

**FOLLOW-UP ON REQUEST FOR PROPOSALS (RFP) FOR RE-DEVELOPMENT  
OF CITY-OWNED PROPERTIES AT 519-521 6TH STREET**

September 22, 2015

**BACKGROUND:**

At the August 11, 2015 City Council meeting, staff provided the results of the scoring of the proposal from Benjamin Design Collaborative/Story County Community Housing Corporation (BDC/SCCHC) for re-development of the City-owned properties at 519-521 6<sup>th</sup> Street. City Council requested that staff provide additional detail of the evaluation committee's scoring of the proposal. A summary of the criteria and RFP requirements approved by Council on May 12, 2015 is included as attachment A.

As outlined in the RFP as the process for scoring, staff convened a committee of 5 members from Planning, Finance, Purchasing, Building/Inspections and Housing. The team initially met to review the scoring process and selection criteria and then separately each member reviewed and scored the proposal.

**The committee arrived at a composite score of 81 points for the proposal. The RFP criteria required a minimum of 85 points out of the maximum 172 available points to be considered further in the process and to receive a possible referral to the City Council.** (See Attachment B)

The consensus of the committee's concerns regarding the BDC+SCCHC proposal was the project's feasibility and implementation, the ability of the group to meet the CDBG administration requirements, and the financial capacity to implement the construction phase. **The primary concerns with the proposal centered on the financial capacity of the BDC+SCCHC, financial feasibility of the assumptions in the pro-forma, federal/state grants experience or administration, and organizational capacity for a project of this size and scale. Attachment C is a more detailed breakdown of the committee's concerns about the proposal and why it did not score the minimum 85 points for further consideration.**

In addition to the scoring committee's assessment, staff also reviewed the qualifications and references of the BDC+SCCHC related to this project. **Staff consulted with HUD and their guidelines for entitlement community assessments of partnerships with non-profits, SCCH in this instance.** Key components of this evaluation are references on experience and a financial audit of an organization's capacity for a project. (see Attachment D)

Other findings and concerns include the following:

1) A review of their financial audit by the Finance Department revealed a "disclaimer of opinion" on the audit. According to the City's Finance Director, "A disclaimer of opinion is given for various reasons and in this case it was because adequate information was not available to form an opinion and the auditor refuses to present an opinion. **This is an issue of concern.**" (See Attachment E)

2) SCCH is currently out of compliance with Iowa Finance Authority (IFA) HOME grant for their six "existing" units. SCCH is now currently working to get back into compliance, but there is a

concern that it has taken numerous inquiries and warnings from IFA concerning being out of compliance. Part of the RFP identified potentially pursuing HOME funds to cover costs. Typically, additionally HOME funds are difficult to secure when working through compliance requirements on existing grants.

3) The proposal indicates a high level of volunteer labor. When using federal funds for certain projects, including CDBG projects, labor is subject to Davis Bacon wage rates to pay workers. In order to utilize volunteer labor, a waiver from the CDBG program must be approved by HUD. However, no information was provided in the proposal as to the status of a request being in process and how to administer documentation of volunteer labor. The proposal indicates that Habitat for Humanity would coordinate the volunteer labor for the project. Because there was no letter of support from Habitat for this important contribution, a check with the Director for Habitat was made, who indicated that Habitat had not been contacted about providing coordination services for these volunteers.

**In conclusion, all of above areas are serious concerns on their own for evaluating the viability of a project proposal. This is reflected in the scoring of the proposal.** The City is ultimately held responsible for the use of CDBG funds either through our direct expenditures or indirectly through partnerships with other organizations. Performance risks should not be taken likely in that it can jeopardize the City's long-standing exemplary grant performance with HUD and could impact future federal or state funding requests for BDC+SCCHC if they endeavor to take on other projects.

