

CITY OF MUSKEGON

**REQUEST FOR QUALIFICATIONS
For
DEVELOPERS
TO CARRY OUT
SCATTERED-SITE SINGLE-FAMILY CONSTRUCTION ACTIVITIES**

DUE: 3:00 PM, August 31, 2021

I. INTRODUCTION

The City of Muskegon (“City”) invites qualified for-profit and/or nonprofit developers (“Developers”) with extensive experience in single-family real estate construction to submit their qualifications for the City’s Scattered-Site Housing Construction Program (“Program”).

The City has allocated American Rescue Plan (ARP) funds totaling \$5,000,000 to address the need for new housing in our community. The City will utilize these funds to help finance developers to construct market-rate single-family housing throughout our city on a 1 to 1 basis, providing 50% of the construction costs to the developer. 50% of the properties must be sold to homeowners earning less than 125% of the Area Median Income (AMI), as calculated for Muskegon County by the Michigan State Housing Development Authority effective April 1, 2021.

Each Developer selected will be required to enter into a Development Agreement with the City. A sample agreement is included as Attachment A as background information; the final form may differ. The City is requesting potential Developers to provide the following services:

- Acquisition of vacant residential lots
- Surveying and grading of building sites
- Construction of new residential buildings
- Asset management of sites during the development period
- Sales of constructed homes to eligible households
- Other eligible activity, as approved by the City

Respondents should transmit their submissions in hard copy only by U.S. Mail, express delivery or hand delivery to the following address by 3:00 PM August 31, 2021:

933 Terrace Street
City Clerk’s Office
Muskegon, MI 49440

The number of Developers selected to participate in the program will be based upon available funding, capacity and qualifications of Developers, and volume of available properties.

Respondents will be notified of the City’s action on proposals within approximately 10 days of the submission deadline.

II. PROGRAM DESCRIPTION

The City of Muskegon currently owns in excess of 350 vacant buildable residential lots throughout our community. Our goal is to partner with developers to construct a variety of

homes on these sites. The program anticipates that the City and the developer will jointly invest in the construction, with the city's funds serving as a back stop to help ensure salability and profitability for the builders.

III. SCOPE OF WORK

A. The City desires to contract with one or more Developers to identify, acquire, manage, rehabilitate, construct and rent foreclosed, abandoned and vacant single-family residential properties per program requirements. In addition to the City's financial assistance the selected Developers may be required to provide leverage financing for rehabilitation, construction and property management. The selected Developers will be required to provide the services as described below and in the attached Standard Developer Agreement. These descriptions of services are not inclusive of requirements based on unforeseeable program changes initiated by the City or The US Treasury Department. All work items will be carried out in conjunction with City staff direction, input, and review.

1. Acquisition:

The city holds title to a number of tax-reverted or foreclosed residential lots. All of these will be available for selected developers to use for construction at a cost of \$1.00. The selected Developers may identify and acquire privately-owned vacant residential properties suitable for new home construction. These private acquisitions will be considered on a case-by-case basis.

2. Surveying and Grading:

The Developers will be required to survey each building site to ensure proper ownership and adequate ability to construct the proposed homes. All sites must conform with current building and zone codes.

3. Construction:

The Developers will be required to design and construct housing that fits into the character of the surrounding neighborhood. At minimum, each home must include:

1. A basement with 9-foot ceilings and one egress window.
2. One garage stall (attached or detached).
3. Two stories of residential living space.
4. One or more zero-step entry points.
5. 32-inch minimum clear passage doors on the first floor, including the entry doors.
6. One main floor restroom.
7. One main floor bedroom.
8. Energy efficiency requirements:
 - a. Minimum 96% efficient furnace.
 - b. Minimum 20-SEER efficiency central air condition.

