mentioned that contractors/developers should look to presale their rehabbed units. Should contractors/developers look for loans for its buyers through mortgage companies?

- A. Yes, but homebuyers are not permitted to obtain sub prime mortgages. Also, homebuyers are required to complete at least 8 hours of housing counseling and receive a certificate verifying participation in a *housing counseling program.
7. Q. The RFP stated that 40 – 75 units would be redeveloped as a result of the NSP program. How was that number derived?
- A. The number of units was estimated by using \$25,000 per rehab, but there is not an established limit on the amount of funds to be used for a rehab.
8. Q. What happens if the cost of rehab and exceeds \$25,000?
- A. A unit that is rehabbed for more than \$25,000 must be abated for lead. The actual contractor/developer performing the lead abatement must be certified. The City will issue a Request for Proposals for a risk assessor to conduct assessments for lead on units where the rehab costs are estimated to be greater than \$25,000.
9. Q. How can we determine who else is working in a target area or what block clubs cover a particular area?
- A. There are community housing agencies that work in particular areas of the city that can identify block clubs organized within their areas. There are also citizen district councils that were created by the City that are associated with three of the target areas. **Area 1** – Smith Village, **Area 4** – Flint Park Lake, **Area 5** – Northeast Village.
10. Q. How are contractors/developers compensated for their work?
- A. Developers are compensated through a developer fee to be included in the contractor's/developer's budget for redevelopment of the properties. All proceeds from the sale of the properties will go to the City.
11. Q. Is the developer fee determined by or included in the sales price of the home?
- A. No. The developer fee is included in the contractor's/developer's budget and is included as part of the redevelopment budget. The developer fee is not included in the price of the home.

12. Q. For what period of time are the contractor/developer contracts with the City?

A. Each contract will be for a period of one year.

13. Q. How many contractors/developers will be chosen?

A. There is not a set number. The city will enter into as many contracts as needed and economically feasible to manage to accomplish its goal to stabilize the target neighborhoods through redevelopment of mortgage foreclosed and abandoned properties.

*Local HUD approved housing counseling agencies are as follows:

Greenpath, Inc
2222 South Linden Road, Suite 1
Flint, MI 48532
810.230.1077

Metro Housing Partnership, Inc.
Mott Foundation Bldg
503 South Saginaw, Suite 519
Flint, MI 48502
810.767.4622

Mission of Peace Housing Counseling Agency
877 East 5th Avenue
Flint, MI 48503
810.232.0104

Urban League of Flint
5005 Cloverlawn Dr.
Flint, MI 48504
810.789.7611

Flint Neighborhood Preservation Project
505 W. Court St.
Flint, MI 48502
810.766.7212

Salem Housing Community Development Corporation
3216 Martin Luther King
Flint, MI 48505
810.785.5340