#### **OPTIONS:**

**Staff learned through the process that the low response rate to the RFP was not due to a lack of interest in housing in Ames, but rather because of the small number of units being proposed. Based on feedback from other entities who have successfully completed similar projects, in order to apply for larger funding sources to produce lower income housing units, such programs as the Low Income Housing Tax Credit Program (LIHTC) or Work force Tax Credit Program (WTC), the minimum number of units proposed to be built is generally 20 units either in one project or package of projects. This minimum unit threshold is due to how tax credits are syndicated for financing of projects.**

After reviewing the BDC+SCCHC proposal and considering the above feedback on feasibility, staff believes these are best strategies available at this time.

**Strategy 1.** Acquire additional land to package with the 6th Street properties in order to increase the developable rental units to a minimum of 20 units.

*Acquiring additional land would be consistent with the current Consolidated Annual Action Plan. Once the land is acquired, the combined land package would be the subject of a new RFP process.*

**Strategy 2.** The City can explore the feasibility of directly applying for grants on the behalf of the City, e.g. state HOME funds, to help pay for construction costs of the project. If the City receives a grant, it would administer project compliance and seek\ a qualified builder to construct the units for the City.

*This option would involve substantial staff resources to prepare a grant application, administer the grant, and oversee the project construction. There would be additional costs for hiring design and*

*consulting services for the project. Finally, the City will have to identify a new owner or operator for the rental units once the project is constructed.*

**Strategy 3.** Re-issue the same RFP, or change the scale or type of the project and issue a new RFP for the Sixth Street property.

*Because this scenario deals with the same size of project, it is unlikely that a developer would leverage outside funds to support the project. However, there could be additional awareness and interest in the site for other small scale affordable housing projects.*

### **STAFF COMMENTS:**

Due to the substantial administrative burden of CDBG rules and the need for leveraged funding, staff believes development of the site on its own as described in the RFP will be difficult to accomplish. **Staff believes that postponing the redevelopment of the 6<sup>th</sup> Street properties at this time and continuing to acquiring properties in order to increase the number of affordable housing units that can be constructed is the most prudent option to address the overall need for housing.** This will allow for more opportunity to leverage our CDBG dollar investments to maximize housing opportunities, which is a goal outlined in our CDBG Five-Year Consolidated Plan.

In regards to BDC+SCCHC, developing additional organizational capacity and experience within the City's other affordable housing programs could be worthwhile to expand their potential opportunities. If Council chooses, staff could look for opportunities at a smaller scale that may be suitable for SCCHC, much like how we have successfully worked with Habitat for Humanity.

# ATTACHMENT A

## Request for Proposal Selection Criteria & Process

### A. Minimum Development Requirements.

Proposals submitted shall meet the following minimum requirements:

- Target development intensity of 10 maximum household living units.
- Target a mix of affordable housing with a minimum of 70% of the units rented to households with incomes that do not exceed 60% of the area median income limits as set by HUD for Ames/Story County. The remaining 30% of units may be rented to household who do not exceed 80% of the area median income limits as set by HUD for Ames/Story County. Household incomes restrictions limitations shall be in place for a minimum of 20 years. *(Note, for example a 3-person household at 50% of AMI is \$34,450. A 3-person household at 80% AMI is \$55,100).*
- Household units shall consist of a minimum of two bedrooms with 80% of units having a minimum of three bedrooms.
- Rent levels cannot exceed the fair market rent limits established by HUD for Ames/Story County at the time of leasing.
- The site shall take parking space access from the existing alley.
- The site shall be developed as individual townhomes, or having the appearance of individual townhomes, with front entries oriented to 6th Street.
- Design guidelines for the project will include the elements of the Single Family Conservation Overlay (Ames Municipal Code Section 29.1101 (9) a through r). Additionally, the architectural design of the townhomes shall include elements to break up the mass of the building and create individual unit identity and character; this may include breaks between buildings, changes to roof form, or changes to wall planes.
- Exterior building materials for the front and side facades principally shall be brick.
- Site and building design shall consider the principles of Crime Prevention Through Environmental Design.
- The project will be subject to all Residential Medium (RM) Density zoning standards and site development requirements of the City.

