



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: August 24, 2009

Approved

Date

9-1-09

SUBJECT: CONTRACT AWARD FOR THE NEIGHBORHOOD STABILIZATION PROGRAM SINGLE-FAMILY ACQUISITION, REHABILITATION, RESALE OPPORTUNITY

COUNCIL DISTRICTS: 2, 3, 5, 7, 8

SNI AREAS: K. O. N. A., Mayfair, Tully Senter, Gateway East, West Evergreen, Spartan Keyes, Five Wounds/Brookwood Terrace, East Valley/680 Communities, Edenvale/Great Oaks

RECOMMENDATION

Adoption of a resolution by the City Council to:

1. Approve a contract award of up to \$3,800,000 to Community Rehabilitation Partners for the federally-funded Neighborhood Stabilization Program Single-Family Acquisition/Rehabilitation/Resale Opportunity, and
2. Authorize the Director of Housing to negotiate and execute a contract for up to \$3,800,000 with Community Rehabilitation Partners to implement the federally-funded Neighborhood Stabilization Program Single-Family Acquisition/Rehabilitation/Resale Opportunity.

OUTCOME

The City Council's approval of this recommendation would enable the City of San José to eliminate blight in certain neighborhoods resulting from vacant, foreclosed homes by facilitating the private acquisition, rehabilitation, and resale of these properties to low- and moderate-income homebuyers with City down-payment assistance.

BACKGROUND

Since 2007, San Jose has experienced a significant increase in the number of home foreclosures resulting from increased unemployment, reduced home values, and sub-prime loan programs that prohibited many households from maintaining their mortgage payments. From January 2007 to June 2008, a total of 6,259 multi- and single-family residential units were foreclosed upon in San

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José according to the U. S. Department of Housing and Urban Development. San Jose experienced a 95% increase in foreclosures from the third quarter 2007 to the third quarter 2008.

Housing and Economic Recovery Act of 2008 (HERA)

On September 26, 2008, the U.S. Department of Housing and Urban Development (HUD) allocated a total of \$3.92 billion to a new Neighborhood Stabilization Program (NSP) under the *Housing and Economic Recovery Act of 2008*. NSP funds may be used to acquire and rehabilitate foreclosed residences to eliminate sources of blight in local communities. HUD allocated grants to areas in all states that contain high concentrations of foreclosures, subprime mortgages, and mortgage defaults.

HUD administers the NSP in the same manner as the Community Development Block Grant (CDBG) program in terms of how it monitors program implementation to ensure compliance with fair housing and civil rights requirements. The NSP restricts local housing programs that utilize NSP funds to ensure that:

1. Households served may not have incomes that exceed 120% of Area Median Income (AMI).
2. At least 25% of the NSP funds must be allocated to households with incomes at, or below, 50% of AMI.
3. All properties purchased with NSP funds must be foreclosed-upon homes or residential properties, or those that have been abandoned for at least 90 days.
4. All properties purchased with NSP funds must be acquired at an aggregate 1% discount below the current appraised market value.
5. All NSP funds must be obligated within 18 months of the award, and expended within four years of the award.
6. Households receiving homebuyer assistance using NSP funds must take eight hours of HUD-approved home ownership counseling to avoid future foreclosures.

City Council Authorizes City to Accept NSP Funds

On November 18, 2008, the City Council authorized the Director of Housing to negotiate and execute documents necessary to accept NSP funds totaling \$5,628,283. City Council also approved a substantial amendment to the City's FY 2008-09 Consolidated Annual Action Plan (ConPlan) that included a reduced citizen comment period of 15 days. It also authorized the Director of Housing to negotiate and execute documents necessary to apply for, and accept, additional NSP funds from the State's allocation of \$145 million.

On November 26, 2009, the Housing Department, on behalf of the City of San Jose, formally applied for federal NSP funds to implement two programs consisting of (1) a multi-family rental housing program, and (2) a single-family ownership acquisition, rehabilitation, and resale program. On March 19, 2009, HUD informed the Director of Housing that the City had been awarded \$5,628,283 in NSP funds. The Housing Department plans to distribute these funds as follows: \$3,800,000 single-family program + \$1,265,455 multi-family program + \$562,828 administration = \$5,628,283.

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The Housing Department recently conducted a Request for Proposals (RFP) process to qualify and recommend an entity to implement the NSP Single-Family Acquisition, Rehabilitation, and Resale Program. The Housing Department desires to select an entity as soon as possible so that all NSP funds can be obligated by September 19, 2010 as required by the NSP.

NSP Single-Family Acquisition/Rehabilitation/Resale Opportunity RFP

On June 12, 2009, the Housing Department posted the NSP Single-Family Acquisition/Rehabilitation/Resale Opportunity on the BidSync RFP website. The RFP sought an entity to acquire, rehabilitate, and resell foreclosed single-family residences to income qualified households using a minimum of \$1.2 million of NSP funds. Properties must be located in four specific zip codes in San Jose – 95111, 95116, 95122, 95127 – that have high concentrations of foreclosures, sub-prime mortgages, and mortgage defaults.

Prior to closing a purchase of a single-family property, the selected entity must develop a scope of work, budget, and schedule to rehabilitate properties that included health and safety repairs, exterior improvements, and green building features according to specifications provided by the City. The entity must also obtain all required development and building permits, and follow Federal and City contracting rules. They would then market, resell, and deliver rehabilitated units to a low- or moderate-income eligible homebuyer with mortgage assistance from the City.

