

Draft

REQUEST FOR QUALIFICATIONS

MILWAUKEE CHALLENGE FUND

FOR

THE REDEVELOPMENT OF CITY OWNED TAX FORECLOSED PROPERTIES

The City has experienced a significant increase in the number of properties it has acquired through the tax foreclosure process, and currently owns over 1,000 tax foreclosed properties. In 2014, the City launched its “Strong Neighborhoods Plan” – a comprehensive effort to address all impacts of the tax foreclosure issue and stabilize City neighborhoods. Revitalization is a key component of the plan.

The goals of the City’s Strong Neighborhood Plan are to:

- Return vacant City tax foreclosed properties to productive use
- Provide high quality affordable housing opportunities for Milwaukee residents
- Cluster redevelopment efforts in a manner that results in a positive impact for the surrounding neighborhood
- Encourage new investment in housing in Milwaukee neighborhoods
- Provide construction opportunities for local small business enterprises and job opportunities for local residents

Going forward, the City wishes to expand these efforts, and given the significant size of the City’s inventory, the City is seeking development team partners who have the capacity to undertake larger scale development activity – at a minimum, the redevelopment of at least 15 properties in a 12 month period.

Based on responses to this Request for Qualifications, the City will work with a select number of development teams in targeted neighborhoods. The City will work with these teams to identify City owned tax foreclosed properties for redevelopment, and as necessary, provide them with the resources – both properties and “gap financing” to undertake their redevelopment.

This Request for Qualifications (RFQ) seeks developers who have both the capacity and proven experience to undertake larger-scale development activity – minimally 15 or more units in a 12 month period. Specific activities under this RFQ that the City is seeking in partners include the following:

- Acquisition of city owned foreclosed properties for rehabilitation and sale for home owner-occupancy
- Acquisition of city owned foreclosed properties for rehabilitation for affordable lease/option opportunities
- Acquisition of city owned foreclosed housing for affordable rental housing

Neighborhoods

The City has selected ___ targeted neighborhoods for consideration. These neighborhoods were selected based on criteria including the following:

- Concentrations of city owned tax foreclosed properties
- Proximity to past, current and proposed investments
- Presence of local neighborhood partners to address quality of life issues that will strengthen and support the project investment

Teams may also propose other targeted neighborhoods, but will be required to provide a rationale for their neighborhood selection that considers the characteristics identified above.

Challenge Funds and City Properties

Given the condition of its inventory, the City understands that gap financing may be needed to make the acquisition and rehabilitation of City owned tax foreclosed properties economically feasible. After selection of development teams, the city anticipates that its partnership with selected developers would work as follows:

1. City will select participating development team and confirm target neighborhood.
2. City Real Estate will reserve properties within the target area for development team for the initiative.
3. A pool of funds will be set aside to provide gap financing for the properties that would be redeveloped under the initiative.
4. Developer will enter into a Development and Sales Agreement which would detail the responsibilities of both the City and the Developer under the initiative.
5. Developer will undertake the redevelopment of properties purchased from the City. For each property selected, Developer must provide a scope of work (incorporating the minimum rehabilitation standards described below), and a sources and uses of funds/budget for the selected property (or group of properties).
6. City will commit funds to provide the gap financing for the individual project(s).
7. City funds will be the “last” money in the project, or, if developer finances 100% of project, City funds would be reimbursed upon completion.
8. Developer will periodically report on its activity, including status of rehabilitation, lease up, sales, SBE contracting activity, and other information as required by the City.

Rehabilitation Standards

The City has worked with many developers in the past to address the redevelopment of foreclosed and vacant properties in both the Low Income Housing Tax Credit Program and the Neighborhood Stabilization Program. For the purposes of the Strong Neighborhoods Challenge Fund, we are seeking a “moderate” rehabilitation standard.

Scopes of work should address all existing code violations and visible lead hazards. Additionally, the replacement of roofs, porches, siding/exterior painting, and major mechanicals that appear to have less than 5 years life remaining should be included in scopes of work.

Furnaces and hot water heaters installed under the program should be high efficiency, Energy Star rated models. To the extent the development budget allows, additional exterior and energy efficiency upgrades are encouraged.

The rehabilitation of properties under this program should be carried out in accordance with the City of Milwaukee's "Rehabilitation Technical Specifications and Performance Standards" manual (available online at <http://city.milwaukee.gov/RehabilitationTechni16398.htm>), except those portions of the manual relating specifically to requirements that are imposed by the U.S. Department of Housing and Urban Development on projects receiving federal funding.

Contracting Goals

Providing business and employment opportunities for City of Milwaukee firms and residents is an objective of the Strong Neighborhoods Plan. There will be a 40% Small Business Enterprise ("SBE") contracting goal for work undertaken as part of this effort. A directory of SBE contractors is available at www.city.milwaukee.gov/OSBD. Innovative partnerships and efforts to incorporate the employment of City residents and/or job training activities are also encouraged and will be considered in the evaluation of responses to this RFQ.

Partnerships

The acquisition and rehabilitation of vacant properties is an important goal. However, in itself, property renovation will not result in sustainable neighborhood change. Development teams are encouraged to reach out to partner with local neighborhood organizations to enhance the impact of their redevelopment efforts.

For the selected target area, proposals should identify opportunities for activities like the following:

- Work with local organizations to identify tenants and prospective homeowners for your redeveloped properties
- Work with organizations/residents to improve one or more vacant city lots near the redevelopment activity
- Collaborate and support the efforts of neighborhood organizations efforts to address quality of life issues in the neighborhood
- For homeownership projects, work with the City's non-profit home buying counseling agencies for referrals of prospective homeowners, or to provide counseling services for tenants in a lease-to-own project

The examples above are not intended to be all inclusive, as each neighborhood has its own unique characteristics. We want you to consider how you would collaborate with local neighborhood organizations to support and complement the impacts of your development activities. A list of key neighborhood organizations in proposed Target Neighborhoods is attached.

