

**CITY OF SAN BERNARDINO**  
**ECONOMIC DEVELOPMENT AGENCY**

FROM: Emil A. Marzullo  
Interim Executive Director

SUBJECT: **Recommended Intermediary Services  
Providers in support of the Neighborhood  
Stabilization Program ("NSP") Request for  
Proposal ("RFP")**

DATE: June 24, 2009

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**Synopsis of Previous Commission/Council/Committee Action(s):**

On April 23, 2009, the Redevelopment Committee Members Johnson, Baxter and Brinker unanimously voted to recommend the Community Development Commission consider this action for approval.

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**Recommended Motion(s):**

**(Community Development Commission)**

Resolution of the Community Development Commission of the City of San Bernardino approving and authorizing the Interim Executive Director of the Redevelopment Agency of the City of San Bernardino ("Agency") to enter into a Master Agreement with each of the selected Intermediaries identified through the Neighborhood Stabilization Program ("NSP") Intermediary Services RFP procurement process for the purpose of rehabilitating and selling Agency identified and approved foreclosed and/or abandoned single-family residences within the City of San Bernardino

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Contact Person(s): Carey K. Jenkins Phone: (909) 663-1044  
Project Area(s): N/A Ward(s): All  
Supporting Data Attached:  Staff Report  Resolution(s)  Agreement(s)/Contract(s)  Map(s)  Letter(s)  
Funding Requirements: Amount: \$ 8,408,588 Source: Federal Neighborhood Stabilization Program  
Budget Authority: Fiscal Year 2008-2009 Budget

Signature: Emil A. Marzullo, Interim Executive Director Fiscal Review: Russ DeJesus,  
Interim Administrative Services Director

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**Commission/Council Notes:**

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# ECONOMIC DEVELOPMENT AGENCY

## STAFF REPORT

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### RECOMMENDED INTERMEDIARY SERVICES PROVIDERS IN SUPPORT OF THE NEIGHBORHOOD STABILIZATION PROGRAM (“NSP”) REQUEST FOR PROPOSAL (“RFP”)

#### **BACKGROUND:**

On November 17, 2008, the Mayor and Common Council of the City of San Bernardino (“Council”) approved the City of San Bernardino Economic Development Agency’s (“Agency”) response to the Neighborhood Stabilization Program (“NSP”). The Agency’s plan for deploying the NSP funds was detailed in the Agency’s “Substantial Amendment to the Fiscal Year 2008–2009 Annual Action Plan”. As described in this amendment, the Agency plans to allocate its NSP award of approximately \$8.4 million among four different housing sub-components. These four sub-components are: (1) Down Payment Assistance (\$920,000); (2) Housing Opportunities for Households at or below 50% Area Median Income (“AMI”) (\$2.1 million); (3) Acquisition, Demolition and Redevelopment (\$920,000); and (4) Acquisition, Rehabilitation and Resale of single-family residences, better known as the Intermediary Services Program (“Program”) (\$3.7 million). The remainder of the funds shall be used to pay for NSP administrative costs.

Of the four sub-components mentioned above, the Program most directly addresses the foreclosure crisis currently affecting the single-family home market in the City of San Bernardino (“City”). For the period beginning January 1, 2008 and ending March 31, 2009, the City had 3,799 foreclosures of residential dwellings.<sup>1</sup> (Please see the attached map of the City that identifies the location of these properties identified as Attachment “1”). Under this Program, foreclosed upon homes will be acquired at a discount, either by the Agency or Agency approved Intermediaries, and then the homes will be rehabilitated and resold to homebuyers whose household income is at or below 120% AMI.

Since the foreclosure problem is evident throughout the City, the Agency originally planned to make the Program available on a city-wide basis using NSP funds. However, the United States Department of Housing and Urban Development (“HUD”) determined the Agency needed to focus its NSP funds in those areas of the City that had been most negatively impacted by the foreclosure crisis.

As a result, the Agency utilized and relied upon the methodology and data prepared by HUD, to conduct its needs analysis of specific geographic areas of the City. The three metrics provided by HUD used to make this determination included: (1) the incidence of sub-prime mortgages, (2) the foreclosure and abandonment risk level and (3) the projected foreclosure rate for the next 18 months. The Agency studied these three factors for all census tract blocks within the City. Those census tract blocks registering the highest reading for each of the above three metrics were determined to be the areas within the City with the greatest need.

Further, the Agency determined that certain census tract blocks, primarily within Wards 1, 2, and 6 were most severely impacted by the foreclosure crisis. These census tract blocks were combined to form the NSP Target Zone, which was ultimately accepted by HUD (please see Attachment “2”).