- c. super high efficiency tankless natural gas water heater capable of delivering a minimum of 10 gallons per minute of hot water.
 - d. Double pane windows.
 - e. Attic insulation of with an R60 rating or higher.
 - f. 2x4 exterior wall construction with an R15 value or higher.
 - g. Ability to pass a high efficiency blower door test.
- 9. Exterior finishes that include minimum of 30-year architectural asphalt shingles, engineered wood siding, and a minimum of three inches of low maintenance trim surrounding each exterior window or door opening.
 - 10. Building lots cleared of all existing brush, fencing, and overgrowth; saving all mature trees that do not interfere with construction.
 - 11. Exterior site improvements that include a minimum of a concrete driveway two feet wider than the garage door opening, concrete sidewalks, sod lawns, inground sprinkling systems, a shielded location for garbage and recycling infrastructure, and a minimum of three-foot landscaped planting strip around the building structure(s). In lieu of a sod lawn, the developer may propose a heavily landscaped yard with a mixture of low maintenance native plantings and landscape materials.

4. Construction Pace

Developers will be required to break ground on all homes within 30 days of the signing of the Development Agreement. All homes must be complete with a certificate of occupancy within 150 days from signing of the Development Agreement.

5. Financing Provided by the City:

The City will provide selected developers with development financing as described in the Sample Development Agreement attached as Attachment A. In general, the City will finance 50% of the agreed-upon construction cost, payable as part of a monthly draw system as the structures are completed. The City will also finance any necessary down payment assistance that would result in the project's net sales revenue to be less than the actual cost of construction.

IV. SUBMISSION REQUIREMENTS

A. The Proposal Contents (see next page) will be the basis and outline for your response to this RFQ. Responses should follow the sequence indicated. If you cannot respond to an item, please indicate the reason.

B. Five (5) copies of the proposal must be submitted (one of the copies shall be unbound and paper clipped, suitable for copying with an automatic feed).

C. Only complete responses to this RFQ will be considered.

D. Each proposal submitted should include a cover letter and must be signed by an authorized representative of the company or organization.

E. All proposals must be delivered (via mail or hand-delivery) in a sealed envelope to: The Muskegon City Clerk's Office, 933 Terrace Street, Muskegon, MI 49440

F. Each envelope must be clearly marked and numbered if more than one envelope: RFQ FOR THE MUSKEGON ARP INFILL HUSING PROGRAM (ex.: Number 1 of 2, Number 2 of 2)

G. Questions pertaining to this RFQ should be directed to: Frank Peterson, City Manager via email at frank.peterson@shorelinecity.com

H. The City requires each respondent to submit a proposal that clearly addresses all of the requirements outlined in this RFQ and listed in the "Proposal Contents". Responses should follow the sequence indicated.

I. The respondent's proposal should emphasize a clear understanding of the Program and the necessary resources to perform the intended services. Responsiveness to the RFQ will be the principal basis for evaluation of each proposing organization.

J. All companies participating with the City will be expected to adhere to the program guidelines as established by the City.

V. PROPOSAL CONTENTS

The City requires each respondent to submit a proposal that clearly addresses all of the requirements outlined in this RFQ and listed in the "Items for Response". The proposal shall be limited to 10 pages. Company brochures, data and resumes may be added to the proposal provided that this information is located in an Appendix at the back of the proposal. Should the prospective Developer have concerns about meeting any requirements of this RFQ, the Developer shall include a clearly labeled subsection with individual statements specifically identifying the concerns and exceptions.

The submitted proposal must include the following:

A. A cover letter expressing interest in the program signed by a person who can legally bind the organization. Please include in your letter the legal name of the organization, the organization's address, and the contact information (including email address) of the executive official and the person responsible for preparing the proposal. In the cover letter, include an estimate of the numbers of single-family homes that you have the capacity to construct in the period beginning October 1, 2021 and ending December 31, 2022.

