

# Neighborhood Entrepreneurs Program

## Frequently Asked Questions

### A. Neighborhood Based

1. What constitutes evidence of a business location?

**There are many documents that may indicate a business location, such as the lease for the premises, the utility bills of the business, and other records that show the address.**

2. Will minority owned businesses get priority?

**Program criteria do not evaluate whether an applicant is a minority-owned business. Threshold criteria do require that the principals of a business or the business itself be “neighborhood based”. The definition of “neighborhood” is provided in Section IIA (p.4) of the RFQ. In addition, the competitive criteria give weight to businesses and principals with long term ties to the target neighborhood and the extent to which the business includes principals and employees from the target areas.**

3. I just started managing a 24 unit building in the target area. I have experience managing over 50 units prior to this building. I work out of an office that is not in a target area. Do I qualify for neighborhood based?

**If 75% of your business is from the neighborhood or if you reside in the neighborhood, you will qualify as “neighborhood based”. In addition, the company must currently manage 50 units or have managed an average of 50 units over the past 3 years.**

4. Will the property managers have to establish legal residence in the community (e.g., that covers Community Board District 3).

**No. The applicant must document that they are neighborhood based, either by personal residence, business location or the portion (75%) of their business revenue generated from the target area.**

5. I am employed with a management company with specific duties to manage properties including properties (over 50 units) within the threshold areas. I also am a 33% owner of a 46 unit building outside the area which I manage, and I also live outside the target area. How do I establish that I have managed properties in the target area for the company I work for. Also, do I qualify if the management company had the bulk of the managed properties outside of the area?

**Your management experience may be based upon buildings managed outside of the target area. However, you must demonstrate that you are “neighborhood based” (see above question).**

6. Does qualifying in one Community Planning Board allow me to be qualified for consideration in an adjacent Community Planning Board?

**An NE may qualify by establishing that he or she is “neighborhood based” as provided in Section II A of the RFQ. If located in one Target Neighborhood, you may be eligible to participate in and adjacent Community Board if it is also a Target Neighborhood.**

7. If a new entity is formed to apply, do all principals have to meet Neighborhood Based criteria (i.e. if only 1 of 2 partners have primary business in the community will new entity qualify)?

**No. The principals that have majority ownership (at least 51%) must meet the criteria.**

## **B. Residential Management Experience**

1. I wish to apply with a new entity for NEP, however my current corporation demonstrates the management experience. This corporation manages more than one location and I do not want it to become an owner of property. I own both entities entirely. Can I apply with the new entity and show both my personal management experience and the Corporation’s experience.

**Yes. Your personal management experience and the experience of your corporation may be included in determining the total number of units managed over the last 3 years.**

2. Does an NE have to be an owner of property?

**No. The NE must have property management experience.**

3. Can the applicant be a managing agent?

**Yes. The NE can be a managing agent or a 7A administrator that has at least 50 units under current management or has managed an average of at least 50 units over the last 3 years. The total number of units managed will be a cumulative total of all units managed by each principal.**

4. What are the qualifications to win the different size clusters?

**The current workload of the organization, the organization’s financial capacity and experience in completing rehabilitation work in occupied buildings are some of the factors that will determine the size of the cluster that the NE will receive.**

5. If a person wants to purchase a small building with only 4 apartments, why do they need experience managing 50 units or more?

**This program is for disposition of clusters of at least 50 units. However, HPD is designing other programs for disposition of individual buildings.**

6. If two property managers, who usually work together, own separately 48 units each, can they qualify for NEP?

**There are no ownership requirements as part of the qualifications. The applicant must have experience managing 50 or more units for the last 3 years or have at least 50 units under current management. If the two property managers are managing 48 units each, they will be able to qualify because the applicant has 96 units under current management.**

7. What makes a good team?

**A good team is one with: strong property management experience, including experience with distressed properties; experience in occupied rehab; strong ties to the community; a previous, successful experience working together; and ability to assume the obligations of the program in early 1995.**

8. Does the approved Entrepreneur choose the cluster?

**No. Clusters will be matched with the selected NE based on the factors mentioned in the response to question 4 above. The NE's preference, as well as the location of buildings it currently manages, will also be considered during the matching process. Clusters are being discussed and prioritized by the Neighborhood Task Forces that have been created in the communities chosen for the first phase of NEP. Final designation of the NE will not be made until agreement on buildings and clusters is reached.**

9. What constitutes a "significant interest in ownership"?

**Ownership of 10% or more of a project constitutes a significant interest.**

10. Must you be certified by the City as a minority owned company to be eligible?

**No, this is not required.**

11. Will an employee with substantial management experience be acceptable if the principal does not have management experience in the last three years?

