

# Southeast Colorado Workforce Housing Request for Proposals



## Background

The Southeast Colorado Workforce Housing project aims to build approximately 60-70 new single-family and duplex housing units across the six-county region of southeastern Colorado. By working collaboratively in a private-public partnership with all six counties and the nine municipalities where these new units will be constructed with the selected developer, this project will leverage strong local support and funding to establish a robust housing economy where there is strong demand. Southeast Colorado Enterprise Development, Inc. (SECED) and Southern Colorado Economic Development District (SCEDD) will be the two organizations that will work directly with the developer as the interface with the selected developer. These entities and the local governments have formed the Housing Oversight Committee (HOC) to oversee this development process. SECED will provide fiscal oversight, hold surety, and execute contracts and developer selection. SCEDD will serve as the local government planning and development liaison to assist the developer with permitting, utility connections, presales, surveying, and other essential tasks to ensure the project remains on schedule and on budget.

There are multiple economic incentives that are being provided to the selected developer to ensure that mainly vertical construction costs are the only costs being passed onto the workforce buyers. These incentives are targeted, most importantly, to keep new housing units priced at attainable levels. This is not a low-income housing project. It is targeted, for either home ownership or for businesses to purchase homes to rent to their workforce.

We intend to reduce the cost of housing being built by providing the incentives itemized below. These incentives include fewer bureaucratic issues, direct subsidy of horizontal costs from American Rescue Plan Act (ARPA) funds, no land cost, no water and sewer tap fees, a presale requirement, a design incentive for developer finalists, a market demand study to aid the developer in getting construction loan funding, subsidy of entitlements, and lower transaction costs. This is a private sector incentive project intended to allow the selected developer to focus on building---and to benefit from the resulting efficiencies.

This project reduces market risk to the developer. This is not a spec home development, as all units will be presold and under contract prior to groundbreaking in the spring of 2022. If you are selected as the developer, it is our expectation that you will proceed with

construction if a minimum of 35 units are contract with qualified buyers or with large employers in the region.

This Request for Qualifications (“RFQ”) is the result of all six counties and the local municipalities in southeast Colorado, including La Junta, Las Animas, Lamar, Springfield, Eads, Walsh, Wiley, Granada, and Olney Springs, that will be providing major development incentives to attract a regional developer and to buy down costs to ensure workforce affordability. Each of these communities have lots that will be ready for vertical construction by the spring of 2022.

### **Goals**

Housing is essential to economic recovery efforts in the region. The selected developer will be part of a truly unique private-public project that will serve as a model for rural areas in Colorado into the future. The following goals have been established for this project:

- To ensure our community’s workforce is successful in attaining long-term, safe and energy efficient housing
- To provide housing opportunities both home ownership and rental opportunities to our community’s workforce
- To work with our local Municipal and County leadership on creating compatible housing within their jurisdictions
- To establish capacity for future projects to be replicated at a local level
- To revive lending market and financing options for housing projects

This RFQ is seeking a qualified development team to further these goals, by building on development ready sites throughout the region. We are seeking financially strong developers, with a solid record of successful performance in residential projects with similar challenges and constraints. The developer will be responsible for assembling a design/build team, working with a local community development liaison, and securing financing and constructing an anticipated 50 to 70 for-sale homes. Overwhelming demand by buyers for new housing stock and additional communities’ requests have made a Phase 2 an additional option if presales meet the important thresholds to make this project profitable for the selected developer. All homes will be sold by the developer to qualified buyers or local businesses that may then rent them back to employees prior to groundbreaking to reduce risks to the developer.

## The Incentives

### Regional Collaboration

The properties are in small towns and cities in the rural SE part of the state which would make small development projects not economically feasible for workforce housing pricing. The regional collaboration of these 15 local governments has allowed this project to be large enough for a developer to realize important economies of scale. MOUs have been executed across the region designating SECED as the responsible fiduciary party to negotiate the contract with the developer on behalf all 15 local governments. The participation of SECED and SCEDD will allow for a single point of contact and ensure all entitlements are in place at groundbreaking. This will allow the selected developer to focus their time on the construction of these units and not be tied down by the regulatory red tape often associated with workforce housing projects. Further, this project is entirely locally funded by the 15 local governments and there are no additional requirements beyond what is stipulated in this RFQ. These requirements and incentives will be carried into a formal contract negotiation.