Submission Criteria

Respondents should provide the following information:

1. Experience/Qualifications

- (A) List each member of your team (e.g., developer, property manager, real estate broker, etc.). **Describe in detail** their experience in the acquisition, development, management and sale of scattered site residential housing. Describe the number of years and the number of units developed/owned/managed. Provide a list of all properties currently owned in the City of Milwaukee. In your response to this criteria, please make sure to highlight your specific experience with scattered site housing.
- (B) For teams that involve an entity in addition to the developer (e.g. a real estate broker or property management firm), identify your **“lead”** team member. This will be the member who will be responsible for coordinating activity under your proposal, entering into the Development and Sales Agreement with the City, and will be accountable for activities under your plan.
- (C) Describe experience in working small business enterprises, and with mentorship or job creation programs.
- (D) Describe any partnerships with community or resident based organizations that you have been engaged in with your previous development activity.
- (E) Provide the most recent two years of audited financial statements.
- (F) Describe any other unique qualifications or experience that will be helpful to implementing your proposed activity.

2. Neighborhood

Indicate the neighborhood you are proposing to work in. If you have selected a neighborhood other than one included in this RFQ, provide the geographic boundaries for that neighborhood and the reasons that you selected it. The area should include a sufficient number of City owned properties to meet your development goals.

A note on geography: the purpose of targeting is to concentrate resources to achieve a visible and sustainable impact. However, going forward, we anticipate there will be some limited flexibility in regard to property development on blocks immediately adjacent to your target boundaries. Keep this potential flexibility in mind if you are proposing neighborhood boundaries other than those provided, i.e., the area should be compact enough to accomplish a visible impact, understanding that if opportunities become available in close proximity, you won't necessarily be constrained.

3. Development Strategy

Indicate what development strategies you are proposing – acquisition and rehabilitation for: (1) sale to homeowner occupants, (2) development of a lease/option program, or (3) development of affordable rental housing (including combinations of these three strategies). Also indicate if you would incorporate City owned vacant lots that are

adjacent to properties you will be developing in your development. The activities that you are proposing should be consistent with your experience.

4. Commitment to use of Small Business Enterprises/other employment opportunities

As indicated previously, the contracting goal for work under this initiative is 40% participation by Small Business Enterprises. This goal will be included in the Development and Sales Agreement. Describe your strategy to reach the 40% participation rate. Include any other innovative strategies or efforts you would employ to achieve the City's overall goal of providing business and job opportunities for City residents.

Leverage and development subsidy

Recognizing that until properties are selected, the amount of gap financing requested cannot be determined, in general terms, describe your financing model. Explain the mechanisms you would employ to leverage private capital and/or financing in your proposed development.

More specifically, based on the neighborhood you have selected and your experience and knowledge – provide the following:

Rental and lease/option projects

What would a typical proforma look like in terms of projected rents, income and cash flow? What would your estimated sources of funds look like, i.e., on a per unit basis, what would be the average amount of debt and equity that could be supported? For example, projected rents for the neighborhood are \$X, projected expenses are \$X/unit, and based on those assumptions, we estimate that we could support \$X amount of debt and \$X amount of equity on a per unit basis.

For lease/option projects, include your assumptions regarding the length of time a renter would occupy a unit before qualifying for purchase. What portion of the monthly rent would be held toward a down payment? How would the option price be set?

For sale projects:

What would you project the average sales price of for sale housing in the neighborhood you have selected? In regard to development budget, what would your expectations be for compensation to your development team, i.e. development fee, construction oversight fees, etc. How would you finance the development phase of the acquisition and rehabilitation?

5. Neighborhood Partnerships

Describe your commitment to and plan for working with local neighborhood organizations and residents to leverage your development activities. Respondents are

encouraged to reach out to organizations in their targeted geography and consider opportunities for collaboration.

Selection

Participating entities will be selected based on their response to the above criteria. The evaluation of submissions will be based on:

- Experience and capacity – ability of entity to acquire, hold, develop, and/or own and manage scattered site, tax-foreclosed properties and the experience and qualifications of key team members responsible for the implementation of the activities. (40 points)
- Commitment to working with emerging business enterprises in both development and contracting activities (20 points)
- Ability to leverage funds – financial feasibility (30 points)
- Neighborhood engagement – the extent to which the respondent has, or is willing to work collaboratively with local neighborhood organizations (20 points)
- Special considerations – other qualifications, development strategies or factors you would like us to consider in evaluating your proposal (10 points)

Pre-Submission Informational Meeting

The City will be holding an informational session on the Request for Qualifications on _____. Interested parties are invited to attend to hear more about the City's Strong Neighborhood efforts and this Request for Qualifications.

Other Tools that may help you in your response:

In preparing your response, you may wish to utilize:

- The City's Strong Neighborhoods Mapping Tool – allows you to look at target geographies and key indicators, including tax delinquencies, foreclosures, vacant properties, owner occupancy, etc. www.city.milwaukee.gov/mapmilwaukee (link on left hand side of page under "Mapping Applications")
- Vacant Lot Pattern Book – ideas for improving vacant lots in City neighborhoods <http://city.milwaukee.gov/NIDC> (link on lower right hand side of page)
- Milwaukee Market Value Analysis (MVA) compares residential market conditions between neighborhoods within the City of Milwaukee. The MVA analyzes the values of specific variables across all residential markets within the city and, based upon the analysis, defines market types that allow different neighborhoods in the city to be compared against each other on the basis of market strength or weakness. You can access MVA data by adding the MVA mapping layer in the Strong Neighborhoods Mapping tool listed above.

Deadline for Submissions

TBD