

PORTLAND HOUSING BUREAU FAST STARTS PROGRAM OVERVIEW

BACKGROUND

PHB issued a solicitation in summer 2016 asking for proposals and a Statement of Qualifications (SoQ) for the new Fast Starts (FS) program. FS was conceived as a way to get affordable housing units off the ground more quickly than PHB's more traditional processes such as the Notice of Funding Availability (NOFA).

The Fast Starts program is modeled after the "Flexible Services Contracting" under the City's procurement rules that allows PHB to request project specific proposals from a pre-qualified pool of developers/owners. Applicants to FS are required to have demonstrated the ability to finance and develop a variety of housing projects either with or without public funding (or both) and have:

1. at least ten years of experience in real estate development
2. unrestricted cash assets of at least one (1) million dollars

It is expected that through FS, the time to market may be greatly reduced as compared to NOFA projects since pre-qualified developers will be expected to propose projects already well along in pre-development and financing.

RESPONSE

Response to the FS solicitation was strong: PHB received 32 proposals by the September 1, 2016 deadline¹. Proposers included national and local, for-profit and non-profit developers with a wide range of development experiences and capabilities. 30 applicants provided additional information on their qualifications² in early 2017. Following the response, staff added the additional information to the database that allows for the sorting of applicants using multiple criteria and moved forward with the public process.

PUBLIC PROCESS

In March 2017, PHB reached out to the Portland Housing Advisory Committee (PHAC) and Oregon Opportunity Network (Oregon ON) to present information about the initial respondents' and solicit feedback³. Comments received at these meetings included that PHB had not reached out to the community prior to the solicitation and that alternatives to expedite the existing process should be considered. It was also noted that respondents provided only general information about their organizations so selecting or short-listing a team might be difficult if PHB was not more specific about projects it was interested in. Meeting attendees also encouraged greater clarity in the process. Key questions and PHB responses are detailed below:

- How was the *Fast Starts database reviewed and will it be updated*: At this time PHB does not intend to reopen the Fast Start solicitation process to add new respondents or allow for changes in existing respondents' qualifications until approximately fall 2019 (three years after the initial

¹ See Appendix A for Names and Summary Information of Fast Starts Applicants.

² See Appendix B for Criteria contained in Fast Starts database.

³ PHAC info is [here](#); the Fast Starts March 2017 presentation [here](#) and details/membership to Oregon ON [here](#).

solicitation). Respondents self-reported their experiences and staff reviewed the data against prior information provided to PHB and publicly available information.

- What are *next steps* for rolling out the program: With the conclusion of the outreach phase, the FS database is ready for use. PHB determined through the outreach that a process needs to be developed for non-City owned projects to be prioritized into the FS program.
- How will Fast Starts *development teams be selected for PHB-owned sites.*: See Implementation section below
- How would *projects seeking PHB financial support (i.e. not PHB-owned) be selected or qualified* into Fast Starts.: See Implementation section below.
- **What is PHBs plan for FS in relation to MWESB.**: PHB will continue to require FS to abide by MWESB requirements as other PHB funded projects.

IMPLEMENTATION

Based on the feedback PHB received, it is expected that NOFAs, request for proposals (RFPs), and request for qualifications (RFQs), will continue to be the primary funding mechanisms for development of PHB supported affordable housing. The FS program would be used to supplement PHB's existing unit production process.

As discussed with PHAC and Oregon ON, *for City-owned sites*, PHB expects to filter the FS database for qualified respondents from which PHB may select a handful of development teams to submit detailed proposals, which could then be evaluated and ranked by a selection committee through a "RFP-like" process. A preliminary list of City-owned properties that may leverage the FS program is in Exhibit 1 which was shared with PHAC and Oregon ON. However, this list is preliminary and requires refinement as each potential project's scope and timing are still in flux.

