

8/01/2018

**ADDENDUM #1**

**TO: Prospective Respondents**

**FROM: Jay Bernstein, Deputy Agency Chief Contracting Officer, HPD**

**RE: Basement Conversion Pilot Program East NY (Demonstration Project) – EPIN: 80618D0001**

Pursuant to Sections 3-11 of the Procurement Policy Board (PPB) Rules, the NYC Department of Housing and Preservation and Development is issuing **Addendum #1** to the Basement Conversion Pilot Program East NY (Demonstration Project) – EPIN: 80618D0001 based on questions received at the Pre-Submission Conference conducted at the HPD Offices on Thursday, July 19, 2018.

**Please note, the answers contained herein are provided for information/clarification. The original Request for Expression of Interest can be found on the HPD website, as follows:**

**<http://www1.nyc.gov/site/hpd/vendors/contract-opportunities.page>**

**Please note that the RFEI response is now due August 15<sup>th</sup> at 2pm**

**QUESTIONS AND ANSWERS**

**1). What is the rationale for requiring the respondent be an HDFC?**

The following changes are being made to the RFEI document:

1a). The following is deleted in its entirety:

***“The Prime vendor (“Respondent”) may include other entities (“Subcontractors”), in an application to deliver services to assist homeowners with basement conversions so long as the “Prime” applicant is a qualified (existing or newly formed) HDFC and that all entities are collectively able to meet core requirements and responsibilities needed to effectively and efficiently implement the pilot.”***

***1b). “Respondent must be a qualified HDFC, have or establish a qualified HDFC affiliate to oversee the program at the time of the submission of the response to the Request for Expression of Interest, and demonstrate the capacity to manage the Basement Conversion Pilot Program in East New York.”***

Please replace with the following: **The prime vendor is not required to be an HDFC; however, the prime vendor must arrange for an HDFC to act as a developer**



**(through a development agreement or similar type of agreement to provide assistance to the homeowner in accessing the financial assistance) of each basement conversion project. This is required so that the City can make loans using City capital funds for the program. HPD will not require that the HDFC be formed by the time of the RFEI response on or before August 15th, 2018. However the selected respondent will be required to create an HDFC during the contract negotiation process as instructed by HPD. Further, the selected vendor will work with HPD to either form a new HDFC or amend the Certificate of Incorporation for an existing HDFC that has not been used for other projects to satisfy the requirements of the basements program.**

Please note the respondent may partner with a subcontractor, so long as all entities are collectively able to meet core requirements and responsibilities needed to effectively and efficiently implement the pilot.

**2). Do we have to start a new HDFC if we already have one set up?**

See response to Question 1.

**3). Is it okay if the HDFC is not currently being used for another program? Does that meet the requirement of a single-purpose HDFC?**

See response to Question 1.

**4). How will the 40 homes be selected?**

The City's Public Engagement Unit is currently doing outreach in the community to determine homeowners that may be interested in this program. The respondent will be required to use this information (and potentially do additional outreach) to follow-up with these homeowners and do initial home assessments, based on criteria identified by City agencies, which includes an assessment of the physical condition of the home and cellar or basement space as well as assessment of household information and ownership, to determine eligibility for the program.

**5). What if the homeowner is on a repayment plan for DEP or DOF arrears?**

Homeowners who have delinquent DEP or DOF charges, but are on an active, current repayment plan with the City will qualify for the Basement Conversion Pilot Program financing. The CBO should be prepared to assist homeowners in working with DEP and/or DOF, and referring or accessing other potential financial assistance to address arrears including those administered by the Center for New York City Neighborhoods.

**6). Are the BSA waivers to be handled as one-offs or in bulk?**

HPD expects that BSA waivers will be processed on a home-by-home basis, but encourage the Respondent to provide alternatives, should they believe that bulk processing is manageable and beneficial to homeowners and the Pilot.

**7). When will the term sheet be finalized?**

The Term Sheet is expected to be published on the HPD website in the fall of 2018.

**8). Is there a minimum amount the homeowner must make to qualify for the pilot? Will rent also be tied to AMI?**

HPD will provide information regarding program financial requirements and funding when finalized. Eligibility for the program will be based in part on household income, and it is expected that there will be an upper limit. The Term Sheet will require review of the homeowner capacity to take on a loan, including but not limited to review of income and expenses, Debt to Income, and credit history. The Term Sheet is expected to be published on the HPD website in the fall of 2018.

