SUBJECT: CREDIT UNDERWRITING SERVICES FOR HUD GUARANTEED SECTION 108 LOANS

BID #: ESC-0265-23 **OPEN DATE:** 1/4/2023

COMPETITIVE SEALED PROPOSAL EVALUATION COMMITTEE

KIND AND BASIS OF CONTRACT: EVALUATED BID – FIVE (5) YEARS FROM DATE OF EXECUTED CONTRACT

AGENCY: HOUSING AND COMMUNITY DEVELOPMENT DIVISION

BASIS OF AWARD: HIGHEST SCORE BASED ON EVALUATION CRITERIA

NUMBER OF BIDS INVITED: (4) **NUMBER RECEIVED:** (1) **OTHER:** (0)

SUMMARY OF BIDS AND RECOMMENDED ACTIONS:
Recommend approval of award to the sole responding firm, Neighborhood Lending Partners, for Credit Underwriting Services for HUD Guaranteed Section 108 Loans. Period of service will be five (5) years from date of executed contract. The Developer will pay the fees to the Credit Underwriting Firm so there will be no cost to the City.

Firm	Evaluation Score	Ranking
Neighborhood Lending Partners	89.50	1

This award will be executed by formal contract through the Office of General Counsel.

ATTACHMENTS: Recommendation Memo, Evaluation Matrix, Sections 1.3, 2.6, and 4

ANALYST: _____ DAVID KLAGES

RESPECTFULLY SUBMITTED: _____ DUSTIN FREEMAN, CHIEF PROCUREMENT DIVISION

CONCURRENCE BY: TOM DAILY, CHIEF, HOUSING AND COMMUNITY DEVELOPMENT DIVISION

(ALL AWARD ACTIONS SUBJECT TO LAWFULLY APPROPRIATED FUNDS)
ACTION OF GGAC COMMITTEE ON RECOMMENDATIONS ABOVE

MEMBERS APPROVING _____ MEMBERS DISAPPROVING _____ DATE: _____

_____ _____ OTHER: _____

_____ _____

_____ _____

_____ _____

_____ _____

ACTION OF AWARDING AUTHORITY DATE _____

APPROVED _____ DISAPPROVED _____

OTHER _____

SIGNATURE OF AUTHENTICATION _____

City of Jacksonville, Florida

Lenny Curry, Mayor

Housing and Community Development Division
Ed Ball Building
214 North Hogan Street, 7th Floor
Jacksonville, FL 32202
(904) 255-8200
www.coj.net

ONE CITY. ONE JACKSONVILLE.

MEMORANDUM

DATE: **January 30, 2023**

TO: **Dustin Freeman, Chief of Procurement**
Finance and Administration Department

THRU: **Chiquita Moore, Director**
Neighborhoods Department

FROM: **Tom Daly, Chief of Housing and Community Development**
Neighborhoods Department

SUBJECT: **CSPEC Agenda Request: ESC-0265-23 Credit Underwriting Services for HUD Guaranteed Section 108 Loans**

The Neighborhoods Department received one (1) proposal for ESC-0265-23 Credit Underwriting Services for U.S. Department of Housing and Urban Development ("HUD") Section 108 Loans and found it to be responsive, interested, qualified, and available to provide the services required by the Request for Proposals ("RFP") ESC-0265-23. The proposal was evaluated using the selection criteria outlined in the purchasing code as augmented by the RFP.

Based on the above, the following agency was determined to be qualified and available to perform the required services:

1. Neighborhood Lending Partners

The Developer entity will pay for all costs associated with the Credit Underwriting Services and will separately negotiate the pricing of these services with the Credit Underwriting Firm. It is expected that the costs of these services will range between $12,500 and $30,000 depending on the amount of financing underwritten and the complexity of the project.

Please advise when this item is placed on the CSPEC agenda so we may be present. After a full committee review, we request this item is sent to the Mayor for final decision.

Please let me know if you have any questions or need further information. I may be reached at 255-8204 or tdaly@coj.net.