For non-City owned sites, PHB anticipates requesting proposals from qualified FS respondents from which PHB could then develop a "ranked pipeline". Proposals would be scored based on a number of factors including the project's alignment with PHB strategic plan, its ability to meet PHB underwriting requirements and its readiness to proceed. If funding becomes available, the top-ranked project could then move forward and be reviewed to determine if it meets the requirements for that funding source. In order to generate an initial pipeline, PHB proposes to:

1. Provide all FS respondents notice that a submission window is about to open during which respondents would submit applications for which they are seeking PHB funding under the FS program. PHB anticipates giving respondents 45 days to write and submit proposals. Requirements for project submission under the FS program are expected to be less than a NOFA but sufficiently detailed to provide PHB an understanding of the project fundamentals.
2. Form internal and external evaluation committees to review submitted projects under the FS program. Review and rank initially submitted projects in the FS program within 45 days after submission deadline.
3. Maintain an ongoing list of subsequent projects under development by FS respondents that are not submitted during this initial pipeline generation phase. Along with the rest of the FS criteria, these subsequent projects will be prioritized based on date of submission to PHB.

NEXT STEPS & SUMMARY

Since the initial release of the FS invitation, the availability of PHB's future funding has clarified. The affordable housing General Obligation Bond (GO Bond) was passed by voters and PHB released a Request for Interest (RFI) for housing preservation projects. The latter is particularly relevant to the FS program. PHB received 16 different proposals from nine developers to rehab a total of 1,211 units across the City at an estimated cost of at least \$74 million. Many of the RFI projects are outside urban renewal areas and therefore would require PHB's limited city-wide funding, principally Community Development Block Grant and HOME. This is funding that might otherwise be used for FS projects. In addition, PHB's other major potential funding source for FS projects, urban renewal dollars are largely already dedicated to existing or pipeline projects. Lastly, among other things, the GO Bond requires that projects built with these funds remain in public ownership. This requirement places significant constraints on the potential use of GO Bond funding for FS projects. Given these funding realities, in the short to medium term, PHB anticipates that only a very limited number of FS projects will be funded.

With these limitations in mind, PHB plans to notify all FS respondents of the Implementation steps over the coming weeks. At this time, because none of the City-owned sites are ready for development under the FS program, only proposals for non-City-owned sites will be requested.

Given there were a range of applicants, some with narrow experience, and the fact that there is very limited PHB funding, it is expected that:

- only some FS respondents would be pre-qualified and considered for City-owned sites,
- not all proposed projects from developers on non-City-owned sites will qualify for the FS program, and
- only a very limited number FS respondents will receive funding/be asked to move forward with projects.

CONTACTS

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Exhibit 1: Potential Fast Starts Projects on City-Owned Sites:

| Project Name | Location | Description | Timing |
|--------------------------------------|------------------------------|--|----------------|
| Mt Tabor Annex | 511 SE 60 th Ave. | Approximately 35,000 SF property purchased from the Parks Bureau in 2016. Site currently contains school which is leased to the YMCA for childcare programs. Building is well past its useful life. Redevelopment to include approximately 40 housing units plus space for YMCA and current (or similar) programs. | 2017/18 |
| Joyce Hotel | 322 SW 11 th Ave | Existing 69-unit SRO in poor condition. Complete rehab including seismic upgrades, storefront improvements and the addition of one floor for additional units | 2018/19 |
| Gateway Center for Domestic Violence | 10225 N/E Burnside St. | Undeveloped approximately 30,000 SF lot adjacent to Gateway Center for Domestic Violence (GCDV). GCDV is currently using a portion of the lot for parking. Redevelopment potential: approximately 40-80 housing units. | Not determined |

Appendix A: Names and Summary Information of Fast Starts Applicants

| 2016 Fast Starts Applicants | | |
|---|--------------------------------|--|
| Alem Gebrehiwot | Gerding Edlen | Palindrome |
| Beam Development | Guardian Real Estate Services | Portland Community Reinvestment Initiatives (PCRI) |
| Bridge Housing | Hacienda | Pedcor |
| Carl Coffman | Home Forward | Project^ |
| Cascadia Behavioral Healthcare Inc. | Housing Development Center | REACH |
| Catholic Charities | Human Solutions | ROSE CDC |
| Central City Concern | Innovative Housing Inc. | Shelter Resources Inc. and Cascade Management |
| Chicanos Por La Causa | Meta Housing Corporation | Urban Development Partners |
| Community Development Partners (with Almar & LMC) | Northwest Housing Alternatives | Winkler Development Corp |
| Fox and Moose | Orange Splot LLC | Wishrock Housing Partners |

