



CONNECTICUT HOUSING FINANCE AUTHORITY

Request for Proposals

Pilot CHFA Homeownership Development Program

September, 2006

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1. Title

Pilot Homeownership Development Program

2. Overview

The Connecticut Housing Finance Authority (CHFA) is dedicated to the task of promoting homeownership opportunities to Connecticut residents. Over our 37 year history, CHFA has assisted over 105,000 homebuyers in achieving the dream of homeownership. It has been through this work that CHFA recognizes another opportunity to assist and support homeownership, specifically in communities where homeownership rates are low, to strengthen communities and neighborhoods and improve the quality of life for residents. Essential to achieving these goals is the ability to plan, access to low cost construction capital, and the right financing tools that provide incentives to developers to build housing where costs are high. The benefits of this type of strategic investment are well documented by virtue of neighborhood stabilization, increased property values, and increased personal wealth.

The *Pilot Homeownership Development Program* will make available a total of \$7,500,000 to support the creation of homeownership units in municipalities where homeownership rates are less than fifty percent (50%). This program allocation is a combination of the funds made available as a result of Public Act 05-228 creating the “land protection, affordable housing and historic preservation account,” and CHFA’s own Investment Trust Account funds. The program is designed to offer financing in the areas of predevelopment, construction and appraisal gap financing to create owner occupied housing.

CHFA will finance discrete projects or capitalize established housing finance and development programs. These funds must be dedicated to homeownership development activities. The general description of activities are described in the table below:

Program	Eligible Activities	Eligible Applicants	Max. Funding Limits
Predevelopment	options for land purchase, feasibility studies, market studies and analyses, planning and design costs, insurance, legal and financial expenses, appraisals, permits and approvals	Financing Intermediaries, For and Non- Profit Developers, Targeted Municipalities	<i>Projects - \$150,000</i> <i>Programs- \$250,000</i>
Construction	hard costs associated with construction	Financing Intermediaries, For and Non- Profit Developers, Targeted Municipalities	<i>Projects - 80%Const</i> <i>Programs- \$1,000,000</i>
Appraisal Gap	the difference between the developer’s cost to build and appraised value when cost is greater than value	Financing Intermediaries, For and Non- Profit Developers, Targeted Municipalities	<i>Projects - \$500,000</i> <i>Programs - \$1,000,000</i>

CHFA requests written proposals from experienced finance intermediaries, for-profit and non-profit development corporations, as well as eligible municipalities for its ***Pilot Homeownership Development Program***. Organizations with current success in providing predevelopment and development financing, as well as strong due diligence tools are strongly encouraged to respond. Additionally, development corporations with homeownership projects currently in their pipelines are also encouraged to respond. Please be advised that responses are a matter of public record.

3. Source of Funds

CHFA will capitalize selected respondent(s) through the use of both Public Act 05-228 and CHFA funds. Total availability of funds for the purposes of this RFP is \$7,500,000. No less than \$2,500,000 of these funds will be offered to selected respondents as amortizing loans.

4. Program Description

The ***Pilot Homeownership Development Program*** is a suite of financing tools designed to support the new development or substantial rehabilitation of vacant properties to create ownership housing in communities with low homeownership. Homeownership activities include the new construction or substantial rehabilitation of vacant single unit attached or detached housing, or 2-4 unit attached housing with an owner occupant. Financing may include short-term low/no interest predevelopment loans, loans for budgeted hard costs associated with construction, and/or appraisal gap financing to buyers. Respondents may include any or all of these components in their proposals. Financing must be provided only to projects located in **Bridgeport, Hartford, New Britain, New Haven, New London, Waterbury, and Windham** with priority in residential census tracts with less than fifty percent homeownership and a stock of one to four unit housing available for rehabilitation. (See Attachment A). Some portions of the program may be undertaken in partnership with the Department of Economic and Community Development, through existing CHFA contract relationships and/or partnerships with banks. CHFA will provide first mortgages for homebuyers purchasing housing developed under any component of this program. The rate on these mortgages will be 50 basis point below CHFA's regular rates.

- A. **PREDEVELOPMENT.** The predevelopment portion of this program will support costs associated with options for land purchase, feasibility studies, market studies and analyses, planning and design costs, insurance, legal and financial expenses, appraisals, permits and approvals. Up to five hundred thousand dollars (\$500,000) of the program fund may be allocated to this portion of the program.

