
**SEMINOLE COUNTY GOVERNMENT
AGENDA MEMORANDUM**

SUBJECT: Cancel Amendment #1 to RFP-2251A-07/VFT - SHIP Program Acquisition, Rehabilitation and Resale of Single Family Homes

DEPARTMENT: Administrative Services

DIVISION: Purchasing and Contracts

AUTHORIZED BY: Frank Raymond

CONTACT: Bob Hunter

EXT: 7119

MOTION/RECOMMENDATION:

Approve the cancellation of the First Amendment to Agreement for RFP-2251A-07/VFT with The Center for Affordable Housing, and Corinthian Builders, Inc., both of Sanford, Florida.

County-wide

Ray Hooper

BACKGROUND:

RFP-2251A-07/VFT - SHIP Program Acquisition, Rehabilitation and Resale of Single Family Homes provides for all labor, materials, equipment, transportation, coordination and incidentals necessary to acquire and rehabilitate up to ten (10) single family homes in Seminole County, Florida. On February 12, 2008, the Board awarded the Agreement to The Center for Affordable Housing, and Corinthian Builders, Inc., both of Sanford, Florida.

Under the Agreement, ten (10) homes or "units" may be acquired for an amount not exceeding \$100,000.00 per unit, with any potential rehabilitation provided in an amount not exceeding \$15,000.00 per unit. In addition, the Developer receives compensation for successful completion of the project scope based on ten (10) units in the form of a Developer's Fee in the amount of \$24,172.00 per unit. On August 12, 2008, the Board approved Amendment #1 to provide for an increase in the number of single family homes by five (5) units, a five (5) month extension of the Agreement term and for a reduction in the Developer's Fee to \$20,000.00 for the additional five (5) units.

Following Board approval of the First Amendment, further discussions had taken place between Community Service staff and representatives from the Developer (The Center for Affordable Housing, and Corinthian Builders, Inc.). These discussions involved clarification of acceptable recoverable expenses under the Agreement, and these expenses are listed within a letter dated August 20, 2008 - see backup documentation. However, with respect to the additional five (5) units, the Developer and Community Services staff were unable to reach agreement on which party remained responsible for transaction costs to include real estate commissions, title insurance, documentary stamp tax, financing costs and other out of pocket expenses incurred in connection with the acquisition, rehabilitation and resale of these units. The backup documentation includes letter and email correspondence between the parties involved.

On September 8, 2008, Purchasing & Contracts met with both Community Services and Legal staff and the decision was made not to pursue the addition of five (5) units and to cancel the First Amendment. The existing terms and conditions for the Agreement, such as costs

associated with a project scope of ten (10) units, will remain the same. The Completion Date for the Developer to fully perform the project scope based on ten (10) units will remain December 31, 2008. The Termination Date provides additional time for finalization of documentation and contract administration between the County and the State, will remain January 31, 2009.

This is a grant-funded project, and funds are available in account line 066708.580821 (Affordable Housing 07/08; Aid to Private Organizations).

STAFF RECOMMENDATION:

Staff recommends that the Board approve the cancellation of the First Amendment to Agreement for RFP-2251A-07/VFT with The Center for Affordable Housing, and Corinthian Builders, Inc., both of Sanford, Florida.

ATTACHMENTS:

1. RFP-2251A-07_VFT A1 Cancel - Backup Documentation

Additionally Reviewed By:

County Attorney Review (Arnold Schneider)

From: Hunter, Bob
To: ["Richard Kovacsik"](#); [Bill Newman](#)
Cc: john@corinthianbldrs.com; [Balagia, Buddy](#); [Heenan, Rob](#); [Hooper, Ray](#)
Subject: RE: First Amendment to RFP-2251A-07/VFT
Date: Monday, September 15, 2008 3:12:00 PM

Dear Mr. Kovacsik:

I apologize for the delay in my response, as I was out of the office last week for training purposes.

On 9/8/08, Purchasing & Contracts met with both Community Services and Legal staff, and it was decided that the five (5) additional homes would not be pursued and that the need for the First Amendment would thereby be cancelled. Notification of this cancellation has been scheduled as an Agenda Item for the October 14, 2008 Seminole County Board Meeting.