### American Rescue Plan Act Eligible Project

The funds that are being provided by the local governments to help make this project a reality are eligible expenditures from the American Rescue Plan Act (ARPA). *“Building Stronger Communities through Investments in Housing and Neighborhoods”* is essential to allowing the participating communities to rebuild from the COVID-19 pandemic. While there are many projects that each of the participating local governments may deem a priority for use of ARPA funds, workforce housing continues to be on the top of the list for many of these communities. The commitment by the local governments resonates with their financial commitments and assistance to ensure entitlements are in place ahead of groundbreaking for this project. The use of ARPA funds to help incentivize the selected developer has created a truly unique opportunity to ensure final home prices are attainable to workers in SE Colorado.

### Land

The land for this project has been donated or purchased by SECED. Land costs will therefore not be passed onto potential buyers. Further, the lots will be transferred to the selected developer at the time of closing of the anticipated construction loan and will be allowed to be collateralized as part of the construction loan process. The developer will be required to post a \$250,000 executable letter of credit to be held by SECED to protect the land cost interests in the event of developer default. Partial releases of the surety will be provided throughout the project as the selected developer preforms.

## Utilities

The local governments are paying for all water and sewer municipal tap fees. Several communities that control their local electric including La Junta, Lamar, and Springfield will also cover the costs of electric hookups. The remaining electric and gas hookups will be the burden of the developer, including meters. Due to high electric costs, we will require gas heat, hot water, and ranges in all homes. The developer will be responsible for making the appropriate physical connections to all utility mains adjacent to the lots at each site. However, no main extensions will be borne by the developer.

## Presales

As stated in the introduction, this is not a spec home development project. The cited unit counts for each community are predicted absorption numbers based on meetings with real estate professionals, local businesses, and potential prospective buyers. Once designs and pricing are secured from the developers at the selection phase, presales will begin. SCEDD will assist the developer in bringing buyers to the table and getting under contract. Businesses will also be considered eligible to purchase and use units as rentals for their employees. SCEDD will provide pre-loan consultation and help direct buyers to the best available loan programs to ensure buyers are qualified prior to entering under contract with the selected developer. Local businesses and other large employers have already expressed willing commitments for over 20% of the units if pricing and quality meet expectations. It is anticipated more will come to the table as the project gains momentum.

## Design Incentive

The RFQ process is intended to create a competitive process for regional developers. To ensure designs are unique, correctly priced, and targeted for locations throughout the region, an initial \$5,000 design stipend will be awarded to up to three selected developers based on the initial letter of interest submittal described below. An additional \$10,000 design stipend will be issued once construction plan sets are ready for permit. A design charrette was held to help inform this RFQ on July 22, 2021. A recording, the power point, and community input summary is available on the SECED website. The 2-3 developer finalists will be granted design stipends for floor plans and elevations for at least 4 different designs regardless of being the final selection. These final RFQ submittals must include pricing to ensure the selected developer will deliver final housing at price points that are affordable for our community workforce. Single-family and duplexes designs will be considered. Additional exterior design deviations should be provided to show how this build will not be a cookie-cutter development across the regions.

## Market Demand Study

A contract with Prior and Associates has been executed to complete a market demand study prior to the final section of a developer. This study has been paid for by SECED and SCEDD to ensure demand and financial lending will be available for this project by the potential market. This study will be made public and available to all respondents of this RFQ by the end of September.

## Entitlements

Surveying and entitlement planning costs will NOT be borne by developer. (See SECED Project Roles below.)

## Lower transaction costs

SCEDD and SECED are working together to ensure a smooth pre-sale and financing process for the buyer. This includes not only assistance to buyers in access to home loans but working to secure community investment funds for the construction loan, if possible. In a traditional sales process, commissions due to intermediaries could be as high as six percent or more. At closing, the developer will pay 3% to SECED as compensation for these services (See Developer roles below.)

