

Bond Opportunity Solicitation (BOS) – Spring 2019
Mandatory Developer Information session – Q & A

May 15, 2019

PHB Speakers: Shannon Callahan, Molly Rogers, Karl Dinkelspiel, Jill Chen, Bobby Daniels

JOHS Speaker: Nui Bezaire

Q1. Does the 1.5 average bedroom count apply to the Joyce Hotel or Westwind projects?

A1: No. As stated in the Investment Requirements (Section III), the Joyce and Westwind are exceptions to the 1.5 average bedroom count requirement.

Q2. Is there a database or list of attendees from the DMWESB Outreach PHB hosted recently and if so, was there some sort of vetting for the contractors on the attendee list?

A2: Our [Meet the Developers attendee list](#) is currently posted on the solicitation webpage. Contractors are certified through the State’s Certification Office for Business Inclusion and Diversity (COBID). You can log on to COBID and do an easy search for several types of certified consultants.

Q3. I understand the requirement that one-third of the units be restricted at 30% AMI. Is it possible to layer the Section 8 units on those 30% AMI restricted units? In other words, can Section 8 subsidies be used on the required 30% AMI units so those units receive the standard payment for rent rather than receiving 30% level rents?

A3: Yes. The standard payment for Project-based Section 8 vouchers in the BOS will be at 60% AMI.

However, Home Forward requires that projects must have a minimum of nine such units to be eligible for project basing of vouchers.

Q4. How were the total development cost caps per unit derived and why were those caps instituted?

A4: The BOS does not have a “total development cost cap.” The BOS does have subsidy per unit caps. The subsidy caps were derived from PHB’s experience with recent PHB subsidized projects and also reflect the financial modeling performed to help ensure Bond program goals can be met.

The Proforma (Form D) does calculate an average total development cost. It will be used as a gauge only and reflects what PHB understands as current market costs. *[Note: that the Updated Form D does not include a separate tab to calculate the average development costs.]*

Q5. If the project exceeds the total development cost cap, is the project deemed to be thrown out at threshold, or is it okay to exceed that? Is that a rigid requirement?

A5: The total development cost measure is not a rigid cap. It is used by PHB to understand the cost components of a project and how those compare to other projects in PHB's portfolio. If you are significantly above those measures, please explain the differential in the Project Narrative.

Q6. Why do studios only count as a 0.5 bedroom when you are still housing one to two people or by standard two plus one, and that is the same as a one bedroom? Is there a reason why we can't get an addendum published to bring that up to a 1.0 calculation?

A6: That is the HUD standard which is why PHB uses it. We'll take your request into consideration.

Consideration after meeting: The average bedroom size is a metric that PHB uses to better compare construction costs of projects. This is not an occupancy standard. This is not tied to payment standards nor maximum allowable gross rents. Studios and Single Room Occupancy (SRO) units have lower square footage requirements than one-bedroom units from OHCS and in Portland City Code. Therefore, we discounted these bedroom sizes to less than one, further discounting the size of an SRO, similar to design standards.

Additional note: PHB has eliminated the need for the Cost Standard tab from Form D - Proforma since PHB already has a maximum subsidy per unit which should not be exceeded. In general, the amount of public subsidy per unit is tied to cost per unit. In addition, respondents should be aware of any cost-per-unit limitations from other funders including Oregon Housing and Community Services.

Q7. The 7% PHB issuance fee substantially reduces the Development Fee projects can realize, especially when OHCS has a 30% cap on soft costs. Will it be required that the issuance fee be paid in or out of the capital budget? Whether or not it's eligible basis? Is that to be determined?

A7: Seven percent is the maximum level of fee that can be allocated, but the final percentage amount has not yet been determined. The PHB issuance fee exists because the Bureau cannot capitalize the administration of the Bond program when bond funds are loaned to private developers. The Bureau's real capitalizable costs have to be accounted for differently, in this case through an issuance fee.

Typically, the Issuer fees are maxed out at two percent. It would be reasonable if the remainder of the fee could be charged to construction administration, and thereby eligible for basis. If you create a fee, it would be helpful if you categorize that as more of a construction admin fee rather than an Issuer fee.