Projects

Projects must be located in one of the seven (7) targeted cities and site/properties identified by address and current ownership. Predevelopment loans will be offered for project development at a rate of 0-3% up to twenty four (24) months and up to \$150,000

per project. Anticipated construction finance sources must also be identified. Projects considering historic properties must be clearly identified.

Programs

Programs must have been in operation for at least three years and have a demonstrated track record. Loans will be offered for program capitalization at a rate of 0% up to thirty-six (36) months and up to \$250,000 per program. Proceeds may revolve during the term of the note for homeownership predevelopment activities within the targeted geography. Selected respondents may charge reasonable fees or an interest spread to cover increased administrative costs associated with program expansion.

Predevelopment funds may not be used for the purposes of land acquisition for either projects or programs.

- B. **CONSTRUCTION.** The construction portion of this program will support hard costs associated with construction. Projects that include historic properties must be clearly identified. Applicants are encouraged to demonstrate public and private leveraging in their construction/development proposals. Some portions of the program may be undertaken through existing CHFA contract relationships and/or partnerships with banks. Homebuyer counseling relationships must also be identified.

Projects

Projects must be located in one of the seven (7) targeted cities and site/properties and identified by address. Projects must create at least four (4) units of ownership housing which includes the new construction or substantial rehabilitation of vacant single unit attached or detached housing, or 2-4 unit attached housing with an owner occupant. Construction loans will be offered at a rate of 1-4% up to eighteen (18) months. Construction loans will be available up to eighty percent (80%) of budgeted hard costs.

Programs

Programs must have been in operation for at least three years and have a demonstrated track record. Loans will be offered for program capitalization at a rate of 1-4% up to sixty (60) months and up to \$1,000,000 per program. Proceeds may revolve during the term of the note for homeownership construction activities within the targeted geography. Selected respondents may charge reasonable fees or an interest spread to cover increased administrative costs associated with program expansion.

- C. **APPRAISAL GAP.** The appraisal gap portion of this program will make available financing to cover the difference between the developer's cost to build and sale price (at least equal to appraised market value) when cost is greater than price. This program does not include a buyer subsidy.

Projects

Properties must be located in one of the seven (7) targeted cities and site/properties and identified by address. Properties must be newly constructed or substantially rehabilitated

vacant ownership housing which includes single-unit attached or detached housing, or 2-4 unit attached housing with an owner occupant. Priority will be given to properties in residential census tracts with less than fifty percent (50%) homeownership. This financing is best used in conjunction with CHFA construction financing, however CHFA will consider proposals that rely on other construction lenders.

Appraisal Gap financing will be provided as a 0% loan to the developer for up to one-hundred percent (100%) of the difference between total cost to build and projected sales proceeds when sales proceeds are *lower than* total cost to build.

The per-unit pro-rated values of the appraisal gap financing to the developer will be transferred to the buyer as a 0%, non-amortizing “soft second” mortgage at closing. Buyers will have to agree to *shared appreciation* with the Authority when the buyer sells the property and if the property has increased in value during the period of ownership. CHFA’s proportion of the shared appreciation will decrease over a seven year period to a minimum of fifty percent (50%). At no time will CHFA’s share exceed the principal value of the second mortgage.

Programs

Programs must have been in operation for at least three years and have a demonstrated track record in providing development and/or appraisal gap financing. Loans will be offered for program capitalization up to \$1,000,000 per program at 0%.

CHFA requires all homeownership development and sales be accompanied by homebuyer counseling by a certified provider. (*See Attachment B*)

5. Eligible Respondents

All applicants must demonstrate proven track record in housing development and/or financing and must be in good standing.

- A. **Financing Intermediaries** with current success in providing predevelopment and development financing for housing preservation, rehabilitation and/or new construction, as well as strong assessment and due diligence tools. Must have experience in single family development financing.
- B. **For-Profit Developers** having residential real estate development as a core business; organizational stability with a minimum of a three-year track record of completed housing development; evidence of sound organizational systems including regular financial audited reports; a demonstrated ability to handle debt; and a well-defined housing development and/or community development strategy.
- C. **Non-Profit Developers** having evidence of 501 (c)(3) status and residential real estate development as a core business; organizational stability with a minimum of a three-year

track record of completed housing development; evidence of sound organizational systems including regular financial audited reports; a demonstrated ability to handle debt; and a well-defined housing development and/or community development strategy.

