



ADDENDUM NUMBER TWO

December 12, 2016

RFP #16-911-44; PRE-QUALIFY RESIDENTIAL CONTRACTORS TO CONSTRUCT SINGLE FAMILY HOMES ON VACANT LOTS AT THE ESTATES HOUSING COMMUNITY.

THIS ADDENDUM IS BEING ISSUED TO INCORPORATE THE FOLLOWING IN THE REFERENCED REQUEST FOR PROPOSALS

ITEM #1 QUESTIONS ASKED DURING THE PRE-PROPOSAL CONFERENCE

Q1: Who's giving the money, and how are the contractors going to get it?

A1: It is HANO's intent to provide homeownership opportunities to HANO residents by partnering with private banks to qualify the resident. The bank will pay the contractors for the construction costs.

Q2: Will contractors get draws, or are they paid upon completion?

A2: The bank will determine the method of payment to the contractor.

Q3: Are the potential homeowners current Section 8 tenants?

A3: Potential homeowners may be HANO Section 8 and/or Public Housing residents.

Q4: If vouchers are used to pay, what will be the qualification process?

A4: Residents will seek to qualify through the HANO Homeownership Program.

Refer to the Homeownership Program Brochure at:

www.hano.org/housing/HANO%20Homeownership%20Brochure%209-13_PROOF.pdf.

Q5: Will vouchers be used to pay for the house?

A5: HCVP participants may use their vouchers in addition to personal funds to cover cost of the mortgage.

Q6: Is this basically like working with CHDO (Community Housing Development Organization) where a Contractor is building a house for a low income buyer, where the bank finances 70% and 30% of the loan is forgiven; or is it going to be a 100% loan?

A6: It is anticipated that the entire cost of the house will be funded by the bank. HANO will not provide funds for construction.



- Q7:** It would be a 100% loan, so all money would come directly from the bank and no money would come from LHC (Louisiana Housing Corporation) or anyone like that?
- A7: Yes. Refer to A6 of this addendum.
- Q8:** Is anything known about the lot sizes? Lot sizes determines the model type and size of homes that can be built on the lots.
- A8: Approximate dimensions and municipal addresses are available on the Orleans Parish Assessor's GIS website. Enter 3140 Desire as a starting point. The majority of lots are located on Desire Parkway between Abundance Street and Higgins Boulevard.
- Q9:** Are there municipal addresses?
- A9: Refer to A8 of this addendum.
- Q10:** In what condition will the lots be by the time the contractors get to it? The question is from the standpoint of permitting with the City of New Orleans, surveys, elevations, etc. that builders are responsible for. Is any of this leg work going to be done? If contractors get to stage 2 level, consideration of dollars and cents, these costs will go into the cost of the development of the properties.
- A10: At this time, no surveys, elevations, etc. have been completed at the lots.
- Q11:** Is everything cleared right now?
- A11: All of the lots are vacant.
- Q12:** Are the laterals already in?
- A12: All utilities are available at the site with stub ups at each lot.
- Q13:** Is the electricity underground?
- A13: There is underground electricity along Desire Parkway.
- Q14:** What is your anticipated construction cost?
- A14: Currently, HANO anticipates construction costs at \$100.00 per sq. ft. However, construction costs will differ based on the loan amount awarded to the resident, and the type of home to be built.



- Q15:** Depending on the income of the buyer, the appraised value, the banks and those sorts of things, if the appraised value is less than the construction cost, how is that going to be solved?
- A15: The construction loan is between the homeowner and the bank.
- Q16:** Will HANO provide a construction contract, or will that be up to the developer and the homeowner?
- A16: Refer to A15 of this addendum.
- Q17:** Will the purchase of the land be included in the construction cost as part of the construction cost?
- A17: It is anticipated that the land will be made available to the homeowner at little to no cost.
- Q18:** At what point will the land be deeded to the owner?
- A18: It is anticipated that HANO will ground lease the land to the homeowner.
- Q19:** Who has site control during construction?
- A19: Upon execution of the construction contract, the homeowner will be in control of the site.
- Q20:** How many contractors is HANO attempting to approve?
- A20: HANO is seeking to qualify one or more contractors to be included on a list. The homeowner will select a contractor from the list to build their home. HANO does not guarantee a minimum assignment of work.
- Q21:** Will the homeowner choose which contractor to use?
- A21: HANO will provide a list of qualified contractors and their marketing materials to the homeowner.
- Q22:** Are there restrictions regarding the style of the hundred houses?
- A22: The contractor shall provide architectural plans that match the style of homes that exist in the neighborhood. All plans must be approved by HANO.
- Q23:** Will the homeowner have options from which to choose the house they like?
- A23: Refer to A22 of this addendum.