### B. Financial Incentives

In support of development of affordable housing the City will consider one or both of the following incentives for the selected developer if a need is proven.

- Offer the site at a reduced cost or no cost to the Developer;

- Offer property tax abatement through creation of an Urban Revitalization Area consistent with the limitations of the Chapter 404 of the Code of Iowa.

### C. Selection Criteria

Applications which pass the minimum requirements will be evaluated by as staff review committee. The members of the committee will score each application. All applications must meet a minimum total score of 85 points to be considered for referral to the City Council.

Applications will be scored based on the following criteria:

1. Applicant/Developer Capability and Track Record (25 points);
2. Quality of References (20 points);
3. Project Design and Amenities (40 points);
4. Feasibility (25 points);
5. Property Management experience (20 points);
6. Leveraging other public and private sources of funds (15 points);
7. Assisted Units remain income restricted and/or affordable for longer than 20 years (10 points);
8. Energy improvements that lead to lower, long-term utility costs for occupants (7 points)
9. Incorporation of green building principles for building construction that prioritize indoor air quality and noise reduction (5)
10. Features that meet the highest accessibility standards as defined by federal, state and local requirements (5 points)

### D. Selection Process

The selection of the preferred developer will utilize the following steps:

After the staff review committee evaluates each proposal, a report will be prepared for City Council that will contain background information and factual data for each proposal, a ranking of the proposals, and a committee recommendation regarding which developer's proposal should be selected as the preferred developer.

The final selection will be on the basis of:

1. The City Council's determination of the best proposal that meets the goals and objectives of the City;
2. A satisfactory agreement between the preferred developer and the City is finalized;
3. A completed verification of the qualifications of the proposed developer; and

**It should noted, that the RFP will include language that the City reserves the right to reject or accept any or all proposals that are received.**

## ATTACHMENT B

|                               |            |           |           |           |            |           |              |
|-------------------------------|------------|-----------|-----------|-----------|------------|-----------|--------------|
|                               |            |           |           |           |            |           |              |
| City of Ames                  |            |           |           |           |            |           |              |
| 6th Street Properties Ratings |            |           |           |           |            |           |              |
| July 16, 2015                 |            |           |           |           |            |           |              |
|                               |            |           |           |           |            |           |              |
|                               |            |           |           |           |            |           |              |
|                               | Available  | Score     | Score     | Score     | Score      | Score     | Average      |
| Criteria                      | Points     | 1         | 2         | 3         | 4          | 5         | Score        |
|                               |            |           |           |           |            |           |              |
| Capability & track record     | 25         | 10        | 8         | 14        | 10         | 10        | 10.20        |
| Quality of references         | 20         | 5         | 10        | 0         | 5          | 8         | 5.50         |
| Project design & amenities    | 40         | 20        | 15        | 30        | 38         | 20        | 24.60        |
| Feasibility                   | 25         | 10        | 5         | 10        | 12         | 8         | 8.90         |
| Property management           | 20         | 10        | 5         | 15        | 8          | 10        | 9.50         |
| Leveraging                    | 15         | 10        | 5         | 5         | 8          | 5         | 6.60         |
| Income restrictions           | 10         | 5         | 5         | 10        | 10         | 0         | 6.00         |
| Energy improvements           | 7          | 5         | 10        | 3         | 7          | 5         | 6.00         |
| Green building                | 5          | 0         | 1         | 2         | 2          | 1         | 1.20         |
| Universal design standards    | 5          | 3         | 2         | 2         | 5          | 2         | 2.80         |
| <b>Totals</b>                 | <b>172</b> | <b>78</b> | <b>66</b> | <b>91</b> | <b>105</b> | <b>68</b> | <b>81.30</b> |
|                               |            |           |           |           |            |           |              |

0= for some scores was they felt that either the information was not clear on or did not completely address the requirements of the RFP for that category.