We are working with our City's Office of Management and Finance, as well as our Bond Council, to create a Bond program using a private development model. We anticipate splitting the fee into construction and issuer fees but have not determined the percentage splits yet.

It's going to be a struggle to have bond funds come in as a loan and to have it count as good debt for the partnership, so any guidance as to how to treat these funds in the back end would be very helpful.

Do you mean the Administration Fee?

No, this is the actual Bond funds that you will be administering to each project. These projects when they are valued at the end of the day are probably not going to be able to repay that money; for purposes of tax, it will be good or bad debt.

Please refer to the financial guidelines. They will explain the general parameters about how we treat solicitation funds as loans or grants. Most of our financing to date have been Cash Flow Split loans and our financing partners have not had a problem treating those as "good debt."

Q8. For the projects with Integrated PSH (minimum 5% of total units), do you want to see predominantly Permanent Supportive Housing for families?

A8: The 5% PSH units can be any bedroom size. If the PSH units will be paired with Project Based Section 8 vouchers then the preference is for family-size units. Projects can include additional PSH and/or 0-30% AMI on the other bedroom sizes.

Q9. We plan to build a project with fifty units, including ten units with existing affordability restrictions that will be demolished and rebuilt. Can we request Bond money for the 40 new units? And would this still meet the minimum unit investment requirements?

A9: The BOS requires that any units receiving Portland Bond funds may not have in effect any type of governmental/legal regulatory agreement on rents or tenants' incomes. The BOS also requires a minimum of 50 units per project. It would be at PHB's discretion as to whether the project you've described meets the BOS requirements.

Q10. In the investment requirements, the site control requirement references a Purchase and Sale Agreement (PSA) as meeting that requirement but closing no later than December 31, 2019. Is that the intent?

A10: Closing, no. Simply that you have site control, as demonstrated in the PSA, by the end of the year.

Q11. In Appendix C - Underwriting Metrics, is the maximum Developer Fee 8-12% of total development cost? Then the capitalized amount could be a maximum of 80% of the total Developer Fee?

A11: Please refer to the BOS, specifically Appendix C [underwriting metrics](#) for instructions on how to calculate developer fees.

So, for new construction the maximum total fee is fifteen percent regardless of project size, and then the maximum capitalized amount scales depending on the project size?

Yes, this is the same methodology PHB has used for many cycles.

Q12. One of the other areas of the Bond Solicitation talked about utilizing One App Fee/Oregon. Have you contemplated how that might play out with Regulatory Agreements, waiting lists, or Supportive Housing?

A12: OneApp Fee is part of the Additional Policies and Project Requirements (Appendix D). The area where we have contemplated asking the Developers to put this information is under the Affirmative Fair Housing Marketing Plan (see Appendix M), in order to broaden outreach efforts and use available resources to reach more communities. Use of OneApp Fee is not contemplated in any of the other PHB financing documents.

Q13. Can the PHB owned sites be considered in a scattered site proposal, combined perhaps with another project?

A13: PHB would allow a scattered site proposal so long as any/all units receiving Portland Bond funds meet the requirements of the BOS.

Q14. Is there a standard formula for the Capitalized Replacement Reserve?

A14: PHB does not have a standard formula for Capitalized Replacement Reserves as the reserves per unit are dependent on unit mix and project size, population served (e.g. majority PSH projects may require higher levels) and age/scope of acquisition/rehab of project. In new construction, PHB has seen banks and investors require a minimum of \$300-350/unit but these figures are generally based on project specifics. Any Capitalized Replacement Reserves will be required to stay in the project at the end of the tax credit compliance period and the LIHTC investor exit.

Q15. I only have a limited amount of time under my Due Diligence period to procure the property. If we don't get funding under this Solicitation, when will our next chance be to apply for funding?

A15: PHB has roughly \$150 million remaining in Portland Bond funds and about another \$200 million of Metro Bond funds. PHB expects to be doing Solicitations annually for the next several years, but the Bureau has not specified dates as yet.

But not necessarily an open application round? We can't just submit at any point in time for those future funds?

PHB hasn't determined that yet, but typically the process is the one you are experiencing now – just an open and a close date.

Q16. Should we expect the same Solicitation for all types of funding?

A16: The Metro Bond funds will have some nuances that that are different than the Portland Housing Bond, but there will be many similarities.