Attachments:
- Evaluation Scoring Matrix

Cc: David Klages, Purchasing Analyst, Procurement

EVALUATION SCORING MATRIX

Title: Credit Underwriting Services for HUD Guaranteed Section 108 Loans
RFP No.: ESC-0265-23
Close Date: January 4, 2023
Analyst: David Klages
No.: Invited: (4) **Received:** (1) **Other:** (0)
Announcer: John Hernandez
Recorded By: Melissa Pierce

Suppliers/Reviewers	Competence	Specific Requirements with HUD CDBG and Sec. 108 Loan Guarantee Projects	Financial Responsibility	Professional Accomp-lishments	Current Workload	JSEB	Total	Rank
Neighborhood Lending Partners								
Tom Daly	27.00	35.00	8.00	7.00	7.00	2.00	86.00	
Travis Jeffries	30.00	35.00	10.00	10.00	8.00	0.00	93.00	1
Average	**28.50**	**35.00**	**9.00**	**8.50**	**7.50**	**1.00**	**89.50**	

the scope of work (Section 4 of this RFP) will range between $12,500.00 and $30,000.00 depending on the amount of financing underwritten and the complexity of the project.

Please see Section 4 for a full description of the services and deliverables required under this RFP.

1.3 Term of Agreement.
The term of the agreement will commence upon execution of the Contract and will continue for a period of **five (5) years**. The Contract is subject to early termination as set forth elsewhere in this RFP. Awarded firms may request to be voluntarily removed from the contract at any time.

1.4 Minimum Requirements for Contractors.
Contractors must satisfy the following mandatory minimum requirements in order to have their Responses evaluated. By submitting a Response, Contractor warrants and represents that it satisfies these requirements. Failure to meet these requirements will result in the Response not being evaluated and being rejected as non-responsive:

1. Contractor shall provide current proof of all business licenses required by local, state, and federal law as applicable.
2. Contractor must be a nationally recognized provider of Credit Underwriting services.
3. Contractor must demonstrate experience in working with HUD Community Development Block Grant (CDBG) funded projects and HUD Sec. 108 Loan funded projects.

1.5 Equal Business Opportunity Program.
It is an official policy of the City of Jacksonville to encourage the maximum participation of Jacksonville Small and Emerging Businesses (JSEBs) in its contract awards based upon availability. To participate as a JSEB on Buyer projects, a company must be certified as a JSEB with the City's Equal Business Opportunity Office.

This RFP and the resulting Contract are subject to requirements of the "Encouragement Plan," which is fully described on Attachment C to this RFP.

Contractors may contact Buyer's Equal Business Opportunity Office at (904) 255-8840 or find the JSEB directory on Buyer's website. Please contact the Contact Person identified in Section 1.12 if you are uncertain of Buyer's website address or if you experience problems accessing it.

1.6 Documents Available for Inspection.
N/A.

1.7 Federal Funds.
Federal funds **will not** be used as part of this solicitation.

1.8 Pre-Bid Meeting.
N/A.

1.9 Response Due Date.
The deadline for submitting responses to this RFP is **Wednesday, January 4, 2023 at 2:00 p.m. EST.** Please see Sections 2.3 and 2.4 for more details.

1.10 Response Delivery Location.
Responses must be delivered to the following location:

City of Jacksonville
Procurement Division
214 N. Hogan Street, Room 105
Jacksonville, Florida 32202

2) Three (3) paper ("hard") copies of the entire Response. Copies must be exact duplicates of the original.

3) One (1) digital scanned copy (in .PDF format) of the entire Response on a flash drive. The scanned copy must be **one complete file**, not a series of files, and be an exact duplicate of the original.

4) One (1) REDACTED scanned copy of the Response (**if necessary**, pursuant to Section 2.12). This copy should be marked "Confidential - Trade Secret" or something comparable to alert the reader of Contractor's claim of a public records exemption.

All copies are to be placed in a sealed package. The outside must be marked with (i) the RFP title and number, and (ii) Contractor's name, address, contact person, and telephone number.

It is the sole responsibility of each Contractor to assure all copies are EXACT duplicates of the original Response. Photocopies or CD copies will be used for the purpose of evaluating the Responses. Any information contained in the original Response which has not been transferred to the CDs or photocopies will NOT be considered. The original document will be used solely for official record keeping and auditing purposes.

2.5 Evaluation of Responses.

A. Buyer will determine the qualifications, interest and availability of Contractors by reviewing all Responses and, when deemed necessary in the sole discretion of Buyer, by conducting formal interviews of selected Contractors.

B. Before making an award, Buyer reserves the right to seek clarifications, revisions, and information it deems necessary for the proper evaluation of Responses. Failure to provide any requested clarifications, revisions or information may result in rejection of the Response.

C. Buyer reserves the right to accept or reject any and all Responses, or separable portions thereof, and to waive any minor irregularity, technicality, or omission if Buyer determines that doing so will serve Buyer's best interests. Buyer may reject any Response not submitted in the manner specified by the RFP.