**Principals of the applicant must meet all threshold criteria. Applicants cannot hire staff to meet threshold criteria but may form a joint venture to apply.**

12. For the purposes of meeting the minimum 50 units of management, will properties outside of New York qualify?

**Yes, however, applicant must meet threshold criteria of "neighborhood based".**

13. If an owner of three or four buildings with 16 units also has two viable stores (both renovated), is this close enough to the minimum 50 units threshold.?

**This is not enough, however, you may apply as a joint venture with another person.**

14. If the corporation does not own more than 250 units is it all right if the officers of the corporation own more than 250 units?

**250 units of housing owned is a cumulative total allowed for all principals of the applicant.**

15. I have extensive experience in rehab and management in Brooklyn areas listed (Bed-Stuy, East New York, Crown Heights, etc.) and qualify accordingly. I also am managing as receiver for a building in East Harlem (8 units). Would I qualify for a cluster?

**You must respond to the RFQ, so that all of your experience can be fully evaluated- the RFQ's threshold criteria require that the applicant is managing at least 50 units, or has managed at least 50 units on average for the last three years.**

16. Can a management company apply even though some of its principals have privately owned real estate of more than 250 units. However, the management company is separately operated in target areas.

**The management company can apply. However, to pass threshold, principals cannot own more than 250 units cumulatively.**

### **C. Rehabilitation Experience or Capacity**

1. Can the applicant complete the rehabilitation work in-house or must they hire a general contractor?

**This decision is dependent on the applicant's financial capacity and rehabilitation experience. Information on suggested general contractors will be provided to designated Entrepreneurs. However the designated Entrepreneur may select another G.C., subject to the approval of HPD, the Neighborhood Partnership Housing (NPHDFC) and the private lender.**

2. I am a civil engineer, can I be my own G.C.

**Yes, if approved by HPD, the Neighborhood Partnership Housing (NPHDFC) and the private lender, if applicable.**

## **D. Financial Resources**

1. If an applicant has a significant interest in the ownership of an entity which holds title to income producing real property, then does "gross annual revenue" constitute; (a) all rents collected without deducting for interest and operating expenses, or (b) net income after deducting for interest and operating costs, or (c) does one refer to the last three years income tax return for the entity in question and note the loss/gain from each return where provided for in the RFQ, or (d) does the applicant refer to either his/her respective K-1 or 1099 for the entity in question and note the loss/gain where provided for in the RFQ?

**Where the entity is the owner of investment property, the total rents collected and any other revenue derived from the property constitutes the gross annual business revenue for said property.**

2. Does a Limited Partnership interest apply with regard to threshold requirements relative to; (a) the number of units owned, and (b) maximum gross annual business revenue criteria?

**(a) The number of units owned is a cumulative total for all principals; this total cannot exceed 250 units. Ownership of a 10% interest constitutes a substantial interest. All units in which a principal has a substantial interest will be counted in the cumulative total of units owned by the applicant.**

**(b) Gross business revenue of the properties in which the principal has a substantial interest will be counted toward the threshold criteria. To pass the threshold criteria, the applicant must meet one of the following criteria:**

- 1. the maximum gross annual business revenue cannot exceed 1.5 million dollars; or**
- 2. the maximum personal and corporate net worth cannot exceed 1.5 million dollars.**

**If the applicant is below the maximum for one of the above listed criteria, the applicant may exceed the other criterion by a maximum of 50%. I.e., if the applicant's business revenue is less than 1.5 million dollars, the applicant's personal and corporate net worth may exceed 1.5 million dollars by 50%, but cannot be more than 2.25 million dollars. If the applicant's personal and corporate net worth is less than 1.5 million dollars, the applicant's business revenue may increase to not more than 2.25 million dollars.**

3. Will it be necessary for all of the principals of a joint venture or corporate entity to qualify their credit/financial statement, or will it be permissible to elect that only the majority shareholders with an interest of 25% or more qualify?