- Q24:** Will the homeowner refer to the list of contractors, talk to a few of them then pick one contractor to construct the house they select?
- A24: Refer to A21 of this addendum.
- Q25:** Who will determine if the proposed price of the house is within budget or market value? Who, besides the homeowner, will be the overseeing person?
- A25: Refer to A15 of this addendum.
- Q26:** Has HANO started the pre-qualification process for some of the anticipated homeowners?
- A26: HANO has a homeownership program with approximately 200 active applicants. HANO cannot specifically steer prospects to a specific neighborhood however, we are actively seeking clients that have expressed an interest in the Desire neighborhood.
- Q27:** If pre-qualifications have started, will the qualifications be based upon the loan amount the homeowner qualifies for and the model of the house, as opposed to just throwing the homeowner out there?
- A27: Refer to A15 of this addendum.
- Q28:** Will HANO provide the selected contractors with a list of the homebuyers so that the contractors can market to them? How will the contractors make contact with the homebuyers to market to them?
- A28: Refer to A21 of this addendum.
- Q29:** Will HANO have three, four, five different models that the contractors are all going to be bidding on?
- A29: Refer to A22 of this addendum.
- Q30:** Will all contractors be bidding on the same drawings?
- A30: Refer to A22 of this addendum.
- Q31:** Are there any other states where this particular HUD program has been administered and carried out successfully?
- A31: HANO is not aware of any HUD program that has been structured and administered in this manner.



- Q32: Is it the goal of the contractors to ensure that they have the financial wherewithal and experience to construct these homes?**
- A32: It is HANO's goal to qualify contractors based on the information provided in their submission documents. Refer to Part IV- Procurement Process, 4.2 Evaluation Criteria of the RFP.
- Q33: How does the housing voucher work in relation to bank financing and the mortgage amount?**
- A33: Similar to non-assisted HANO buyers, HCVP participants must qualify for a first loan based on credit worthiness and other factors required by lenders. Loan and mortgage amounts are determined by those factors.
- Q34: Does the Section 8 homeownership voucher go towards the potential homeowner's ability to qualify for more money?**
- A34: Yes. The Section 8 Housing Assistance Payment (HAP) is considered additional income to better enable a family to qualify for a home mortgage loan.
- Q35: What is the voucher amount?**
- A35: Varies. Based on the tenants approved HAP amount.
- Q36: If the homebuyer qualifies for a Section 8 voucher of \$800.00, does the homebuyer pay 30% of that \$800.00?**
- A36: No. Similar to if the tenant was paying rent, the full voucher amount of \$800 is the amount used towards their mortgage payment.
- Q37: How long will HANO pay their portion of the monthly mortgage towards homeownership?**
- A37: As long as the resident qualifies for the Homeownership Program.
- Q38: Are the loans amortized over 30 years?**
- A38: Refer to A15 of this addendum.
- Q39: What retainage would there be? Is the retainage the final payment made once the certificate of occupancy is granted versus at closing?**
- A39: It depends on the requirements of the bank.
- Q40: Are the clients restricted to this hundred house area?**
- A40: This RFP is to qualify residents to build homes at The Estates only.



Q41: Do we anticipate realtors being involved?

A41: No. HANO will provide the land and the homeowner.

Q42: Are there qualified lenders that HANO is currently working with?

A42: Yes.

Q43: For the Estates, will HANO negotiate the setup between the HANO applicant and the lender, and will HANO put the applicant in touch with a certain lender that is familiar with the program?

A43: Program applicants are given a list of approved lenders to choose from.

Q44: Will the contractors know the lenders they will be dealing with who are familiar with the program?

A44: Refer to A45 of this addendum.

Q45: What three lenders are currently being used?

A45: Hope Credit Union, FNBC, Iberia and Capital One.

Q46: Can contractors contact the lenders' construction departments to obtain the lenders' payout sheets indicating how the contractor will be paid, and provide it in the RFP?

A46: Yes.

Q47: On the financial side, is HANO looking for the entity to be bonded, to have some type of performance bond? What is required to demonstrate the contractor's financial capacity?

A47: For the purpose of this RFP, the contractor must demonstrate their capacity to bond by submitting a letter from a Surety Company listed on the Department of Treasury's Listing of Certified Companies. Refer to Part III – Submission Requirements, 3.1.3. Financial Information of the RFP.

Q48: Is there a bond threshold?

A48: Refer to A47 of this addendum.



Q49: Regarding sweat equity, is HANO requiring the homeowner to be insured since they will be on the job? What scope has HANO prepared?

A49: If sweat equity is involved HANO can require the owner to be insured.

Sweat Equity scopes will be determined on a case-by-case basis with consideration given but not limited to funding source(s), design and construction plans, and other related elements as necessary.

Q50: There is a difference between bondable and bonding a job. Is HANO going to require that the construction of the job be bonded, or does the contractor just need to be bondable?

A50: Refer to A47 of this addendum.

Q51: Since there are no architectural drawings, will contractors be paid through the bank or will approval for payment be through the engineering architect firm? Will the bank send out an inspector, or are the contractors still going to be working with the architect, which would require a different payment process?

A51: Refer to A15 of this addendum.

Q52: In an ideal scenario, would HANO be just a mediator, and transactions and all work would be between the banks and the contractors?

A52: Refer to A1 of this addendum.

Q53: As an example, if an approved person on closing day no longer qualified, will HANO be responsible for paying the construction loan?

A53: Refer to A15 of this addendum.

Q54: Can contractors get proof of funds from HANO?

A54: Refer to A6 of this addendum.

Proposals must be received by the Housing Authority of New Orleans (HANO) in the Department of Procurement and Contracts no later than 2:00 p.m. local time on Thursday, December 22, 2016. All terms and conditions shall remain as stated in the original Request for Proposals. All addenda must be acknowledged.

END OF ADDENDUM NUMBER TWO