## **Project Roles and Expectations**

### The Developer

This RFQ is seeking a development team that will work collaboratively with the SECED, SCEDD, and the 15 local governments to bring to fruition high-quality, attainable housing for year-round workers throughout the region. The development team will be responsible for design, finance, working with SCEDD to pull permits and contracts with local gas and electric utilities, and finally construction. The developer will be required to provide surety of \$250,000 in the form of an executable letter of credit, as well as any guarantees required to secure construction financing. The developer will also be required to execute contracts with buyers once qualified applicants are vetted and are ready for financing. SCEDD will assist with contracts, lotteries (if necessary), securing escrow from buyers, title work, and arranging closings on behalf of the developer. The developer will be responsible for paying a 3% closing fee and the buyer will be responsible for a 1.5 % fee for this service paid to SECED at closing. Neither buyer nor seller will assume title work costs. Buyers who elect to be represented by a real estate professional will be responsible for their fees. Prospective developers should note this 3% fee is significantly less than the usual and

customary real estate sales fee of 6% and is an example of the project's commitment to incentivizing housing development.

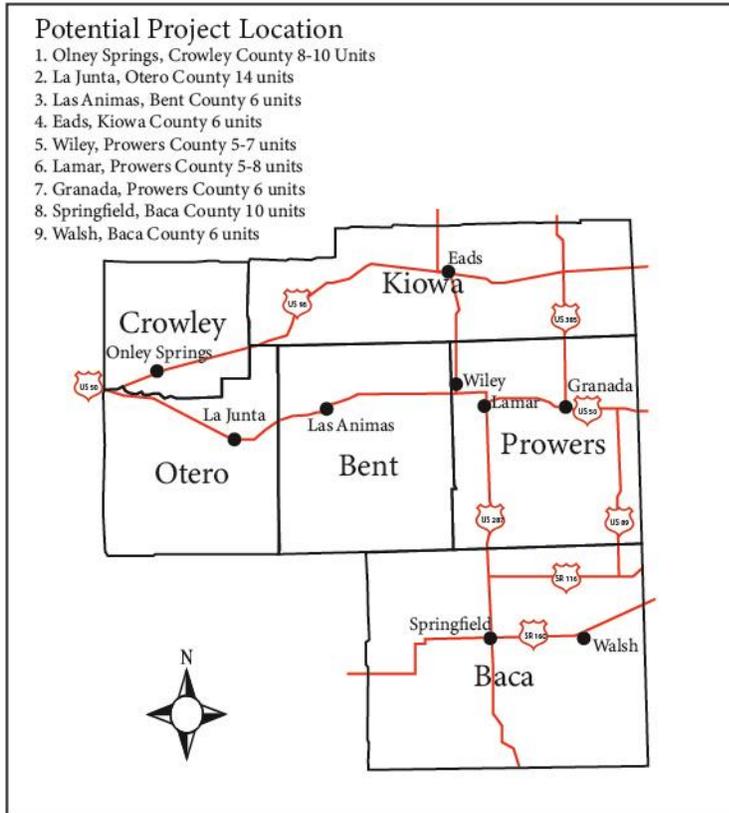
#### SECED and the Housing Oversight Committee (HOC)

SECED and the HOC, comprised of representatives from the 15 local governments, have ensured the lots are vertical construction ready, utilities available to adjacent lots, and local utility water and sewer tap fees covered. SECED will own or hold title to all the land to be transferred free of debt to the developer at the time of construction financing closing. The SECED/HOC will provide funding for 100% of tap and building permit fees excluding electric, internet, and gas. SECED/HOC will provide the land to be used as collateral for a construction loan by the successful development team. SECED/HOC will also pay for additional professional services such as surveying and planning to ensure entitlements are not borne by the developer.

#### Southern Colorado Economic Development District

SCEDD will serve as the local government planning and development liaison to assist the developer with permitting, surveying, and ensuring sites are ready for construction. SCEDD will also be responsible for coordinating with local employers and non-profits for potential purchase of homes for their employees, which could be an additional source of pre-sales for the developer. SCEDD will be responsible for homebuyer outreach and education, and determining income eligibility, lottery processes (if necessary), and coordinating sales contracts with the developer.

## The Project Area and Potential Unit Counts



This project is intended to target current employees or new employees making approximately 80% AMI. The table below is the 2021 AMI ranges for working families between 80%-120% AMI.