**All of the principals must have a good credit history. The net worth of all principals must not exceed the maximum limits set in Section IV, 4 of the RFQ.**

4. Is personal net worth calculated on Market Value or Replacement Value?

**Applicants should make their own determination as to the appropriate definition of value.**

5. Is the \$50,000 cash or credit line the manager's investment, or a guarantee? If used, will it be reimbursed?

**The \$50,000 will be invested by the NE during the transition period. It is the NE's monetary equity investment; it will not be reimbursed.**

## **E. Project Costs**

1. What type of financing is available?

**The majority of the moderate to substantial rehabilitation of the buildings is expected to be financed with private funds from area banks. The City of New York will provide the bulk of the permanent financing.**

2. On what terms will HPD provide "working capital" as referred to on pg. 8 of the RFQ.?

**Working capital will be included in the construction budget.**

3. What if my cost is more or less than \$50,000 per unit? And is the \$45,000 that is earmarked for the dwelling units include construction?

**HPD will fund the actual cost of rehabilitation by committing that amount for the permanent loan. If the cost of rehab is less, the total loan amount will be reduced. If it is more, the loan will be increased accordingly. Project cost must be approved by HPD, the Neighborhood Partnership Housing (NPHDFC) and the private lender.**

4. How will liability insurance be handled?

**The owner is responsible for obtaining suitable liability insurance coverage, payable from the operating budget.**

5. Is there a provision that assures that the three year transition period will be final and not subject in changes within or of administration?

**The three year period will be final if the NE meets all milestones as will be set forth in a site development/management agreement and manages the buildings in an effective manner.**

6. How do you know what the "real cost" will be?

**After an NE is designated, the NE will be responsible for contracting for the preparation of scopes of work in the buildings and negotiating a fixed price contract with the selected general contractor. The GC agreement and total project cost is subject to the approval of HPD, the Neighborhood Partnership Housing (NPHDFC), and the private lender, if applicable.**

7. Can I negotiate contractor's fees?

**Yes. You will be responsible for negotiating with your contractor. However the contract price will be subject to the approval of the Neighborhood Partnership Housing (NPHDFC), HPD, and the private lender.**

## **F. Section 8/Rental Subsidy**

1. Will Section 8 certificates be provided?

**HPD will attempt to maximize the use of tax credit syndication proceeds to provide rental subsidies for existing tenants because funding for Section 8 is uncertain.**

## **G. Return on Investment**

1. What profit margin will be allowed on my investment?

**The return to the Entrepreneur will depend on their ability to manage the project efficiently. Financing is being structured to allow an adequate return to the NE after maintenance and operating expenses, debt service and operating reserves are funded. The opportunity is structured to provide incentives for long term ownership of affordable rental housing.**

2. What are the terms of the "Draw Down" on developers fees?

**The drawdown will be negotiated with each NE and will be allowed based on a combination of expenses incurred and performance milestones achieved. A portion of the fee may be retained for acquisition at the end of the transition period.**

3. How much money will I make?

**The pro formas used for the development of NEP are conservative. Therefore there is a reasonable profit margin between the total project income and the expected cost of operation. Of course, the actual return will vary for each project.**

4. How is my management fee determined?

**The management fee will be consistent with the industry standard, an average of 8% of collected rent. However, this may be negotiated as part of the project budget based on the needs and conditions of the assemblage of buildings.**

## **H. Not -For- Profit**

1. Can a for-profit subsidiary of a not-for-profit organization apply?

**Yes, any for profit company, including a for-profit subsidiary of a not-for -profit organization, can apply.**

2. How does a not-for-profit become considered for tenant support and referral services with the Neighborhood Partnership Housing (NPHDFC)

**The Neighborhood Partnership Housing (NPHDFC), will select not-for-profits to work with tenants and the entrepreneurs based on their proximity to the cluster areas, their capacity and the services they provide. Interested not-for-profits should contact the Neighborhood Partnership Housing (NPHDFC) directly.**

3. Please describe the role of not-for-profit housing developers in this program.

**Pursuant to contracts with the Neighborhood Partnership Housing (NPHDFC), not-for-profit organizations will provide tenant services during the transition period of the project.**

4. What specific role will “not-for-profit” managers, or agencies perform in the “oversight” capacity of the Partnership.