Should you have any questions, please let me know. Thank you again for your continued involvement with this project as part of the Seminole County Team, Bob

Robert L. Hunter, MBA, C.P.M., CPPB
Procurement Supervisor
Seminole County Government
Purchasing & Contracts Division
1101 East First Street
Sanford, FL 32771
Office (407) 665-7119
Fax (407) 665-7956
bhunter@seminolecountyfl.gov

-----Original Message-----

From: Richard Kovacsik [<mailto:rick@corinthianbldrs.com>]
Sent: Saturday, September 06, 2008 10:54 AM
To: Hunter, Bob
Subject: RE: First Amendment to RFP-2251A-07/VFT

Mr. Hunter, Thank you for the update we look forward to your response.

Regards, Rick Kovacsik

-----Original Message-----

From: Hunter, Bob [<mailto:BHunter@seminolecountyfl.gov>]
Sent: Thursday, September 04, 2008 5:17 PM
To: Richard Kovacsik
Cc: Bill Newman; john@corinthianbldrs.com; Balagia, Buddy; Heenan, Rob; Hooper, Ray
Subject: RE: First Amendment to RFP-2251A-07/VFT

Dear Mr. Kovacsik:

Thank you for your response and the information as provided by the partnership. I'm scheduling a meeting with County staff involved with this project to discuss these concerns, and will keep you informed.

Thanks again, Bob

Robert L. Hunter, MBA, C.P.M., CPPB
Procurement Supervisor
Seminole County Government
Purchasing & Contracts Division
1101 East First Street
Sanford, FL 32771

Office (407) 665-7119
Fax (407) 665-7956
bhunter@seminolecountyfl.gov

From: Richard Kovacsik [<mailto:rick@corinthianbldrs.com>]
Sent: Tuesday, September 02, 2008 6:10 PM
To: Hunter, Bob
Cc: Bill Newman; john@corinthianbldrs.com; Balagia, Buddy; Heenan, Rob
Subject: RE: First Amendment to RFP-2251A-07/VFT

Good afternoon Mr. Hunter,

After reviewing the First Amendment noted above we have some issues with wording that has been changed from the original contract. We understand that any changes to the amendment at this time may require the contract to go back to Commission. We feel that this would be the prudent thing to do in our efforts to bring affordable housing to the end user at a reasonable price.

In a previous meeting with staff Mr. Newman and myself agreed to reduce the developer fee to \$20,000.00 per unit for the final 5 units in the amendment. There were no other concessions made or agreed to. The following clauses will require changes based on the agreed to terms.

- * Page 10 of 15 clause(i) in the contract.
- * Page 1 of Exhibit A-1 third paragraph last 4 lines under "Generally".
- * Page 4 paragraph 16 last 10 lines.

In subsequent meetings we have addressed and clarified the expenses that will be acceptable under the contract and we feel that by using the agreed to terms would simplify the matter at hand. If you would reference the attached documents you will find the terms that have been agreed to. Attached you will find a letter dated August 14, 2008 from Shirley Davis-Boyce, Manager, Community Assistance Division referencing

addendum #4 to the Bid Documents that listed the costs that were acceptable. On August 20, 2008 we received another letter, this time from Robert Heenan, HUD/SHIP Administrator listing out and clarifying the additional recoverable expenses as discussed in a meeting on August 18, 2008 with Staff and the assistant city attorney present. This was additionally confirmed via e-mail received from Buddy Balagia, Project Manager sent on August 25, 2008.

Since these terms have been agreed to we feel that the First Amendment should be changed to reflect these agreed to terms. Below is a summary of the terms that we have agreed to thus far.

. A Developer Fee of \$20,000.00 per unit on the 5 units in the First Amendment.

. Per Addendum #4: The following costs are considered to be recoverable expenses and may be recovered through the sale of the home to an eligible buyer: Performance bond, home inspector at acquisition, home inspector at sale, project management by developer of rehabilitation work performed by subcontractors, permits, costs of rehabilitation, debt service on acquisition loan, and direct marketing expenses by developer-periodical advertising, etc.