# ATTACHMENT C



## MEMO

Date: August 31, 2015

To: Vanessa Baker-Latimer, Housing Coordinator

From: Karen Server, Purchasing Manager

Subject: 6th Street Properties Affordable Housing Project Evaluation Team Report

The evaluation team comprised of five members representing various departments from Inspections, Planning, Finance, Purchasing and Housing departments. The team was charged with evaluating the proposal based on a number of criteria:

- Capacity and track record
- Project design & amenities
- Property Management
- Income restrictions
- Green building
- Quality of references
- Feasibility
- Leveraging
- Energy improvements
- Universal design standards

The two organizations (Benjamin Design Collaborative, PC and Story County Community Housing Corporation) combined their resources and prepared the one proposal that was received. The proposal was scored independently by each evaluation team member and then the team met to discuss the scoring. The proposal's average score was 81 out a possible 172 points. This is 47% of the total points available. The consensus of the evaluation team is that the submitted proposal failed to provide sufficient information which demonstrates their ability to successfully construct the project and administer the HUD program; therefore the evaluation team's recommendation is that the firms not be brought in for the next step of the process.

The evaluation was based on the information provided in the proposal. Below is a summary of the areas of concerns.

- The two organizations were not able to demonstrate their capacity or track record of a similar sized project, building from the ground up.
- While there were shortfalls in some of the design components, the qualifications of the design team were documented.

- The area of significant concern came from their ability to construct the project. The proforma lacked documented commitment from their resources (organizations and individuals) for the "in kind" work and the financial backing to support a viable project.
- The firm was to show how they would leverage their assets and demonstrate their experience in successful grant funding. One grant was received for a renovation project in 2007 with no current projects using federal funds. Concerns were expressed about why the board members would be contributing \$35,000 to the project and that half of the SCCHC current assets are to be used for this project. The proposal identified a 3% contingency for the project which when falls below a typical contingency for this scale and duration of a project.
- Concerns were expressed about the construction process being so dependent on the use of the DMACC students and limitations of scheduling them during a semester. The proposal planned to have the students provide labor to complete the concrete flat work, framing, siding, windows and roofing for the 9 units.
- Martin Properties was identified as the property manager when the project is complete. The team was concerned that relationship between SCCHC & Martin Properties was fairly new (2 years) and there was a lack of information provided that Martin Properties has the ability to administer the HUD program.
- The energy improvements detailed in the proposal were lacking and stated to be used when applicable. The green practices were defined, showing they understand the principle but it doesn't state how it would be utilized.



## ATTACHMENT D

### Managing CDBG: A Guidebook for CDBG Grantees on Subrecipient Oversight PRE-AWARD ASSESSMENT

You should also assess the consistency of the proposed activity with the community's Consolidated Plan and with your CDBG program priorities.

Is the design of the proposed activity appropriate?

You should evaluate the adequacy of the proposed program design or service delivery approach.

- Does the activity adequately address an established need?
- Has the prospective subrecipient identified all the major tasks that will be involved in carrying out the activity?
- Does the organization understand the interrelationship of these tasks, and has it developed a realistic schedule for their accomplishment? Are there any stumbling blocks to prompt implementation?
- Has the organization made a careful estimate of the resources necessary for each component of its proposed program, and has it put together a realistic budget that reflects these resources? Are
- other sources of funds, when indicated, committed to this project?
- Is the budget for the CDBG funded activity separate from other activities undertaken by the subrecipient?

#### **Does the organization have the capacity to complete the activity as proposed?**

Finally, you should assess the prospective subrecipient's **overall organizational capacity**.