D. **Targeted Municipalities** currently operating housing development finance programs.

6. Proposal Requirements

A. **Description** – Please describe your organization, its staffing and primary business. Include affiliate relationships and any special designations.

B. **Programs** – Please describe in detail your current predevelopment, construction, and/or appraisal gap financing programs as applicable. Include information on level of funding, performance, staffing and management. Please describe your organization’s policies and procedures on financial and technical default.

(If your organization is a development corporation seeking discrete project financing this item does not apply.)

C. **Request** – Please outline your current request for financing from CHFA, from which program(s) the financing is requested, the targeted geography and the number of units estimated to be created as a result of this funding. Respondents seeking program capitalization must describe fee or spread structures as applicable. Attach any graphic support including maps, renderings and/or photographs as are available.

If the request is for a *discrete project*, please describe the project, and the type of financing needed (predevelopment, construction and/or appraisal gap). Attach a development budget, sources and uses budget, and timeline. Include development team, drawings, appraisal(s), environmental report(s) as well as information on marketing strategies and sales contracts as applicable and available.

All respondents must specifically identify current and/or intended applications for financing from the Department of Economic and Community Development to the Pre-Development, Affordable Housing (Flex), HOME programs, or the Housing Trust Fund. Include actual or projected submission dates. Respondents in the process of making application to the Department in conjunction with this RFP must clearly explain the need for both sources of financing.

D. **Process and Management** -- Please provide descriptions of how your organization would:

1. Solicit, underwrite and approve projects under this program(s). Provide detailed description of the process and timeframes. Include current rate structure, terms and fees as appropriate.

2. Assure fair housing marketing.
 3. Work with housing counseling agencies.
 4. Work with mortgage lenders and/or CHFA in making available end-loans to buyers.
- E. **Financial Management** – Please describe your organization’s financial management systems and reporting capabilities. CHFA will require regular reporting on this program(s).
- F. **Attachments** – Please include the following attachments: Three (3) years’ audited financial statements and a description of any current litigation in which your organization is involved.

Responses must include a cover letter signed by the individual authorized to enter into a contract with CHFA on behalf of the organization, and must identify the individual (along with his/her phone number) who is available to answer questions about the proposal and who will be responsible for the work involved. Responses must be submitted in the order outlined above.

7. Waivers

Respondents may request waivers specific program guidelines. Waivers must clearly articulate which program guideline is requested to be waived, what the recommended guideline will be for the program or project, with evidence to support the request. ***Waivers must be submitted in the proposal as a separate attachment addressed to:***

Mr. Gary E. King, President/Executive Director
Connecticut Housing Finance Authority
999 West Street
Rocky Hill, CT 06067

8. Contract Period

As outlined in Section 4, “**Program Description.**”

9. Terms

CHFA reserves the right to reject any and all proposals received in response to this request; negotiate the fees contained in any proposal (CHFA is not obligated to accept a proposal based on the lowest fee schedule); waive or modify any irregularities in proposals received; award contracts in any manner it deems necessary to serve the best interest of CHFA and the State of Connecticut; request additional information as determined necessary or request that

some or all of the responding organizations make oral presentations, and; discontinue or not go forward with proposed assignment.

CHFA may designate one or more approved organizations. CHFA will allocate this business to approved organizations as determined necessary and appropriate, and in accordance with statutory requirements for minority participation as applicable, including but not limited to the provisions of Connecticut General Statutes Section 4a-60g et. seq. regarding set aside programs for small contracts and minority business enterprises. Each approved organization must agree that it will comply with the provisions of the Connecticut General Statutes applicable to contracts with CHFA, including but not limited to, non-discrimination and affirmative action provisions. Additional approved organizations may be engaged from time to time as CHFA's needs require. Failure to perform to the satisfaction of CHFA will result in the removal from CHFA's approved list of organizations.