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<sup>1</sup> Source: RealtyTrac

**CURRENT ISSUE:**

As a policy goal of implementing the Program on a city-wide basis, the Agency recommends using NSP funding to acquire and rehabilitate properties within the NSP Target Zone, and utilizing tax increment housing set-aside funds to subsidize the rehabilitation of those homes located outside of the NSP Target Zone. Please see the attached map for a depiction of the City areas falling outside the NSP Target Zone (Attachment "3"). Funding for the Intermediary Services Program needs to be bifurcated in this fashion because, according to HUD regulations, NSP funds can only be spent within the NSP Target Zone.

However, this is not an impediment to making the Program available on a city-wide basis since the Agency can use other funding sources, such as the tax increment housing set-aside funds, to promote the rehabilitation of foreclosed homes outside of the NSP Target Zone. The end result will be that the foreclosure problem will be addressed by the Agency on a city-wide basis, but it will use different funding sources for homes within the NSP Target Zone than those falling outside of the Target Zone.

The Agency has completed its procurement process, and as a result, has identified five firms to partner with to rehabilitate and resell foreclosed upon residential properties and maintain the program requirements and policy objectives of the Program. Major milestones in the Agency's procurement process were as follows:

- The issuance of the NSP Intermediary Services Request for Proposal ("RFP") on February 20, 2009. RFP mailed electronically and through U.S. Mail to a long list of firms previously known to the Agency. Also, the RFP was posted on the Agency's website.
- Advertisement of the RFP in the San Bernardino County Sun newspaper on March 3, 2009.
- Proposers Conference held at the Agency's offices on March 4, 2009.
- Proposals submitted to the Agency on March 20, 2009; there were 11 responses, seven of which were deemed responsive.
- Proposals were further evaluated by the review panel starting March 23, 2009.
- Interviews of the seven remaining firms, were carried out on April 14, 2009; five firms were recommended for inclusion in the Agency's pool of qualified Intermediaries as a result of this procurement process.

The review panel consisted of the following Agency Staff, as well as external housing professionals:

1. Director of Housing and Community Development, EDA, San Bernardino, CA.
2. Project Manager, EDA, San Bernardino, CA.
3. Director of Acquisitions, National Core Developers, Rancho Cucamonga, CA.
4. Vice President, Construction, Vanir Construction Management, Inc., San Bernardino, CA.
5. Financial Development Officer, Major Projects, Los Angeles Housing Department, Los Angeles, CA.

Upon reviewing the applications, the review panel determined the respondents could be grouped into two primary categories: (1) Smaller, local developers with a focus on San Bernardino and neighboring Inland Empire communities, and (2) Integrated, non-profit housing organizations with significant resources seeking to enter the Inland Empire market. Because these two types of entities are vastly different in terms of resources and focus, the review panel decided to separate the two types of firms. The smaller/local developers were compared to each other and the integrated/non-profits were compared to their peers, as well.

The final five firms were recommended based on a scoring system which took into account industry experience, organizational capacity, pricing competitiveness and the completeness of the application. The firms that scored the lowest within each of the two categories named above were withdrawn from the final pool. This left the following five remaining firms:

Smaller/Local Developers

- ANR Industries, Inc., Santa Fe Springs, CA
- G.F.R. Enterprises, Inc., Upland, CA
- The Nunez Team/TELACU, Ontario, CA

Integrated Non-Profits

- Mercy Housing California, Los Angeles, CA
- Stratus Development/Jamboree Housing, Irvine, CA

Firms Removed From Further Consideration

- Omni Community Development, LLC, San Bernardino, CA
- Warmington Residential/Bridge Housing, San Ramon, CA

As part of the program implementation, the Agency has embedded many internal controls designed to protect against profiteering by developers, contractors and other real estate entities; and to ensure the quality of the homes, the continued affordability of the homes, and that all homebuyers are qualified and educated on the homeownership process prior to their purchase. Please see Attachment "4" for a listing of these controls.

**ENVIRONMENTAL IMPACT:**

None.

**FISCAL IMPACT:**

There will be no fiscal impact to the City's General Fund. The services provided under the Intermediary Services Program and the associated administration costs will be funded either with NSP funds derived from HUD or funds from the Agency's Tax Increment Housing Set-Aside. As it relates to the Agency's Tax Increment Housing Set-Aside Funds, funds have already been allocated to assist with NSP activities in the form of the Agency's citywide Housing Assistance Program. Additional funds will be allocated for this activity in the Agency's 2009-2010 Fiscal Year Budget.

**RECOMMENDATION:**

That the Community Development Commission adopt the attached Resolution.

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**Emil A. Marzullo, Interim Executive Director**