<b>Household size</b>	<b><u>80%</u></b>	<b><u>90%</u></b>	<b><u>100%</u></b>	<b><u>110%</u></b>	<b><u>120%</u></b>
<b>1 person</b>	\$41,200	\$46,350	\$51,500	\$56,650	\$61,800
<b>1.5 person</b>	\$44,120	\$49,635	\$55,150	\$60,665	\$66,180
<b>2 person</b>	\$47,040	\$52,920	\$58,800	\$64,680	\$70,560
<b>3 person</b>	\$52,960	\$59,580	\$66,200	\$72,820	\$79,440
<b>4 person</b>	\$60,320	\$67,860	\$75,400	\$82,940	\$90,480

This table does not mean there is an income cap of any kind, nor does it restrict how much an eligible applicant is allowed to earn. This project actually acknowledges that many employees who might be looking for new housing may have spent several years with their current employer and have worked their way into management roles within their organization and may currently exceed 120% AMI. These are exactly the well-qualified buyers this project is intended to serve. Initial presale offering eligibility will be determined by the local municipal and county governments where the units are located,

not by AMIs. However, any remaining units will be offered to the local workforce after the initial presale. In our efforts to identify our potential markets for pre-sales, we have determined that the project should be inclusive of essential employees. HOC has identified essential employees as secondary and post-secondary educators, corrections officers, nurses, healthcare workers, police officers, first responders, and employees of other major industries within the region. This project will offer housing to not only these essential employees but other working-class families in need of safe, secure housing.

The importance of these AMIs is what is deemed to be a final affordable housing price and the size of units for working families. The project is looking at two-bedroom or three-bedroom units that will be priced to ensure that a mortgage and utility costs do not exceed 30% of the monthly income for these working families. This means that final housing prices are targeted between \$130,000 and \$199,000.

### **Deadline Requirements**

The Southeast Colorado Workforce Housing project is open to consideration of all creative, viable concepts that are consistent with the objectives of this RFQ. **There will be two phase deadlines for consideration of the RFQ.**

#### **Design Stipend Deadline**

For respondents to be eligible for the \$5,000 design stipend, an initial letter of interest must be submitted by **August 27, 2021 at 5pm**. Finalists who are selected to be eligible for the \$5,000 design stipend will be notified of their award by **September 1, 2021**.

#### **Finalist Submittal and Presentation**

All selected finalists must submit final proposals by **September 21, 2021, at 5pm** and formal presentations of final proposals will be given in-person to the HOC at 3pm on **September 29, 2021**. This presentation will be open to the public and elected officials in the region, so expect an audience. *Interested parties, not selected as finalists, may submit by the deadline but will not be awarded the design stipend. These will also be scheduled to present on September 29, 2021.*

#### **Submittals**

Responses should be provided electronically in Adobe Acrobat PDF format to Stephanie Gonzales [seced@seced.net](mailto:seced@seced.net) and Michael Yerman [michael@scedd.com](mailto:michael@scedd.com).

Questions can be directed to Stephanie Gonzales. All answers will be posted on the SECED website to ensure all respondents receive the same responses to questions.

## **Phase 1 - RFQ responses - Deadline August 27, 2021**

The format for this submittal is a 2–5-page submittal, excluding attachments, that identifies the following information below. This submittal should be intentionally short and on point to allow an expedited response to this RFQ. This response will be used to select the development teams that will be awarded the \$5,000 design stipend. This initial response should cover the following topics.

Additional information may be provided as deemed germane by the respondents.

### **1. Interest**

Provide a brief statement regarding why the development team is interested in building workforce housing in Southeast Colorado.

### **2. Experience and Professional Qualifications**

Provide a description of the lead organization(s), summary of principals, partners, or collaborators that would participate in the development, the nature of each participant's interest in the proposed project, and organizational structure of the team. Please include information on the developer, architect, contractor, and major subcontractors. Local preference for any of these parts of the project will be awarded additional consideration.

Provide a summary of past relevant experience for all key individuals/organizations including roles and responsibilities, location, gross square footage, number of units, total project budget, date completed, and local references of completed developments. For previous experience with workforce housing, please describe the types of development completed--for rent or sale, rents or purchase prices, and the organizational structure of projects.

### **3. Project Approach**

Describe the team's proposed approach to meeting a Spring 2022 groundbreaking, construction schedule, construction techniques, and strategies for managing this project on time, on budget, and in alignment with the Southeast Colorado Workforce Housing project goals. Please describe how, if any, preference for the use of local trades, purchasing, or professional services will be used in the project. Describe any historical lessons learned and successful strategies for building workforce housing in other communities to meet price points.

### **4. Financial Capabilities and Strategy**

Describe the team's proposed financial approach to the project, including proposed lending sources and use of funds or any anticipated problems or hurdles.