10. Ethics Statement and Statutory Requirements

Persons seeking to do business with CHFA are required to comply with the attached ethics statement and the applicable provisions of the Code of Ethics and Statutory Requirements incorporated herein by reference. (*See Attachment C*)

11. Proposal Deadline

Five (5) copies of the proposal must be received by CHFA at 999 West Street, Rocky Hill, CT 06067, Attention: Diane Smith, by close of business Monday November 27, 2006, 4:00 PM. No faxes or e-mails will be accepted.

12. Contact

Diane L. Smith
Community & Program Development Officer
Connecticut Housing Finance Authority
999 West Street
Rocky Hill CT 06067

Thank you for your interest in the Connecticut Housing Finance Authority. We will review all responses and inform each organization whether they have been selected for financing.

Attachments

Attachment A – Geographic Targets

The attached maps are based on 2000 Census data.

Attachment B – Homebuyer Counseling Agencies

Homebuyer Counseling Agencies

1. Acorn Housing Corporation, Bridgeport, CT
2. Catholic Charities and Family Services, Norwich & Willimantic, CT
3. Centers for Financial Education (CCCS), Danbury, CT
4. Co-Opportunity, Inc., Hartford, CT
5. Housing Development Fund, Norwalk & Stamford, CT
6. Mutual Housing of Greater Hartford, Hartford, CT
7. Mutual Housing of South Central Connecticut, New Haven, CT
8. Mutual Housing of Southwestern Connecticut, Stamford, CT
9. Neighborhood Housing Services of New Britain, Inc. New Britain, CT
10. NHS- New Haven Homeownership Center, New, Haven, Ct
11. Neighborhood Housing Services of Waterbury, Inc., Waterbury, CT
12. Opportunities Industrialization Center, Inc. New London, CT
13. Shiloh Development Corporation, New London, CT
14. Urban League of Greater Hartford, Hartford, CT

Attachment C – Ethics Statement and Statutory Provisions

CONNECTICUT HOUSING FINANCE AUTHORITY ETHICS STATEMENT

The Connecticut Housing Finance Authority ("CHFA") was created in 1969 by the State legislature as a quasi-public agency of the State of Connecticut. Its purpose is to help alleviate the shortage of affordable housing for low and moderate-income families and persons in Connecticut, and when appropriate, to promote or maintain the economic development of the State through employer-assisted housing efforts.

CHFA administers a multi-billion dollar portfolio of housing related financing in the State resulting primarily from its loan programs for both single and multifamily housing. These programs are financed by the proceeds of tax exempt and taxable bonds issued by CHFA together with State funds it administers and its own funds. CHFA has significant interaction with the State and private financial markets and has relationships with both nonprofit and for profit developers of housing. It is important that the CHFA Board of Directors and its employees and persons doing business or seeking to do business with CHFA understand and comply at all times with CHFA's ethical standards in the performance of their duties and conduct of their business.

It is the policy of the Connecticut Housing Finance Authority that its employees and members of its Board of Directors will comply with all laws and regulations pertaining to the conduct of CHFA's business and administration of its programs and that they will do so with the highest standards of ethical behavior. Those with whom CHFA does business are expected to similarly comply with applicable laws and regulations and standards. Any breach or deviation from applicable laws and regulations or standards will result in appropriate disciplinary action including but not limited to termination of employment and sanctions as required by CHFA and state law.

The CHFA Board of Directors and all CHFA employees are subject to the Code of Ethics for Public Officials, Connecticut General Statutes Chapter 10, Part 1, §§1-79 through 1-89 as amended ("Code of Ethics") in the discharge of their duties, including, but not limited to, the following provisions:

- **Gifts** - In general, acceptance of gifts from anyone doing business with or seeking to do business with CHFA or from persons known to be a registered lobbyist or lobbyist's representative is prohibited
- **Financial Benefit** - use of office for financial benefit of the individual, certain family members or associated businesses is prohibited
- **Outside Employment** - outside employment which may impair independence of judgment or induce disclosure of confidential information is prohibited (Note: Connecticut General Statutes § 8-244(b) provides notwithstanding the provisions of any other law to the contrary, it shall not constitute a conflict of interest for a trustee, director, partner or officer of any person, firm or corporation, or any individual having a financial interest in a person, firm or corporation, to serve as a member of the authority, provided

such trustee, director, partner, officer or individual shall abstain from deliberation, action or vote by the authority in specific respect to such person, firm or corporation.)