. Letter of August 20, the final page has a chart of agreed to expenses that are recoverable, this includes: Origination fees, Mortgage Broker fee, underwriting fee, Flood certification fee, Loan title search, Attorney's fees (borrower), attorney's fees(lender), Title insurance (purchase), Recording fees (loan). Specific amounts were agreed to for the attorney's fees.

. Not listed but discussed were the actual utility costs for water, power and sewer; these were stated as a recoverable expense and not a cost of the rehabilitation, as was the property tax cost for the duration of our ownership.

. A flat sales fee of \$1,600.00 was agreed to as a commission on the end sale.

We hope that this meets with everyone's approval so that we may all move forward with the signing of the First Amendment. We look forward to your response.

Sincerely,

Richard Kovacsik, President

Corinthian Builders, Inc.

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6:57 AM

Draft Created on 10/14/2008 10:15:38 AM

From: Balagia, Buddy [bbalagia@seminolecountyfl.gov]

Sent: Monday, August 25, 2008 4:36 PM

To: Bill Newman; Richard Kovacsik

Cc: kenneth.york@yorkfinancialgroup.com; phil@kaprowstratton.com; Heenan, Rob; McHaney, Shelley; Knight, Annie

Subject: Confirmation of discussions and correspondence.

Bill/Rick:

This is a follow-up to Rob Heenan's letter of August 20, 2008 regarding the allowable recoverable expenses on the homes acquired and resold under the current SHIP project governed by RFP-2251A-07/VFT. As you recall, Rob's letter followed our August 18, 2008 meeting in our office.

As per our mutual agreement, the following expenses are recoverable at the end sale of each unit:

- \$100.00/unit in borrower's attorney's fees.
- \$566.50/unit in lender's attorney's fees.
- Recoverable expenses listed under the item entitled "Wholesale Purchase-Corinthian and TCFAH Buying the Property"
- Recoverable expenses listed under the item entitled "Rehabilitation-Corinthian Builders Rehabbing the Property," except liability insurance and property/repairs insurance.
- Recoverable expenses listed under the item entitled "Retail Purchase-Corinthian and TCFAH Selling the property," except the purchase transaction fee and sale transaction fee, which are not approved.
- Sales commission on each end-sale shall not exceed \$1,600.

Also, as per my conversation with Bill on the morning of August 25, 2008, we understand that you will not be explaining the fees entitled "Administration Fee" and "Closing Coordination Fee," nor will you be asking for their reimbursement.

We will also be expecting the sales prices on the end-sale HUD-1 forms to be adjusted accordingly, a new sales contract for each end-sale, and a new title commitment to reflect the adjusted sales prices. In addition, we will need documentation on all recoverable fees, as applicable. All of these are necessary to ensure a timely and successful closing.

We encourage you to share Rob's 8/20/08 letter with all respective lenders and title companies associated with this project. Please respond in writing/email to confirm your understanding and acceptance of these terms.

Buddy Balagia, Project Manager

Community Development Office

Community Assistance Division

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COMMUNITY SERVICES DEPARTMENT

COMMUNITY ASSISTANCE DIVISION
COMMUNITY DEVELOPMENT OFFICE



August 20, 2008

Rick Kovacsik, President
Corinthian Builders, Inc.
2175 Marquette Avenue
Sanford, Florida 32773

William F. Newman, Executive Director
The Center for Affordable Housing, Inc.
2524 South Park Drive
Sanford, Florida 32773

Subject: Approved Recoverable Expenses at Closing to the End-buyer under (RFP-2251A-07/VFT)

Dear Mr. Kovacsik and Mr. Newman:

Thank you for meeting with me, our staff, and the Assistant County Attorney on Monday morning August 18, 2008. The purpose of our meeting was to determine County approved recoverable expenses that may be charged to (added to the re-sale price) the end-buyer under the Acquisition/Rehabilitation/Sale SHIP strategy (RFP-2251A-07/VFT).

The County recognized that pre-closing HUD-1 settlement statements submitted for review by the County had \$20,000.00 added to the sale price to the end-buyer. For illustrative purposes, a home acquired by Corinthian and the Center for \$170,000.00 receiving a \$100,000.00 SHIP subsidy for acquisition, had a net effect at the sale of being sold to the end-buyer for \$90,000.00 and not \$70,000.00 because the extra \$20,000.00 was being added to the sales price in order to reflect recoverable expenses due Corinthian and the Center.