2.6 Award of Contract.

A. The process for contract award is set forth in Jacksonville Ordinance Code Sections 126.204. Generally, Buyer will award the Contract to the responsible and responsive proposer whose Response is determined in writing to be the most advantageous to the City of Jacksonville, based solely on the relative importance assigned to price and of the criteria set forth in Attachment B. The award may be contingent on the outcome of direct negotiations under Section 126.201(d)(4) and 126.201(n), *Ordinance Code*. If an agreement cannot be reached with the highest ranked Contractor, Buyer reserves the right to make an award to the next highest ranked Contractor or subsequent Contractor(s) until an agreement is reached.

B. Buyer may make an award within sixty (60) days after the date the Responses are due, during which period the Responses shall remain firm and shall not be withdrawn. Any Response that expresses a shorter duration may, in Buyer's sole discretion, be accepted or rejected. If award is not made within sixty (60) days, the Response shall remain firm until either the Contract is awarded or Buyer receives from Contractor written notice that the Response is withdrawn. [Note: Withdrawal of a Response may be requested within 72 hours (excluding State holidays, Saturdays and Sundays) after the date and time

Responses are due. Buyer will not accept an amended Response after the date and time Responses are due.]

C. Except as may otherwise be expressly set forth in the RFP, Buyer intends to award contracts to (up to) the three (3) highest-ranking firms, and reserves the right to reject all Responses.

D. Based on the evaluation results, Buyer shall electronically post a notice of intended award at Buyer's website. Please contact the Contact Person if you are uncertain of Buyer's website address or if you experience problems accessing it. Any person who is adversely affected by the decision shall file with Buyer a notice of protest in accordance with the Protest provisions of the RFP. Buyer does not intend to provide tabulations or notices of award by telephone.

2.7 **Terms of Agreement**. After award to the successful Contractor, Buyer and Contractor will promptly enter into a written agreement (the "Contract") incorporating the terms of the RFP, the successful Response, and other terms and conditions as may be agreed to between the parties. To the extent the Response contains exceptions to or modifications of the RFP, such exceptions or modifications are stricken unless Buyer affirmatively accepts the exceptions or modifications in the Contract. The Contract will be substantially in the form set forth in an attachment to the RFP. Buyer will not be obligated to pay Contractor for the RFP services until the Contract is signed by both parties. Buyer retains the right to reject all bids and/or amend its notice of award at any time prior to the full execution of the Contract.

If the successful Contractor fails to perform the Services as agreed, Buyer reserves the right to (i) issue a new solicitation for the Services; (ii) reopen the RFP for the purpose of awarding a second contract to another Contractor in accordance with the criteria and processes set forth herein; and/or (iii) take such other actions permitted by law.

2.8 **Public Meetings and Special Accommodations**. Any meetings of the RFP evaluation committee (i.e., the Competitive Sealed Proposal Evaluation Committee), shall be noticed on Buyer's website and shall comply with Florida's Open Meetings Laws. Please contact the Contact Person if you are uncertain of Buyer's website address or if you experience problems accessing it. Persons requiring a special accommodation because of a disability should contact the Contact Person identified in Section 1 at least forty-eight (48) hours prior to the meeting.

2.9 **Ex-Parte Communications**. Communications regarding the RFP by a potential vendor, service provider, bidder, lobbyist or consultant to City employees, staff, or hired consultants are prohibited. This prohibition includes communications with the Buyer's Office of General Counsel unless the Contact Person has authorized those communications in advance. Violations may result in the rejection/disqualification of a Response.

These prohibitions on ex-parte communications do not apply to the following:

- communications regarding the RFP to the Chief of the Procurement Division or the Contact Person, provided the communication is limited strictly to matters of process or procedure already contained in the RFP.
- communications with the City employee responsible for administering the Jacksonville Small Emerging Business Program, provided the communication is limited strictly to matters of programmatic process or procedures.
- communications at any pre-bid conferences.
- communications with the Office of Inspector General and his/her staff regarding any perceived inefficiency, misconduct or abuse by City employees.

Section 4
Description of Services and Deliverables

4.1 Site and Development Analysis

With respect to the proposed development, the Contractor (Underwriter) shall conduct the tasks outlined in each section below. Contractor must be the single point of contact and take legal responsibility for the services listed in the RFP.

4.1.1 Market Analysis

a. Review the qualifications of professional economic and market consultants who provide the market study. The Grantee reserves the right to reject a market study.

b. Review and verify the market study report to make a recommendation as to whether the market exists to support the development. (The market study may be a separate report from the appraisal.)

c. Confirm that the market study is certified and prepared for the Underwriter as an agent for the Grantee.