B. A statement of general qualifications showing past experience with the same or similar type(s) of program.

C. A description of organizational capacity to carry out the proposed scope of work including an organization chart and the resumes of key personnel that will be assigned to assist in implementing the program (include resumes in an Appendix at the back of the proposal). If the respondent proposes to use any sub-developers as part of the development team, provide the resumes of the sub-developers and their role in the program. Include a description of prior experience with providing services or administering programs for the City.

D. A description of the respondent's experience in constructing single-family properties. Describe the single-family properties developed in the past 5 years, their addresses, sales prices, and types of financing used. Describe your approach to constructing infill housing, including how you plan to ensure your designs fit into the neighborhoods and your construction team interacts with existing neighbors.

E. Your most recent audited financial statements for your organization.

F. A description of the respondent's experience in marketing single-family homes for sale during the past 5 years. Describe the numbers of single-family properties listed and sold in the past 12 months, their general locations (specific addresses are not required), and typical sales prices. This information can be combined in a list or chart with the information required under V.D, above. If the developer does not propose to market and sell the units internally, provide this information for the proposed broker, along with the name and address of the organization and resumes of key staff.

G. A copy of your Workers Compensation and Liability Insurance policy binders indicating the limits, carrier and expiration date. A minimum of \$1 million per occurrence is required.

H. A statement of the Developer's intent and ability to employ Muskegon County suppliers, subcontractors, and laborers, including any existing relationships with any such organizations or individuals.

VI. PROPOSAL EVALUATION

The following is an outline of the procedures the City will use in the selection process:

A. A Selection Committee ("Committee"), composed of City staff, will be assembled to evaluate the proposals submitted by the respondents. The Committee may select a reasonable number of top-ranked respondents to be invited to appear before it to discuss their proposals. Said interviews, if held, will take place on a date and time to be determined.

B. The Committee will rank the respondents and recommend one or more developers to the City Commission for selection and negotiation of developer agreements.

C. The City reserves the right, without qualification, to reject all proposals and/or exercise discretion and apply its judgment with respect to any proposals submitted.

VII. CITY DISCRETION, NON-LIABILITY WAIVERS AND HOLD HARMLESS PROVISIONS

This RFQ does not commit the City or the City to pay any costs incurred in the preparation of a response. The City reserves the right to accept or reject any proposal in part or in its entirety. The City reserves the right to reject any and all proposals, and to waive any technical errors, irregularities, or discrepancies, if to do so is deemed to serve the best interests of the City or City. In no event will an award be made until all necessary investigations are made as to the responsibility and qualifications of the Developer to whom it is proposed to make such award. The City reserves the right to choose any number of qualified finalists. In addition, the City reserves the right to issue written notice to all participants of any changes in the proposal submission schedule or other schedules, should the City determine, at its sole and absolute discretion, that such changes are necessary. The proposing entity, by submitting a response to this RFQ, waives all rights to protest or seek any legal remedies whatsoever regarding any aspect of this RFQ. Any subsequent changes to the RFQ from the date of issuance to the date of submittal may result in an addendum by the issuing office.

VIII. MINIMUM PROPOSAL QUALIFICATIONS CRITERIA

The minimum qualifications for proposals to be considered are as noted below. These qualifications are applicable to the respondent and any and all sub-developers and/or property management companies described in a proposal.

A. Business license requirements.

B. Meeting liability insurance requirements with the City and City as added insureds.

C. Meeting Worker's Compensation insurance requirements.

D. Demonstrated ability to successfully carry out the scope of work.

E. Identification of personnel, contractors and subcontractors.

F. Completeness of proposal.

IX. SELECTION CRITERIA

Proposals received which meet the minimum qualifications criteria will be ranked and rated by the Selection Committee based on the following criteria:

- A.** Qualifications of the proposed personnel and contactors to carry out the proposed program.
- B.** Numbers of single-family units developed in the past five years.
- C.** Financial capacity of respondent to carry out the proposed scope of work.
- D.** Financial feasibility of respondent's current single-family construction operations.
- E.** Proposed approach to carrying out the program.