Using three (3) Expense Reconciliation sheets provided to the County from York Financial Group, it was discussed and agreed at the meeting that:

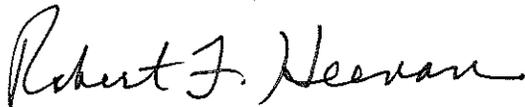
1. Recoverable expenses reflected under the item titled "United Midwest \$1,000,000 Commercial Line of Credit" would be approved pending a comparison of the Center for Affordable Housing's Commercial Line of Credit Fees for \$1 Million for this project to its Line of Credit Fees for the \$2 Million for the HOME Program Holly Avenue Townhome Project.

Based on the comparison, the County approves Attorney's Fees---Borrower in the amount of \$100.00 per unit (reduction of \$75.00 from \$175.00) and Attorney's Fees---Lender in the amount of \$566.50 per unit (reduction of \$157.50 from \$724.00). Thus, the total amount recoverable per unit is reduced from \$4,108.60 to \$3,876.10 (a total reduction of \$232.50). (For clarity please see the enclosed "Sample of Approved Recoverable Costs Per Unit For Line of Credit Fees").

2. Recoverable expenses reflected under the item titled "Wholesale Purchase-Corinthian and TCFAH Buying the Property" are approved as recoverable expenses **EXCEPT for Administration Fee and Closing Coordination Fee. You will provide to the County a complete description of those fees and what services were provided in order for the County to make a determination as to whether the expense is reasonable, allocable, and allowed under the SHIP program;**
3. Recoverable expenses reflected under the "Rehabilitation-Corinthian Builders Rehabbing the Property" are approved **EXCEPT for Nationwide Mutual Insurance Co.-Liability Insurance, and Nationwide Mutual Insurance Co.-Property/Repairs Insurance;** and
4. Recoverable expenses reflected under "Retail Purchase-Corinthian and TCFAH Selling the property **EXCEPT Purchase Transaction Fee is not approved, Sale Transaction Fee is not approved, and Sales Commission on all ten (10) properties shall not exceed \$1,600.00.**

With all this understood and pending your response to item #2 for a complete description of those fees, we anticipate there will be a much smoother process of the County being able to approve pre-closing HUD-1 settlement statements, thus facilitating the closing to our customer the end-buyer.

Sincerely,



Robert F. Heenan
HUD/SHIP Administrator
Community Development Office

Enclosure: Sample Of Approved Recoverable Costs Per Unit For Line of Credit

cc: David Medley, PhD., Director Community Services Department
 Shirley Davis-Boyce, Manager, Community Assistance Division
 Arnold Schneider, Assistant County Attorney
 Leo Luttig, Business Manager
 Shelley McHaney, SHIP Program Manager
 Buddy Balagia, Project Manager
 Annie Knight, SHIP Purchase Assistance Program Coordinator

SAMPLE OF APPROVED RECOVERABLE COSTS PER UNIT FOR LINE OF CREDIT FEES

Wornall Drive Fees For The Center For Affordable Housing, Inc. & Corinthian Builders, Inc.

United Midwest \$1,000,000 Commercial Line of Credit

Origination Fee	United Midwest Bank	Loan	\$ 1,000.00
Mortgage Broker Fee	York Financial	Loan	875.00
Underwriting Fee	United Midwest Bank	Loan	50.00
Flood Certification Fee	United Midwest Bank	Loan	20.00
Loan Title Search	Old Republic	Loan	10.00
Attorney's Fees (Borrower)	PSKPA	Loan	100.00
Attorney's Fees (Lender)	Keating & Schlitt	Loan	566.50
Title Insurance—Purchase	ITS	Loan	674.95
Recording Fees (Loan)	Seminole County	Loan	579.65
			\$ 3,876.10

The County approves Attorney's Fees—Borrower in the amount of \$100.00 per unit (reduction of \$75.00 from \$175.00) and Attorney's Fees—Lender in the amount of \$566.50 per unit (reduction of \$157.50 from \$724.00). Thus, the total amount recoverable per unit is reduced from \$4,108.60 to \$3,876.10 (a total reduction of \$232.50).