4.1.2 Site Analysis

a. Confirm accessibility-ingress, egress, utilities, and infrastructure availability.

b. Confirm Zoning and land use requirements compared to the Development and verify conforming use.

c. Review the Phase I Environmental Report and, if necessary, a Phase II Environmental Report, Asbestos Survey and Lead-Based Paint Report.

d. Confirm local Government approval of preliminary plans and specifications.

e. Obtain and review, including a comparison to the application, a plan and cost review (preconstruction analysis) and, where applicable, a capital needs assessment, for the Development.

f. Review the cost estimates and certifications from the Borrower's contractors, architect, engineer, or other professionals.

4.1.3 Appraisal

a. Review the appraiser's qualifications and technical sufficiency including the verification of current State certification and license number. The Grantee reserves the right to reject an appraiser.

b. Review the appraiser's valuation approach and provide an opinion as to the validity of the technique and value conclusion.

c. Review appraisal to determine whether the value of the land and the improvements to be acquired supports the acquisition cost.

d. Review appraisal to determine whether the value of completed or rehabilitated properties supports the proposed sales price of the homes.

e. Confirm that the appraisal is certified and prepared for the Underwriter as an agent for the Grantee or meets the Grantee's requirements for accepting an appraisal prepared for another lender.

4.1.4 Economic Feasibility

a. Review all project development pro-forma financial feasibility documents such as development budget, rent roll, sources and uses of funds, operating budget, cash flow projection and loan amortization schedule to make sure that the Borrower has the resources to fund the cost of the Development and to cover the debt service requirements.

b. Identify and verify sources of loan repayment should financial objectives not come to fruition.

4.2 Development Team and Credit Analysis

With respect to the Development team, the Contractor (Underwriter) shall:

4.2.1. Conduct financial credit analysis of all borrowers and guarantors who sign note, mortgage, and credit agreements for HUD 108 financing.

4.2.2. Review, verify and document executed certification forms and experience of Borrowers, general contractors, management companies, confirming that the minimum requirements of the Application have been met.

4.2.3. Review Developments constructed and/or currently owned by Borrower to determine that Developments are in good financial standing and, where applicable, in compliance with applicable statutes, rules, and regulations. If it is identified by the Underwriter that the Borrower's principals have other loans with Grantee County, or other lenders, that are out of compliance, in default or non-performing, the loan recommendation shall include a summary of the problems.

4.2.4. Verify and document that the Certificate of Good Standing for the applicant entity through the Secretary of State is current during credit underwriting.

4.2.5. Evaluate Borrower's, Guarantor's, and general contractor's ability to complete a Development, based on their financial capability and stability as well as contingent liabilities for the Borrower and Guarantors.

4.2.6. If applicable, evaluate financial capacity and stability of any syndicators and credit enhancers or bond purchasers. This shall include the review of the commitments from credit enhancers or bond purchasers, and housing tax credit syndicators.

4.2.7. Perform a credit analysis, for principals, guarantors, general contractor, applicant, and general partner (i.e., credit reports, bank references, trade references, written financial statements analysis, tax returns, bank deposit verification, etc.).

4.2.8. Review, verify, and document executed certification forms and experience of general contractors.

4.2.9. Verify and document that architect/engineer has a valid state license and carries Errors and Omissions insurance in an amount equal to the greater of HUD 108 loan guidelines.

4.2.10. Review the management agreement between the Management Company and the Borrower and obtain an executed agreement prior to or at loan closing.

4.2.11. Verify and document the adequacy of the general contractor and owner's insurance policies as to dollar amount and types of coverage, and ensure that the Grantee is named as loss payee, mortgagee, and additional insured, as applicable.

4.3 Loan Settlement

The Contractor (Underwriter) shall:

4.3.1. Prepare the Commitment Letter with all terms and conditions for proceeding to settlement for HUD 108 financing. The Commitment Letter shall include:

a. Loan approval terms and conditions

b. Loan covenants

c. Checklist of tasks to be completed and/or documents required proceed to settlement

4.3.2. Prepare all documentation required for settlement such as but not limited to Note, Mortgage, Credit Security Agreement, Guarantee and related HUD compliance documentation.

4.3.3. Coordinate preparations for settlement with the Grantee and legal counsel and attend settlement.

4.3.4. Retain all documents from settlement, organize in loan file, and proceed with setting up loan for disbursement per terms and conditions of loan and HUD Section 108 program rules.

4.4. Permanent Loan Servicing

The Contractor (Underwriter) shall provide the following services for all recipients of Permanent Loans, as applicable, pursuant to the loan documents:

4.4.1 Establish separate loan servicing files for each Development, which shall contain copies of all closing documents pertaining to the Development.