Describe the financial strength of the team, including ability to provide guarantees and secure surety and construction finance. Describe the team's ability to complete the project in a single phase or if there will be a need for multiple phases. Additional confidential information will be required and need to be provided to affirm your team's ability to perform for the 2<sup>nd</sup> RFQ submittal on September 21, 2021.

To demonstrate the financial resources of the team, Phase 2 submittal will require the supporting documents such as:

- i. Total dollar volumes of business by type, number of employees, etc.
- ii. Credit references, preferably from lending institutions
- iii. Annual report, audit, or other financial survey, if available

**NOTE: Financial documents must be submitted under separate confidential cover and will be held in confidence and returned after our private examination. Please do not include in your Phase 1 submittal.**

#### **5. Developer Contact and references**

Please identify a single point of contact who will serve as primary point of contact for the project moving forward. Please also provide 3 references from the local communities where previous projects were constructed.

### **Phase 1 Evaluation Criteria and Review Process**

The RFQ selection committee will be the members of the HOC. This committee will assess the degree to which each proposal furthers the Southeast Colorado Workforce Housing project goals and meets the requirements preferences stated herein. The proposal or proposals viewed most favorably will be asked to respond to a more comprehensive Phase 2 - RFQ.

Selection criteria will include:

1. Qualifications of proposed project team.
2. Financial strength of the parties responsible for project finance.
3. Demonstrated ability to complete high quality residential construction in Colorado communities on time and on budget.
4. Designs that create exterior deviations and that provide energy efficient housing.
5. References.

### **Phase 2\*- RFQ responses Deadline September 21, 2021**

Upon the selection of the finalists, an additional RFQ will be given to provide further direction to each finalist regarding any additional information needed or required.

However, at this time the intent of the following is to set expectations so interested teams can begin planning for this submittal. The format for this submittal is a formal PDF document, of your specified length, to illustrate prior to the formal presentation on September 29, 2021, to following:

**1. Design**

A minimum of 4 floor plans and elevations will need to be included. Due to the diverse nature of the sites across the region, attention should be paid to the sites that are traditional grid lots versus suburban lots. Both duplex and single-family design will be considered. Typical floor plans are expected for the specified charrette unit types; however, preference will be given for the development team's ability to create unique styles by the provided siding treatments, porches, roof forms, and other design elements that ensure these are not cookie cutter suburban sprawl designs. Please review the July 22, 2021 design charrette, for information on the different community desires for these housing units. Pricing will need to be quantified for each unit for the vertical construction costs.

**2. Presentation**

All finalists will be required to publicly present their proposal to the HOC on September 29, 2021, in Lamar, Colorado starting at 3pm. There is considerable public interest so please plan materials for an audience of over 50 people. A projector and pin up space will be provided for all presenters.

**3. Project Approach**

Describe the team's proposed approach to meeting a Spring 2022 groundbreaking, construction schedule, construction techniques, and managing this project on time, on budget, and in alignment with the Southeast Colorado Workforce Housing project goals. Please describe how, if any, preference for the use of local trades, purchasing, or professional services will be used in the project. Describe any historical lessons learned and successful strategies for building workforce housing in other communities to meet price points.

**4. Financial Capabilities and Strategy**

Describe the team's proposed financial approach to the project, including proposed lending sources and use of funds or any anticipated problems or hurdles. Describe the financial strength of the team, including ability to provide guarantees and secure surety and construction finance. Describe the team's ability to complete the project in a single phase or if there will be a need for multiple phases. This information will be reviewed by a select committee of 3 individuals who will ensure this information remains confidential. This committee will provide HOC

with a final recommendation on your team's ability to obtain the necessary construction financing.

To demonstrate the financial resources of the team, Phase 2 submittal will require the supporting documents such as:

- i. Total dollar volumes of business by type, number of employees, etc.
- ii. Credit references, preferably from lending institutions
- iii. Annual report, audit, or other financial survey, if available

**NOTE: Financial documents must be submitted under separate confidential cover and will be held in confidence and returned after our private examination.**

*\*Interested parties, not selected as finalists, may submit by the Phase 2 September 21, 2021 deadline but will not be awarded the design stipend. These will also be scheduled to present on September 29, 2021, if responses meet the qualifications specified above.*

### **Anticipated Project Timeline**

June 24, 2021- **Market Demand Study** - Contract Executed and economic planning begins. Market Demand Study made public September, 2021.