- Has the organization ever undertaken the proposed activity before, and what was the result?
- Does the organization have experience with the Community Development Block Grant or other Federal programs?
- Do the prospective subrecipient's staff appreciate the additional requirements associated with Federal funding (for example, when staff split their time between CDBG and non-CDBG functions, keeping detailed records of time spent on specific activities)?
- Is the organization familiar with the specific regulatory requirements associated with the proposed activity (such as Davis-Bacon prevailing wage requirements for new construction or rehabilitation projects involving eight units or more)?
- What is the organization's "track record" regarding compliance with such requirements?
- Does the prospective subrecipient have adequate administrative and fiscal structures in place to deal with these guidelines (particularly record keeping)?
- If not, does it recognize its organizational weaknesses, and has it developed a plan for upgrading these aspects of its operations? If not, how does the organization plan to fill these gaps in personnel?
- Does the organization have qualified staff for all the necessary functions associated with the proposed activity, and is there adequate staff time available?
- Project can be completed within a reasonable time frame.
- Financial capacity as indicated by audited financial statements and banking/credit references.
- Financial stability (not total dependence on CDBG funds) as indicated by other funding sources and amounts, over time.

## ATTACHMENT E

Review of Story County Community Housing Corporation  
Duane R Pitcher  
to: Vanessa Baker-Latimer  
07/06/2015 04:16 PM  
Cc: Tina Stanley

Review of Story County Community Housing Corporation Audited Financial Report for the year ended December 31, 2014.

Based your request I have reviewed the most recent audit report available from the Story County Community Housing Corporation to help determine the ability and capacity of the group to engage in housing projects with the City.

A summary of my review is provided below:

Auditor's Opinion - The audit opinion included two "Disclaimer of Opinion" statements for operations and cashflows. These were due to no audit being conducted in 2012 to provide a starting basis and the auditors were not "able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cashflows". A disclaimer of opinion is given for various reasons and in this case it was because adequate information was not available to form an opinion and the auditor refuses to present an opinion. **This is an issue of concern.**

Statement of Activities - As noted from financial reports in previous years the group does not generate significant amount of cash from operations. If a sale of assets is removed, the increase in net assets would be less than \$2,000 for the year. Additionally there was \$32,594 in contributions for the year, an amount significantly higher than prior years. Any reduction in contributions would result in a negative contribution to net assets.

Long-term Debt - There is a 0.00% interest forgivable note to the Iowa Economic Development Authority with a maturity in 2019 in the amount of \$191,150 with forgiveness based on certain compliance requirements. There are not adequate current assets (\$66,194) to repay this note if it is not forgiven and I am not aware of the compliance terms or progress towards forgiveness.

General Operations - There appears to be no employee expense included in the statements. The notes to the financial statements indicates that "a large number of volunteers have given significant amounts of their time to the Organization's programs". Expanding programs would likely be dependent on some combination of more volunteers or more time.

Duane Pitcher, CPA, CPFO  
Director of Finance  
City of Ames  
515 Clark Avenue

From: Tina Stanley, Assistant Finance Director  
Explaining the difference between Tax Returns and Financial Audits

**Form 990 (Taxes Return):**

The annual tax return for a nonprofit entity is Form 990. This required form is used by federally tax-exempt organizations to provide information on the organization's mission, programs, and finances. Some of the information included on this form includes:

1. Information on exempt and other activities
2. Financial information
3. Governance
4. Compliance with federal requirements
5. Compensation to certain persons

Some members of the public rely on this form as their primary source of information about an organization. However, the financial amounts are often not audited by an outside accounting firm, and the accuracy depends on the staff preparing it.

**Financial Audit:**

The purpose of an audit is to express an opinion on the financial statements. The auditors test certain transactions that support the amounts and disclosures in the financial statements. They also look at accounting principles and estimates used. Based on these tests, they form an opinion on whether the financial statements are materially correct.

The auditors could not issue an opinion on the 2014 financial statements because of inadequate information to support the financial statement amounts. Sufficient record keeping is essential to produce reliable financial information.