- **Financial Disclosure** - filing of financial disclosure statements with the State Ethics Commission is required by certain employees and the Board of Directors
- **Post -State Employment** - accepting employment with parties to contracts or regulated parties upon leaving CHFA is restricted (Note: Connecticut General Statutes § 1-84b(c) provides exceptions for members or former members of the boards or commissions who serve ex officio, who are required by statute to represent the regulated industry or who are permitted by statute to have a past or present affiliation with the regulated industry.)

Members of the Board of Directors and all CHFA employees are provided a copy of the Code of Ethics.

Additionally, CHFA employees are subject to the provisions of the CHFA employee handbook as amended ("Employee Handbook") including, but not limited to:

- provisions limiting conflicts of interest and requiring filing of a statement with the President-Executive Director regarding any outside employment (§107)
- requiring gifts with a value of \$10 to be returned or directed to CHFA (§107)
- prohibiting acceptance of meals or entertainment from those in a position to benefit from CHFA decisions, contracts or financing (§107)
- limitations on outside employment including prohibiting conducting outside business or employment during working hours or using CHFA facilities or resources to conduct any business other than CHFA official business (§108)
- requiring compliance with the Code of Ethics (§701)

Copies of this Ethics Statement, the Code of Ethics and Employee Handbook are provided to employees and to each new employee prior to the commencement of employment with CHFA. Employees are required to sign a statement acknowledging receipt of the Code of Ethics and Employee Handbook and agreeing to comply with their requirements.

Employees who leave CHFA are required to comply with the Code of Ethics provisions regarding post-employment and are reminded of these during an exit interview with CHFA's Human Resources staff.

Breaches of any of the provisions of the Code of Ethics or Employee Handbook or other governing laws or regulations will result in disciplinary action up to and including dismissal, in addition to sanctions provided by state law.

CHFA has designated as its Ethics Liaison its General Counsel. The Ethics Liaison is an available resource to CHFA employees regarding statutory and regulatory compliance and questions regarding ethical standards; however, questions concerning the applicability or enforcement of the Code of Ethics are to be directed to the State of Connecticut Ethics Commission.

Persons doing business with or seeking to do business with CHFA will be provided with a copy of this Ethics Statement and are required to comply with the applicable provisions of the Code of Ethics and the Code of Ethics for Lobbyists, Connecticut General Statutes §§1-91 through 1-101 and other governing laws and regulations including, but not limited to:

- restrictions on gift giving (§1-84(f),(m))
- employment (§1-84(g), 1-84b(c)(3))
- reporting (§1-84(o))

and are required to comply with requirements of Connecticut General Statutes §3-13j and §3-13l regarding disclosure of third party fees and finders fees and §§4-250 through 4-252 regarding affidavits and certifications for large state contracts.

ADOPTED 4/27/05

STATUTORY PROVISIONS

Documents listed below are posted to the CHFA website at: <http://www.chfa.org/MainPages/RFPs.htm>

Contractor agrees to provide copies of its Affirmative Action Plan policies and Equal Employment Opportunity policies and to comply with all said provisions in performing this Agreement.

Contractor agrees to comply with the following federal and state statutes, regulations, procedures, provisions and Executive Orders and to execute the required affirmations, affidavits, disclosures and certifications pursuant thereto:

1. Connecticut General Statutes Sections 4a-60 and 4a-60a
2. Connecticut General Statutes Section 31-57b
- 3a. Connecticut General Statutes Sections 4-250 through 4-252 and
b. Governor's Executive Order No. 1
 1. Contract Affidavit
4. Public Act 05-287, Section 37
 - a. Affirmation Regarding Summary of Ethics Laws *
 - b. Plain Language Summary of State Ethics Laws
 - c. CHFA Ethics Statement
5. Public Act 05-287, Section 51
 - a. Consultant Affidavit
6. Public Act 05-5, Section 32 re: Prohibition on Campaign Contributions
 - a. Affidavit *
7. Connecticut General Statutes Section 4-61dd re: Whistleblowing
8. Civil Rights Acts of 1964 and 1968 and Executive Orders Relating to thereto, as applicable – no documents attached.

* Please note: These documents must be submitted when responding to this bid.

Rev 7/06