Note: BPM Real Estate Group/Walter C. Bowen applied in the initial process but did not respond to the request for additional information after numerous attempts were made to reach the organization.

| | |
|---|-------------|
| Non-profits | 14 |
| For-profits | 16 |
| Affordable housing developers | 23 |
| Developers with PHB experience | 20 |
| Developers' Range (experience over past 10 years) | |
| Number of Units developed | 21,123 to 8 |
| Number of Sites Developed | 170 to 1 |
| Developers' Experiences (select) | |
| Leased Land | 19 |
| Fee Developer, Owner's Rep or Consultant | 17 |
| Seismic Rehab | 17 |
| Steel/Concrete construction (over 8+ stories) | 11 |
| Developers' Financials (still in review) | |
| Unrestricted Cash >\$1 million | 24 |
| Net Assets >\$15 million | 15 |

Appendix B: Criteria contained in Fast Starts Database, June 2017

Applicant Information (Supplemental)

- Non Profit (Y/N)
- Organization's Size (# People)
- Number of years in Real Estate Development
- Number of years in Property Management
- Total Housing Developed - Portfolio Value (in \$MM)
- Total Number of Units Developed (approx.)
- Total Number of Affordable Units Developed (approx.)
- Total Number of Projects
- Experience with Development Type (number of units developed of each Project Type)
 - Low, mid, high rise & breakdown by type
 - Market rate, mixed income, affordable, mix use

Housing Developed by Applicants & Company Experience

Applicant's Role (Y/N)

- Developer - Owner
- Affordable Housing Developer – Owner
- Fee Developer, Owner's Rep or Consultant (specify)
- Affordable Housing Operator
- Development on Leased Land (specify)

Experience w Public Sector (Y/N)

- Exp. w PHB (specify)
- Prevailing Wage in OR (Davis Bacon and BOLI, specify)
- Public Procurement in Portland (specify)

Experience w Locations (Y/N, Specify if Portland vs. Outside the City)

- Central City
- non-Central City / Urban
- Suburban or Exurban

Experience w Total Development Costs of (Y/N)

- <\$2MM
- \$2-\$5MM
- \$5-11MM
- \$11-20MM
- \$20-40MM
- \$40-70MM
- >\$70MM

Experience w Target Tenant Income Levels (Y/N)

- 30% AMI or less
- 31-60% AMI
- 61-80% AMI
- >81% or Market Rate
- Mixed Income

Experience with Target Population (Y/N)

- Senior
- Veterans/VASH
- Resident Services
- Permanent Supportive Housing

Experience w Development Type (Y/N)

- Historic Renovation
- Seismic Rehab
- Major Rehab
- New Construction
- Scattered Sites
- Mixed Use (specify, what kind)
- Sustainability (specify LEED, Earth Advantage, Other including Plat., Gold, Silver)

New Construction Type (Y/N)

- SFH/Townhouses
- Wood Frame (up to 4 stories)
- Podium Concrete/Wood (5-7 stories)
- Steel/Concrete (8+ stories)

Experience w Outreach & MWESB Contracting (last 24 mos, if available)

- Certified MWESB or DBE Company (Y/N)
- Targeted % MWESB (if applicable)
- % of Construction Contracts awarded to MWESB Firms
- Estimated % of Hard Costs
- Estimated % of Soft Costs

Financial Strength

- Total Financing Raised (estimated in \$MM)
- Unrestricted Cash (current estimated, in \$MM)
- Total Net Assets (current estimated, in \$MM)
- Bonding Capacity

Financing Experience (specify & estimated in \$MM)

- Tax Credits - 4% LIHTC, 9% LIHTC, HTC & NMTC
- PHB funding/support (specify) & CDBG, HOME, TIF, other government
- HUD Programs such as Sect 108, 221d4, 223F, 202/808
- Commercial & Others including grants