**Not-for-Profits will work with tenants and the entrepreneur . A specific scope of services will be developed by the Neighborhood Partnership Housing (NPHDFC) and HPD. Work will include provision of an array of services, including tenant services, social service referrals, assisting with temporary relocation and monitoring the progress of the project.**

5. Are there any HPD programs for non-profits to acquire ownership of smaller units?

**The Neighborhood Redevelopment Program (NRP) conveys City-owned occupied buildings to not-for-profits. Currently NRP is funding sites of 40 units or more for sale to not-for-profits with management experience. Future RFQ’s and sites may target smaller projects and smaller organizations.**

## **I. Joint Ventures**

1. Are there any regulations against joint ventures?

**No, there is no prohibition of joint ventures.**

2. Can local entrepreneurs form partnerships with persons or entities outside the designated neighborhood?

**Yes, provided that the new partnership or other entity meets the threshold criteria.**

3. How do joint ventures apply for the program (one company established / the other company newly established?)

**A joint venture should complete the application and fill out applicable forms and provide experience information for each entity or individual that makes up the joint venture.**

4. Can a joint venture use criteria from various partners in order to qualify for eligibility?

**Yes. However, all threshold criteria (including units owned, gross business revenue and net worth) will be judged on a cumulative basis for all principals.**

5.. How do you define a joint venture?

**An entity formed by two or more separate and distinct businesses for the purposes of completing a project with shared responsibilities and a division of project income.**

6. Can an individual joint venture with two entities and make a separate application to NEP with each?

**Yes. However, it is likely that if both of the joint ventures qualify, only one of the two joint ventures will be selected to participate in NEP.**

7. If a not-for-profit (49%) joint venture partner owns 1% general partner interests in greater than 250 units, will this disqualify applicant?

**The Neighborhood Entrepreneurs Program is targeted to for-profit businesses. However, a 1% ownership interest is not a substantial ownership interest and would not be counted towards the maximum ownership interest of the applicant.**

8. Can you assist me in finding someone to form a joint venture?

**If you are interested in some assistance in finding someone who may be interested in joint venturing with you, please contact the Neighborhood Partnership Housing (NPHDFC) (212)-262-9575 ext. 181, as they may be able to assist you, if others have indicated this interest.**

## **J. Finance**

1. Will there be significant debt attached to NEP deals (greater than 1% loans)?

**Interest and repayment of debt will depend on the economics of the building, however, it is not anticipated that the interest on the permanent mortgage will exceed 1%.**

2. How will the purchase prices be determined? Will financing be made available to facilitate the purchase?

**Purchase prices may be determined on a per unit basis or as a function of the value and economics of the assemblage of buildings. A portion of an earned development fee will be deferred and applied to the purchase price and a portion will be a permanent mortgage on the buildings.**

3. Elaborate on the statement that “the Neighborhood Entrepreneur will have to get its own construction loan.”

**The Neighborhood Partnership Housing (NPHDFC) will provide access to financial institutions. However, the NE may have to provide a personal guaranty of payment and demonstrate a favorable credit history.**

4. How much money will need to be committed to program by entrepreneur?

**The NE must be prepared to invest \$50,000 in the project as well as provide personal payment guarantees.**

5. What will Real Estate Taxes be?

**Real property tax exemption may be available for these properties under Section 11-243 (formerly Section J-51) of the Administrative Code of the City of New York for rehabilitation work or exemption pursuant to Article 16 of the New York State General Municipal Law.**

6. Do prevailing wages apply?

**We anticipate that Federal Davis Bacon wage rates will apply to buildings where more than 11 units are rehabilitated with Federal Home funds.**

7. Will the property be security for the loans, i.e., will the loans be mortgage loans?

**Yes, loans will be secured by the property.**

8. What is the anticipated funding rate for HPD financing?

**1% or less depending on the economics of buildings.**

9. What if any limitations are there on transfer of buildings or refinancing?

**Federal Home funds and proceeds from the sale of Low Income Housing Tax Credits will be used for rehabilitation and to provide operating subsidies for a portion of the units. These funds will impose rent and income limits on the assisted units for at least 15 years. Resale of the project will be subject to the approval of HPD as long as debt is outstanding.**

10. Is this program Federally Funded?

**A portion of the financing will come from Federal Home Funds and the sale of Low Income Housing Tax Credits.**

11. What type of rent restructuring will take place (e.g. Section 8)?

**Rent restructuring will be implemented pursuant to DAMP guidelines. It is anticipated that rents will remain affordable for existing tenants through the use of Low Income Housing Tax Credits and cross subsidy from the market rate apartments.**

## **K. General**

1. Are buildings/clusters already selected for the NEP program?

**Concentrations of City-owned housing have been reviewed and prioritized by Neighborhood Task Forces. Final selection will be determined with selection of the NE.**

2. Will existing tenants have the ability to “opt out” of the NEP program if they want to go into TIL or stay in City ownership?