**9). How is the HDFC paid for its work?**

The winning vendor will have the ability to negotiate fees as part of the contract negotiation.

**10). Will the HDFC still be paid if the homeowner decides not to go forward with the program after getting a better sense of the cost?**

Yes, HPD expects that the HDFC should document all efforts involved through the Basement Pilot and will be paid according to the fee structure agreed upon in the contract, including for services provided to homeowners that apply but do not ultimately receive financial assistance from the City.

**11). How will financing flow through the program? From the City to the Homeowner?**

There will be two streams of funding. The CBO/HDFC will receive funding through the contract for certain types of assistance that the homeowner will benefit from, including relocating existing residents, providing financial homeownership counseling and assisting homeowners submit all necessary paperwork. A portion of the financing will be in the form of a loan from the City to the homeowner to cover the renovation and related expenses, including potentially architectural fees and third party costs necessary to access the renovation funding. We welcome feedback from respondents on the most effective way to administer the loans to the homeowners to ensure a high quality outcome and minimize disputes between the homeowner and third parties, including the contractor.

**12). Does the homeowner pay the contractor?**

We welcome feedback from respondents on the most effective way to administer the loans to the homeowners to ensure a high quality outcome and minimize disputes between the homeowner and third parties, including the contractor.

**13). Is the loan in the name of the HDFC?**

The loan will either be made by the City of New York Department of Housing Preservation and Development, or in the name of the HDFC "on behalf" or "in the service" of the City of New York.

**14). How can we ensure quality if the HDFC does not have a contract with the**

**contractors doing the work (architect, engineer, etc.)?**

The City expects the HDFC to work with the homeowner to enter into appropriate contracts with third parties, including the architect/engineer, contractor, etc. and help the homeowner oversee the work of any third party. The HDFC should also develop criteria, with HPD input, to develop a qualified list of architects/engineers, contractors, and other relevant third parties. We welcome feedback from respondents on the most effective way to administer the loans to the homeowners to ensure a high quality outcome and minimize disputes between the homeowner and third parties, including the contractor.

**15). Has the professional evaluator been selected? Will there be an RFEI to find the evaluator? Will there only be one evaluation entity?**

There will be one evaluation entity. HPD is currently in the process of securing an independent third party evaluator.

**16). Will the City accept information in alternative form, such as flash drives, instead of only CD-ROM format?**

HPD will accept RFEI responses in CD-ROM format as well as on USB thumb drives.

**17). In the program background section, we don't see details about the loan program: subsidies, forgivable loans, enforcement liens, income qualifications of either the homeowner or the eventual tenant of the basement apartment, agreement to below-market rents and terms of lease, etc. Can you tell us why this isn't laid out and how/when you plan to make this clear to applicants?**

This information will be detailed in the Term Sheet, which is expected to be published on the HPD website in fall of 2018. The following will be required as part of the program, but the specific details will be in the Term Sheet:

- 1) There will be a maximum income to be eligible for financing.
- 2) The program will offer forgivable and/or repayable loans, and potentially conditional grant agreements where loan to value ratio is a concern. The primary source of funding for the loans is city capital funds.
- 3) Owners will be required to give a preference to existing residents to return to the basement unit and the CBO/HDFC will be responsible for facilitating relocation. If vacant, the owner may be required to rent at a certain level and the CBO/HDFC may be required to work with the homeowner to help the homeowner lease the unit to an appropriate tenant.

**18). Whereas the RFEI "encourages" applying HDFCs and subcontractors to have a geographic presence in Brooklyn CD5, we hope that you will make this a requirement and make an award only to an HDFC that has an actual presence in the neighborhood.**

Vendors cannot be chosen on the basis of geographic location, and thus it cannot be required that the chosen HDFC and Subcontractor have a geographic presence in East New York.

**19). In the program scope of work section, we don't see mention that there are funds**

**dedicated for basement conversion or that the loans will be forgiven. We think it's important for applicants to know both, and for the City to be public about both. Will you be clear about this in future communication about the program?**

See response to Question 17.