4.4.2 Furnish billing statements to the Borrower with amount of payments due to Grantee.

4.4.3 Collect loan payments and allocate funds to the appropriate servicing accounts and make all appropriate remittances to the Grantee within 20 Days of collection. For remittances not received by Grantee within 20 Days of the date received by the Underwriter, the Underwriter may be subject to a late charge of 5% of the remittance amount, at the sole discretion of the Grantee.

4.4.4 Maintain all accounts held on behalf of the Borrower or the Grantee in FDIC insured custodial or trust accounts for The Grantee and, where applicable, the mortgagors. If at any time the amounts in the accounts exceed the maximum limits of the insurance provided by FDIC, the Underwriter shall transmit an amount due to The Grantee to reduce the account under the maximum limits of the insurance.

4.4.5 Service delinquent accounts of Borrowers, including, but not limited to, sending notices as required by the loan documents and implementing all appropriate collection procedures. Collection procedures should include, for accounts over 30 days past due, a phone call with the Borrower. The Underwriter may retain late fees collected, after Grantee's interest, principal, and other applicable fees, if any, have been paid. However, late fees retained by the Underwriter shall not include late filing fees assessed to and collected from Borrowers for failure to submit audited financial statements by the required deadline. These late fees shall be remitted to The Grantee.

4.4.6 Establish escrow accounts replacement reserves, or any other accounts specified in the closing documents, if not held by the first mortgagee. Review all escrow accounts annually for adjustments. Accounts shall be set up as follows:

- Individual accounts for replacement reserve escrow.
- Two signatories for all withdrawals/payments.
- Monthly reconciliation performed by someone other than the individual who prepares deposits or withdrawals; and
- Determination of adequacy after each disbursement.

4.4.7 If escrow accounts for replacement reserves are held by the first mortgagee, where applicable, these accounts shall be verified monthly with the holder of the account to ensure that scheduled payments have been received.

4.4.8 On an annual basis, provide a reconciliation of the escrow accounts relating to replacement reserves, real estate taxes, and property insurance, to include, at a minimum, the beginning balance, debits, credits and ending balance.

4.4.9 Upon request by Grantee, perform analysis of disbursements from any escrow account.

4.4.10 Annually prepare IRS Form 1098 for each real estate borrower by January 31st of each year, itemizing the total interest paid for the previous year.

4.4.11 The Underwriter shall ensure that at all times during the existence of the loan all buildings and improvements making up the Development are insured as required by the loan documents for the benefit of The Grantee against loss or damage by fire and from such other insurable risks and hazards all as more specifically set forth in the mortgage and other loan documents. In the event the Borrower fails to maintain such insurance in full force and effect, and upon the written authorization of The Grantee, such insurance shall be maintained by the Underwriter, subject to payment by the Grantee, which shall advance necessary loan funds to the Underwriter, upon request from the Underwriter. The Underwriter shall retain and safely store, service and continually maintain all such policies and documents related thereto as required herein.

4.4.12 Any amendment to, or renewal of, property insurance policies, to include but not limited to general liability, flood (if applicable), and replacement cost hazard insurance, with special attention to exclusions of coverage, including mold, sinkholes, and windstorms. All exclusions, or in the case of an amendment to or renewal of an existing policy, any changes from the original policy shall be immediately reported, in writing, to the Grantee Loan Servicing staff to include an assessment of the effect that such change or inclusions have on the overall transaction.

4.4.13 Provide loan servicing reports in writing to the Grantee pursuant to the schedule of report dates provided by the Grantee at the beginning of each year and as amended from time to time which identify all delinquent accounts, and/or default issues. The Grantee's approved format, which may be amended from time to time, for the loan servicing reports is provided as Exhibit B.

4.4.14 Provide loan servicing reports in writing to the Grantee pursuant to the schedule of report dates provided by the Grantee at the beginning of each year, and as amended from time to time, which identify all delinquent insurance issues. New non-compliance issues will be reported with the past dues for three consecutive months and then moved to the annual report. All issues that deal with a total lapse in coverage should be reported monthly until

coverage is secured. The Grantee's approved format, which may be amended from time to time, for the loan servicing reports is provided as Exhibit C.

4.4.15 Provide quarterly (March, June, September, December) Trial Balances to the Grantee on the last day of the month following the end of the quarter (4/30, 7/31, 10/31 and 1/31) for each Section 108 loan, identifying the current loan balances and accrued and unpaid interest of all Section 108 loans in the Underwriter's portfolio being serviced on behalf of the Grantee.

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