ANALYSIS

The Housing Department assembled a panel consisting of four Housing Department employees, and one Redevelopment Agency employee, to screen submittals, and to interview qualified respondents to the RFP. On June 26, 2009, the Housing Department held a Pre-Submittal meeting at City Hall to present the NSP Single-Family program, and to answer questions from attendees. Written questions and inquiries were received by the Housing Department until July 6, 2009. The Housing Department then prepared written responses to all written questions and inquiries submitted, including those asked at the Pre-Submittal Meeting, and posted them on the BidSync website on July 14, 2009.

Entities that submitted proposals in response to the RFP by July 27, 2009 include:

- APD Solutions, 118 W. Adams Street, Suite 500, Jacksonville, FL 32202
- Barry Swenson Builder, 777 North First Street, 5th Floor, San Jose, CA 95112-6203
- Burr Development, 1645 Almaden Road, San Jose, CA 95125
- Community Rehabilitation Partners, 2698 Berryessa Road, San Jose, CA 95132
- Core Affordable Housing, LLC, 470 South Market Street, San Jose, CA 95113
- San Jose Acquisition, Rehabilitation, and Resale Consortium, 95 S. Market Street, Suite 550, San Jose, CA 95113
- STriangle Incorporation, 371 Elan Village Lane, Unit 207, San Jose, CA 95134

The selection panel reviewed and evaluated written proposals submitted by the deadline based on the **Evaluation Criteria for Qualifications** included in the RFP.

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Proposal Responsiveness	Pass/Fail
Proposed implementation of the program, including an understanding of the NSP single-family program requirements, timeliness, and appropriateness of the lead person for each task	20%
Familiarity with local zoning, building code, flood insurance and historic preservation regulations	5%
Experience with acquisition, rehabilitation, and marketing and resale of single-family homes to low- and moderate-income buyers, including coordination with local affordable housing agencies	30%
Financial capacity	15%
Leveraging HUD NSP funds with outside funding	20%
Local Business Enterprise	5%
Small Business Enterprise	5%

During the evaluation process, the selection panel contacted references and industry sources, investigated previous projects, and considered other relevant information as necessary to confirm information submitted by the respondent. Based on the evaluations by the selection panel, four respondents were selected to be interviewed. The selection panel asked each respondent team a series of questions based on the evaluation criteria described in the RFP. When interviews were concluded, the selection panel identified the advantages and disadvantages of each entity according to the evaluation criteria for qualifications. The selection panel also scored each entity and ranked each entity from one through seven with one being the most qualified.

Recommended Entity

The RFP evaluation panel determined that Community Rehabilitation Partners (CRP) was the most qualified candidate based on the qualifications described in the RFP. Based on the selection panel’s evaluation, CRP understands how the NSP program would work, and has extensive real estate experience in the target zip code areas, including working with low-and moderate-income homebuyers. CRP has excellent relationships with lenders and their real estate owned (REO) divisions so that they can take advantage of “first look” programs before foreclosed properties are listed on the multiple listing service. The selection panel also determined that CRP’s general contractor is very capable of high-quality single-family rehabilitation and has a history of using local sub-contractors in work completed in San José. Therefore, the Housing Department recommends Council award the contract to Community Rehabilitation Partners (CRP).

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POLICY ALTERNATIVES

The Housing Department considered the following alternative before recommending approval of an entity to implement the NSP Single-Family Acquisition/Rehabilitation/Resale Program:

Alternative #1: Reject all bids and re-issue the RFP to obtain additional bids for the project.

Pros: By rejecting all bids, it is conceivable that another entity could be selected that may possess additional strengths not demonstrated in the evaluation process.

Cons: NSP funds must be obligated by September 19, 2010. Initiating a new procurement process would not guarantee that a stronger team would be selected, and could jeopardize the City's ability to meet the deadlines for ensuring the receipt of NSP funds.

Reason for not recommending: The recommended entity has the breadth and balance of strengths in acquisition, rehabilitation, and resale of single-family residences according to the NSP RFP. The selection process met the City's guidelines for ensuring an open and fair procurement process.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater (**Required: Website Posting**)
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (**Required: E-mail and Website Posting**)
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (**Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers**)

This item requesting award of contract for the NSP Single-Family Program meets Criterion 1 of the above criteria. This Council Memorandum will be posted to the City's website for the September 15, 2009 Council Agenda.

COORDINATION

Preparation of this memorandum has been coordinated with the City Attorney's Office and the Redevelopment Agency.

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FISCAL/POLICY ALIGNMENT

The award of contract for the NSP Single-Family Program aligns with, and affects, the San Jose 2020 General Plan Urban Conservation Major Strategy which recognizes the importance of sustaining viable neighborhoods because there is no practical way to replace the City's housing stock, or its other physical assets. It also furthers the San Jose 2020 General Plan Greenline/Urban Growth Boundary (G/UGB) Major Strategy which is intended to define the ultimate perimeter of urbanization in San Jose where urban services can efficiently be provided.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT: \$3,800,000
2. COST ELEMENTS OF AGREEMENT/CONTRACT

Contract Award	\$3,800,000
Total	\$3,800,000

3. SOURCE OF FUNDING: Multi-Source Housing Fund
4. FISCAL IMPACT: No ongoing funding.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	Proposed Budget Page	Proposed Budget Action (Date, Ord. No.)
448	3745	Neighborhood Stabilization Program	\$5,528,283	\$3,800,000	XI-70	June 23, 2009

CEQA

CEQA: Exempt, PP09-166.


LESLYE KRUTKO
Director of Housing

For questions please contact Leslye Krutko at (408) 535-3851.