COMMUNITY SERVICES DEPARTMENT

COMMUNITY ASSISTANCE DIVISION
COMMUNITY DEVELOPMENT OFFICE



August 14, 2008

Rick Kovacsik, President
Corinthian Builder's
2175 Marquette Avenue
Sanford, FL 32773

William F. Newman, Executive Director
The Center for Affordable Housing, Inc.
2524 South Park Drive
Sanford, FL 32773

SUBJECT: Seminole County SHIP Program;
SHIP Program Acquisition, Rehabilitation, and Resale of Single Family
Homes Developers Agreement (RFP-2251A-07/VFT).

Dear Mr. Kovacsik and Mr. Newman:

Upon subsequent review of the Developers Agreement regarding the current acquisition, rehabilitation, and resale of ten (10) single family units under the SHIP Program, and with concurrence of the County Attorney's Office, we cannot approve the pre-closing Settlement Statement (HUD-1) for Tunala Starke as presented to the County. According to Sections 6-b and 15 (pages 10 and 22, respectively) of the Agreement, all "subcontractors" and "professional associates" used in accordance with this project must be first approved in writing by the Community Services Administrator. Although tacit approval of the respective realtor was granted in the first eight (8) acquisitions by virtue of non-objection by the County, we now address the issue of the use of such professional services in the end sale of the units.

Please be reminded of the wording in Bid Addendum #4, as follows:

"The following costs are considered to be recoverable expenses and may be recovered through the sale of the home to an eligible buyer: Performance bond, home inspector at acquisition, home inspector at sale, project management by developer of rehabilitation work performed by subcontractors, permits, costs of rehabilitation, debt service on acquisition loan, and *direct* marketing expenses of developer – periodical advertising, etc. Any other associated cost must be approved in writing by the County ***prior*** to the cost being incurred. Any cost(s) in addition to those listed

above that have not been approved by the County *in advance* will be the responsibility of the Developer.” (italics added)

Although it may be argued that realty fees are in fact “marketing expenses,” the term “direct” limits such expenses to specific and direct costs incurred to market the units, per se, and not general realty activity. Further, the second sentence in the quote above limits all costs not listed, to those “approved in writing by the County **prior** to the cost being incurred.” (emphasis on “prior” was in the original Bid Addendum #4)

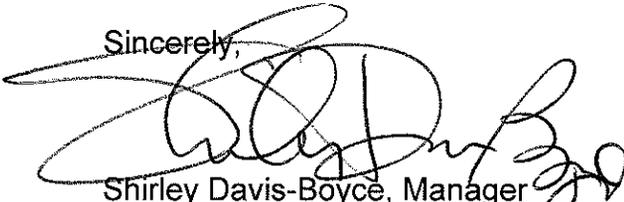
Further, the same addendum also states: “The sales price of the home to an eligible buyer will be on the *amount of investment by Developer* for the actual purchase price of the property, *and any approved recoverable costs incurred and documented by the Developer* from the acquisition to the sale of said property.” (italics added)

With regard to this project, end sale realtor fees are out of order, given the language in the bid addenda, and the valid presumption that the Center deals with low income households seeking housing on a day-to-day basis, with presumably little or no need to hire a realtor to seek out buyers. We are duty-bound to seek the best interests of the end-sale buyer, and do not wish to see his/her purchase price artificially or inordinately inflated, particularly in light of the contractual requirement noted above and the in house capability of the Center and Corinthian to market the availability of the units, which should be incidental to the project.

Again, it is not our intent to allow double realty fees on any of the end-sale transactions, nor do we want any such fees passed on to the end-sale buyer, either in or outside of closing. All fees and payments pertaining to this project are subject to monitoring and auditing by both the County and by appropriate funding agencies. Therefore, any such excessive and unnecessary charges will not be allowed with respect to the end-sales price. We will be glad to meet with you and your Board of Directors to discuss this matter further.

Please let me know if you need clarification or further information. Thank you for your attention to this matter.

Sincerely,



Shirley Davis-Boyce, Manager
Community Assistance Division

Copy: David Medley, Community Services Department Director
Robert F. Heenan, HUD/SHIP Administrator
Arnold Schneider, Assistant County Attorney