July-August 2021- **Memorandum of Understanding - MOU** executed with each participating County and Municipal jurisdiction and SECED. MOU sets forth budget expenditures, transfers of land to SECED, selection of one representative to SECED HOC, and other in-kind commitments to the project.

July 2021- **Design Charrette** - Participating communities to set important design details for each location including but not limited bedroom and bath counts, unit styles, landscaping, parking, architectural forms, and add-ons such as basements and garages. This input will be added to Developer RFQ. Hosted by SCEDD.

August 2021- **Release of Developer RFQ**- Phase 1 Response due August 27, 2021. Finalist design stipend selection September 1, 2021.

September 2021- **Finalists Phase 1 Developer Selection** – Selection of 2-3 development firms to present designs and costing for project to HOC. Each firm will be required to have pricing identified and set designs. A stipend of \$5,000 will be given to each firm regardless of whether they are selected, in an effort to help offset the cost of design and architecture.

October 2021- **Finalist Phase 2 Developer Selection** - The Housing Oversight Committee will make a **final decision** in the selection of the developer, then begin negotiation, and execution of development contract.

November 2021- **Contract Execution with Developer and SECED.** Local participating counties and municipalities will commit remaining funds to SECED.

October-February 2021-2022- **Pre-sales offering and loan consultation.** Each participating county & respective municipality will have the option to define eligible workforce participants and businesses eligible for the purchase of units. The marketing will be an intense effort to create excitement and make potential buyers aware of the upcoming availability of the program. We will make a concerted effort to create a buzz and develop the methodology for determining qualified applicants. This may involve methods such as a lottery. SECED will then begin pre-sale offering and loan consultation.

January 2022- **Transfer of land** – Land transfers for land to be developed transacted to SECED. Title must be held under SECED by the end of January for project to proceed in each location for a 2022 build.

February 2022- **Developer Closes on Construction Loan** - Lots to be transferred to developer and a Letter of Credit posted to SECED as surety for land.

March 2022- **Groundbreaking – Anticipated project groundbreaking** in first community with new groundbreaking every 3-4 weeks in next location. Foundation to completion construction 5-8 months dependent on developer schedule.

July 2022- **Closing – Homeowner closings begin on first properties.**

February 2023- **Final Closing and Project completion.** – Final closings anticipated and project to be completed with a final release of letter of credit.

### **General Conditions**

#### **Reserved Rights:**

The HOC reserves the right to:

- Modify or cancel the selection process or schedule at any time;
- Waive minor irregularities;
- Reject any and/or all responses to this RFQ and to seek new proposals when it is in the best interest of the HOC to do so;
- Seek clarification or additional information from respondents as it deems necessary to the evaluation of the response;

- Request any additional information or evidence from individual respondents, including but not limited to financial status;
- Judge the respondent's written or oral representations as to their veracity, substance and relevance to development of the Property, including seeking and evaluating independent information on any development team;
- Incorporate this RFQ and the selected team's response to this RFQ as a part of any formal agreement between the HOC and the respondent;
- Modify the development opportunity available to potential development teams.

**Hold Harmless:** By participation in this RFQ process, responders agree to hold harmless the HOC, their officers and employees from all claims, liabilities and costs related to all aspects of the responder selection process.

**Public Information:** All documents, conversations, correspondence, etc. between the HOC and respondents are public information subject to the laws and regulations that govern the Colorado Sunshine Law, unless specifically identified otherwise.

**Expenses:** All expenses related to any development team's response to this RFQ, or other expenses incurred while the selection process is underway, are the sole obligation and responsibility of that development team.

**Agents:** Southeast Colorado Enterprise Development, Inc., Southern Colorado Economic Development District, nor any participating local governments will not be liable for payment of any sales commissions. The developer will be responsible for paying a 3% closing fee and the buyer will be responsible for a 1.5% fee for this service paid to SECED at closing. Buyers who elect to be represented by a real estate professional will be responsible for their fees.

. Buyers' desiring additional representation will be required to cover that cost. Agents may participate in this process only if principals are disclosed.

We appreciate your interest and look forward to hearing from you.

### **Attachments**

- A. SE Colorado Workforce Housing Feasibility Study
- B. July 21, 2021 Design Charrette Power Point and with summary
- C. Sites and Lot locations