- 20). In the process of selecting third party subcontractors, we hope that the HDFC will be expected to partner with local CBOs contact local home improvement contractors, such as electricians, plumbers, roofers, etc. This program can create an opportunity to benefit local subcontractors and suppliers.**

In response to your comment, please note that the Prime Vendor will be responsible for selecting and vetting contractors in partnership with the homeowner and will have to follow HireNYC guidelines. All contractors and subcontractors will be required to have the necessary insurance, workman's compensation, etc.

- 21). Can you clarify the relationship between PEU, the HDFC and the CBO that will do outreach? You indicate the PEU will direct the local outreach. We hope that the CBO conducting local homeowner outreach can have a more collaborative relationship with PEU.**

In response to your comment, note that the Public Engagement Unit (PEU) is currently leading local outreach. Outreach performed by the CBO/HDFC will be in coordination with ongoing efforts and in coordination with City agencies. The selected vendor will have an opportunity to coordinate with City agencies on future engagement with homeowners.

- 22). We want to make sure that CBOs will be required to provide both financial and housing counseling. We see the need for both.**

The CBO is expected to provide both financial and housing counseling as part of the program, and to refer the homeowner to other publically available resources where appropriate.

- 23). Will the CBO assisting tenants with re-location help them apply for and secure Section 8 vouchers? We think it would be useful to say more about this to applicants.**

The CBO is expected to assist with tenant relocation in any way necessary, including helping the tenant apply for Section 8 vouchers if, and when, available.

- 24). In the proposal narrative section, we hope that you will ask applicants to lay out the program process from a homeowner's perspective--to describe the work flow, the role of homeowner and the role of the CBO's primary point of contact. We want to make sure that the CBO offers enough assistance to homeowners to secure a forgivable loan and conversion, and without an extraordinary burden for the homeowner that makes the process unsuccessful.**

The CBO/HDFC is expected to work closely with the homeowner and HPD to facilitate access to HPD's financing program and ensure basement renovations occur in a timely, quality and efficient manner. This includes ensuring the process is as efficient and

smooth as possible. The CBO/HDFC are expected to effectively help applicants complete applications and submit all required documentation to secure financing and renovation related approvals.

- 25). In terms of reporting data, we think it would be useful for the data collected for evaluation purposes to be shared also with the Task Force.**

An interim report and final evaluation will be shared with the Task Force.

- 26). Lastly, we would like for the Task Force members who are not applying for the contract to have a chance to weigh in before the final award is made. That is, to be able to object to a possible RFP recipient based on prior knowledge of their failure to meet the REFI criteria.**

HPD will determine which vendor is chosen for the Pilot Program in accordance with Procurement Policy Board Rules.

- 27). In the program background section, we don't see details about the loan program: what can you tell us about the subsidy amounts and if it will be pegged to the owners' incomes? Will the subsidies come in the form of forgivable loans/enforcement liens? What are the income guidelines and income qualifications process for either the homeowner or the eventual tenant of the basement apartment? Has the City decided on rent levels or terms? When will these essential design elements be made clear to applicants?**

See response to Question 17.

- 28). Why is the RFEI not requiring that the applying HDFCs and subcontractors have a geographic presence in Brooklyn CD5?? We hope that you will make this a requirement and make an award only to an HDFC that has an actual presence in the neighborhood.**

See response to Question 18.

- 29). In the process of selecting third party subcontractors, we hope that the HDFC will be expected to partner with local CBOs to contact local home improvement contractors, such as electricians, plumbers, roofers, etc. This program can create economic opportunity for local subcontractors and suppliers. Can this requirement be added?**

See response to Question 20.

- 30). In the proposal narrative section, we hope that you will ask applicants to lay out the program process from a homeowner's perspective—to describe the work flow, the role of homeowner and the role of the CBO's primary point of contact. We want to make sure that the CBO offers enough assistance to homeowners to secure a forgivable loan and conversion, and without an extraordinary burden for the homeowner that makes the process unsuccessful. Can this requirement be added?**

See response to Question 24.

- 31). **In terms of reporting data, we think it would be useful for the data collected for evaluation purposes to be shared also with the Task Force. Can this requirement be added?**

See response to Question 25.

**END OF ADDENDUM # 1**