EXHIBIT A

ARP INFILL HOUSING DEVELOPMENT AGREEMENT

THIS ARP INFILL HOUSING DEVELOPMENT AGREEMENT (the “**Agreement**”) is made on the ____ day of _____, 2021, by and between the CITY OF MUSKEGON, a Michigan municipal corporation, whose address is 933 Terrace Street, Muskegon, Michigan 49440 (the “**City**”) and _____, a Michigan limited liability company, whose address is _____ (the “**Developer**”).

RECITALS

A. The City of Muskegon has title ownership of numerous vacant properties throughout the city limits, as specified on attached Exhibit A (the “**Property**”).

B. The City of Muskegon intends to assist the Developer in constructing owner-occupied homes on the Property by investing 50% of the construction costs as specified on attached Exhibit B (the “**Construction Cost**”).

C. The Developer intends to develop ____ units of owner-occupied housing units on the Property, where no less than 50% of the units are allocated to buyers with income levels under 125% of the Area Median Income (AMI), as defined by the Michigan State Housing Development Authority (the “**Project**”).

NOW, THEREFORE, the parties agree as follows:

1. Project Completion.

a. Developer agrees to purchase the Property described in attached Exhibit A.

i. The Developer will be responsible for all survey work associated with lot line adjustments, except that City shall be responsible for all costs associated with creating tax parcels.

ii. City will waive or pay for all water and sewer connection fees, including suspending or waiving any existing moratoriums against providing such fee waivers. Developer shall be responsible for all other fees, specifically including mechanical, plumbing, electrical, and any other construction and building permit fees.

b. Operating Incentive. In exchange for the Developer's commitment to allocate 50% of the units to be sold to individuals with income levels less than 125% of Area Median Income, as defined by the Michigan State Housing Development Authority, the City agrees to provide an operating incentive to ensure such affordability as provided in Paragraph 3.

2. Income Restrictions.

The Developer shall be responsible for verifying buyer income to ensure his/her qualifications for any income-restricted units.

3. Shared Sales Benefit.

a. As an incentive to assist moderate income buyers, the City and the Developer may from time to time mutually agree to provide down payment assistance to buyers. In the event any units are sold to income-qualified residents with down payment assistance, resulting in the net sales revenue being

less than the cost of construction, the City and the Developer agree to share the costs and benefits as follows: If collective net sales income of the approved houses is less than 100% of the contractual construction cost, minus all sales commissions, closing costs, and down payment assistance, the City shall reimburse the developer 100% of the difference between the net sales income and the construction cost; and

b. As an incentive to attract qualified market rate buyers, the City and the Developer may from time to time mutually agree to sell a unit for more than the cost of construction. If collective net sales income of the approved houses is more than 100% of the contractual construction cost, minus all sales commissions and closing costs, the City and the Developer shall share the difference between the net sales income and the construction cost, with 60% distributed to the Developer and 40% distributed to the City.

c. City shall establish the "ARP Infill Housing Fund". The City shall deposit \$5,000,000 from the State and Federal Grant's Fund, which was created in part by stimulus funding from the Federal Government as part of the American Rescue Plan Act. All monies owed to the Developer by City pursuant to Recital B and Paragraph 3(a) shall be paid from the ARP Infill Housing Fund and all monies owed by the Developer to the City pursuant to Paragraph 3(a) shall be credited to the ARP Infill Housing Fund. On a monthly basis, Developer shall provide documentation, to City's satisfaction, as to the amount City owes Developer and/or Developer owes City pursuant to Paragraph 3(a). Upon termination of this Development Agreement, all monies left in the ARP Infill Housing Fund shall revert to the City of Muskegon State and Federal Grants Fund, and any amounts owed to the Developer shall be waived. City shall have no obligation to reimburse Developer for any reason from any other City fund.