**Yes. Tenants will have 60 days to submit an application to TIL and a 90 day period to meet all intake requirements. If the tenants do not meet these requirements, HPD will proceed with disposition through NEP. Tenants cannot opt to remain City ownership.**

3. Can people who work for NYC or quasi-governmental agencies apply?

**City employment is not a bar to participation. However, the program requires a full time commitment of management services by the Entrepreneur. City employees are governed by the Conflict of Interest Board. City employees are required, additionally, to disclose all outside employment and sources of income fully.**

4. Can an applicant answer the RFQ using a computer?

**Yes, as long as all questions are answered in full, answers do not have to be written on the application form.**

5. Is a separate application required for each building?

**No, we are disposing of clusters of buildings.**

6. Specifically, what are the “performance requirements” referred to on Page 1 of the RFQ?

**Performance requirements will address the provision of management services, successful completion of rehabilitation and effective communication with tenants.**

7. Is one (1) conviction or pending case in one category of those listed on pg. 5 of the RFQ enough to disqualify an applicant? If not, how many?

**Yes.**

8. Are there any pilot programs? How are they doing?

**The Neighborhood Builder program is a pilot in the sense that the Neighborhood Partnership Housing (NPHDFC) is providing the technical and financial assistance necessary to help neighborhood-based businesses become homebuilders/developers.**

9. What is the HPD Capital Contribution?

**HPD through City and Federal resources is expected to provide the majority of the permanent financing needs of the buildings.**

10. Are you willing to entertain separate proposal, if not qualified for this program?

**We are encouraging those with interest in the program to submit now for consideration for future rounds. Other programs are being developed by HPD which will provide for disposition of individual buildings.**

11. Which agency will be responsible for reviewing the applications and making final decisions as to the applicants experience?

**the Neighborhood Partnership Housing (NPHDFC) and HPD will review applications, HPD will make final decisions and will designate Entrepreneurs.**

12. Do I need an attorney to prepare or assist in the preparation of my RFQ response? Is so, what type of lawyer should I obtain.

**No. An attorney is not needed to assist with the preparation of an RFQ response. For those applicants selected to be a NE, they will need to hire an attorney for legal assistance during the management and rehabilitation period.**

13. Can you apply for districts outside your own district?

**You may apply, but consideration will be given to those businesses and principals with ties to the cluster area.**

14. Is there a set period of separation from City service or is separation after selection acceptable?

**City employees would require a ruling from the Conflict of Interest Board to determine there eligibility.**

16. Given the selection criteria, what are their relative weights?

**Only those applicants who pass threshold criteria will be evaluated and ranked on the competitive criteria. Residential Management Experience and Capacity and the Other Considerations will be weighted most heavily. Financing Ability and Capacity, Rehabilitation Experience and Ability to Work with Government and Community Organizations will be considered next.**

17. Will it be permissible for the local entrepreneurial group to enter into agreements with local experts or consultants without that consultant becoming a principal in the group?

**The Neighborhood Entrepreneur must assume property management responsibilities. However, the NE will be able to contract with others for necessary services; i.e., a general contractor for the rehabilitation work, an accountant, as well as an attorney for landlord tenant work. Payment for contracts will be the responsibility of the NE and will be negotiated with HPD, the Neighborhood Partnership Housing (NPHDFC), and the private lender as part of the overall project budget.**

18. Will those who do not qualify for this round be able to apply at future rounds?

**Yes. We strongly encourage all interested property managers with substantial experience to apply.**

19. Is the information provided a guarantee that this is how the program will be implemented?

**The information provided in this document is the best current answers to the questions asked about the program. However, The City of New York and the Neighborhood Partnership Housing (NPHDFC) reserve the right to reject, at any time, any or all proposals submitted in response to this RFQ and/or to withdraw this RFQ in whole or in part, to negotiate with one or more applicants, and/or dispose of the sites in terms other than those set forth in the RFQ and this document. The City and the Neighborhood Partnership Housing (NPHDFC) likewise reserve the right, at any time, to waive compliance with, or change any of the terms and conditions of the RFQ, to entertain modifications and additions to the selected proposals, the selected Target Neighborhoods, or to withdraw Target Neighborhoods from this RFQ.**