4. Vacancy Assistance.

During the first 45 days after completion of a home with a certificate of occupancy, and a least 45 days listed on the MLS at a price not more than 120% of the cost to construct, the Developer shall be responsible for any vacancy losses. After the 45-day holding period the City shall reimburse the Developer for 100% of the Developer's approved construction costs. Any monies owed by City shall be taken from the Fund established in Paragraph 3(b) and from no other source of City monies. If the provisions of this Paragraph are not exercised by Developer, then City shall have the right to terminate this Agreement as to any building not under construction at the time the City provided notice of its intent to terminate this Agreement pursuant to this Paragraph. Both parties agree that a building will be considered under construction only after the foundation and/or building slab is in place.

5. Developer Opportunity to Purchase.

With a 30-day written notice from the Developer, Developer shall have the option to purchase any unit from the city by reimbursing the City with 110% of its original investment in the unit.

6. Term of Agreement.

a. The Developer's and City's obligations under this Agreement for any individual parcel shall terminate 60 days from the issuance of the original certificate of occupancy or upon a sale of the parcel (the "**Term**").

b. The construction of the housing units shall be completed within 150 days of the signing of this Development Agreement.

c. If Developer is not constructing units on the Property within 60 days of the signing of this Development Agreement, as evidenced by the failure to pull permits and complete construction in a

timely manner, the Development Agreement shall terminate, after Notice as required by Paragraph 8, as to Parcels where Developer is not pursuing construction.

d. Should any court of competent jurisdiction find any portion of the Development Agreement void and/or prohibits City from funding any obligation provided in this Pilot Development Agreement, either City or Developer may terminate this Development Agreement with no consequences from the other party.

8. Notices.

All notices, payments, demands or requests required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed to have been properly given or served effective on the second (2nd) business day after being deposited in the United States mail, postpaid and registered or certified with return receipt requested; or when sent by private courier service for same-day delivery or one day after being sent by private courier service for next-day delivery. Notices shall also be sent via e-mail and to the respective addresses set forth below:

To Seller: THE CITY OF MUSKEGON
Attn: City Manager
933 Terrace St.
Muskegon, MI 49440

With copy to: Parmenter Law
P.O. Box 786

To Purchaser:

9. Assignment.

Developer and City shall have the right to assign all of its rights and delegate all of its obligations under this Agreement to either an existing or a newly created entity, provided however, that no assignment shall operate as a release of that party without the written consent of the other, where consent may be withheld in such other party's sole discretion.

10. Arbitration.

Any and all disputes, controversies, or claims arising out of, or in connection with or relating to this Agreement, or any breach or alleged breach thereof, shall, on the request of either party, be submitted to and settled by arbitration in the State of Michigan pursuant to the rules, then in effect, of the American Arbitration Association (or at any other place or under any other form of arbitration mutually acceptable to the parties involved). This Agreement to arbitrate shall be specifically enforceable under the prevailing arbitration law. Notice of the demand for arbitration shall be filed, in writing, within a reasonable time after the claim, dispute, or other matter in question that arose where the party asserting the claim should have been reasonably aware of it, but in no event later than the applicable Michigan statute of limitations. Cost of arbitration shall be shared equally by the parties, provided that

each party shall pay for and bear the cost of his or her own experts, evidence, and attorney fees. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction to do so.

11. Entire Agreement.

This Agreement supersedes all agreements previously made between the parties relating to the subject matter. There are no other understandings or agreements between them.

12. Non-Waiver.

No delay or failure by any party to exercise any right under this Agreement, and no partial or single exercise of that right, constitutes a waiver of that or any other right, unless otherwise expressly provided herein.

13. Headings.

Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

14. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Michigan.

15. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

16. Binding Effect.

The provisions of this Agreement shall be binding upon and inure to the benefit of all the parties and their respective heirs, legal representatives, successors and assigns.

The parties have executed this Agreement on the date set forth above.

CITY OF MUSKEGON

By: _____

Its: _____

DEVELOPER

By: _____

Its: _____