



**Portland  
Housing Bureau**

**Portland's  
Housing Bond**

Investing Together in Affordable Homes

# Bond Oversight Committee Meeting

Thursday, July 15, 2021



# Welcome! Online Meeting Protocols and Tips

1. Be patient and respectful.
2. Check speakers and microphone work properly.
3. Mute your microphone/phone when not speaking.
4. Introduce yourself before speaking.
5. The chat will be open for Public Testimony.\*

*\*This public meeting will be recorded, including the chat.*

# Agenda

## TOPIC

## LEAD

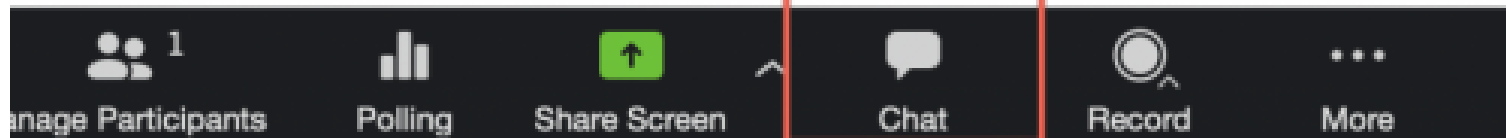
## TIME

| TOPIC  | LEAD               | TIME          |
|--|--------------------|---------------|
| <b>Welcome, Roll Call, Minutes</b>   | Dr. Steven Holt    | 9:30 - 9:35   |
| <b>Public Testimony (2 minutes per person)</b>   | Dr. Steven Holt    | 9:35 – 9:40   |
| <b>Portland’s Housing Bond Updates</b> <ul style="list-style-type: none"><li>• Quarterly reports</li><li>• Financial Audit Report</li><li>• Remaining Bond Funds</li></ul> | PHB Staff          | 9:40 – 10:15  |
| <b>Project Updates</b>   | Project Team Staff | 10:15 – 10:55 |
| <b>Closing Remarks</b>   | Dr. Steven Holt    | 10:55 – 11:00 |

# Public Testimony

Two minutes per person.

Submit your testimony via the Chat feature.





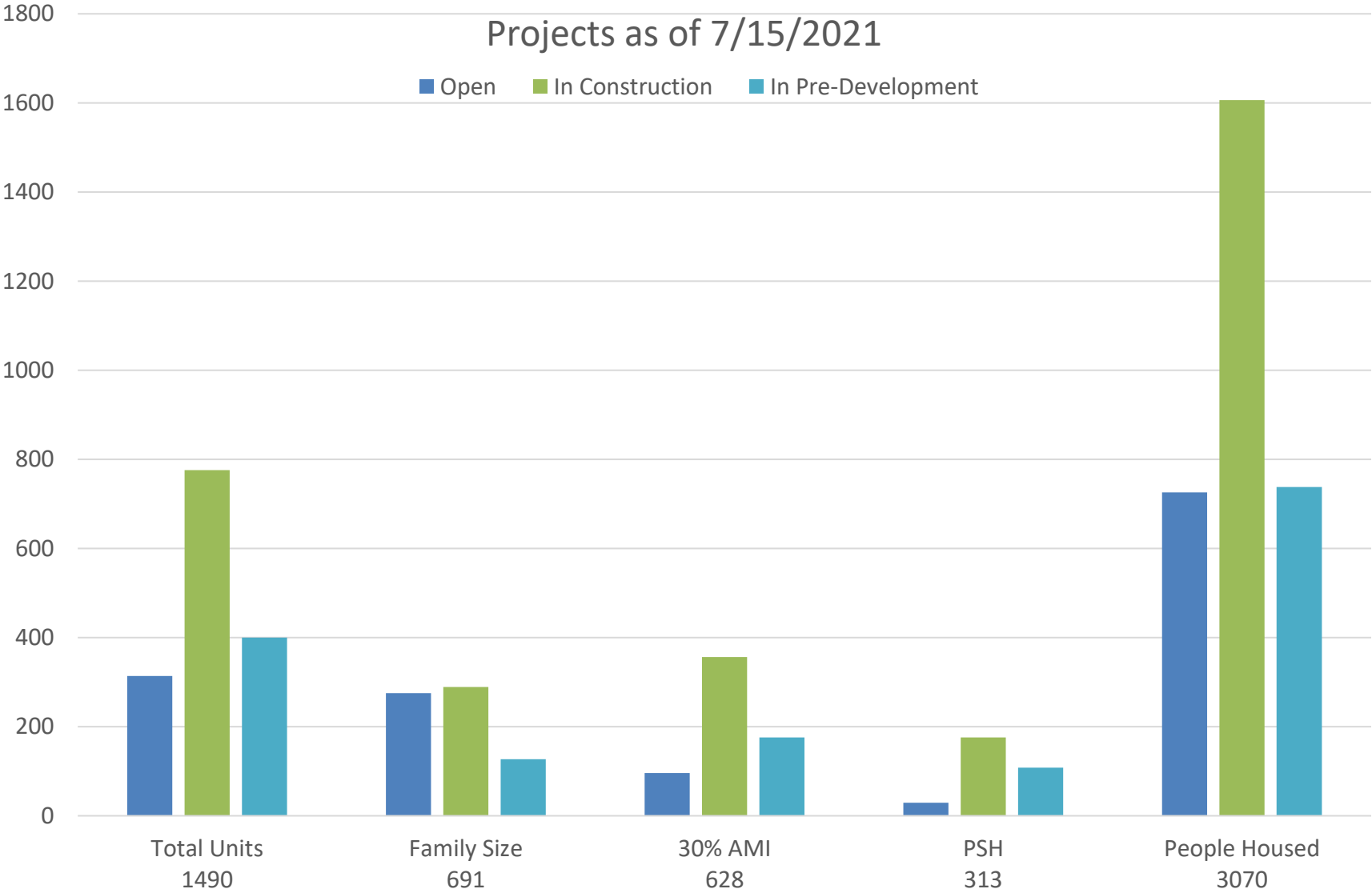
**Portland  
Housing Bureau**

**Portland's  
Housing Bond**

Investing Together in Affordable Homes

# Portland's Housing Bond Updates

# Bond Projects Dashboard Report



# Project Milestones

## In Construction



Crescent Court

October 2020



Cathedral Village

January 2021



Las Adelitas

March 2021



Hayu Tilixam

April 2021



Westwind Apts.



# Project Milestones

## In Construction



**Stark Street  
Housing**



**Emmons  
Place**



**3000-3032  
SE Powell**



**Anna Mann  
House**



**Joyce Hotel**

## Upcoming Financial Closings

June 2021

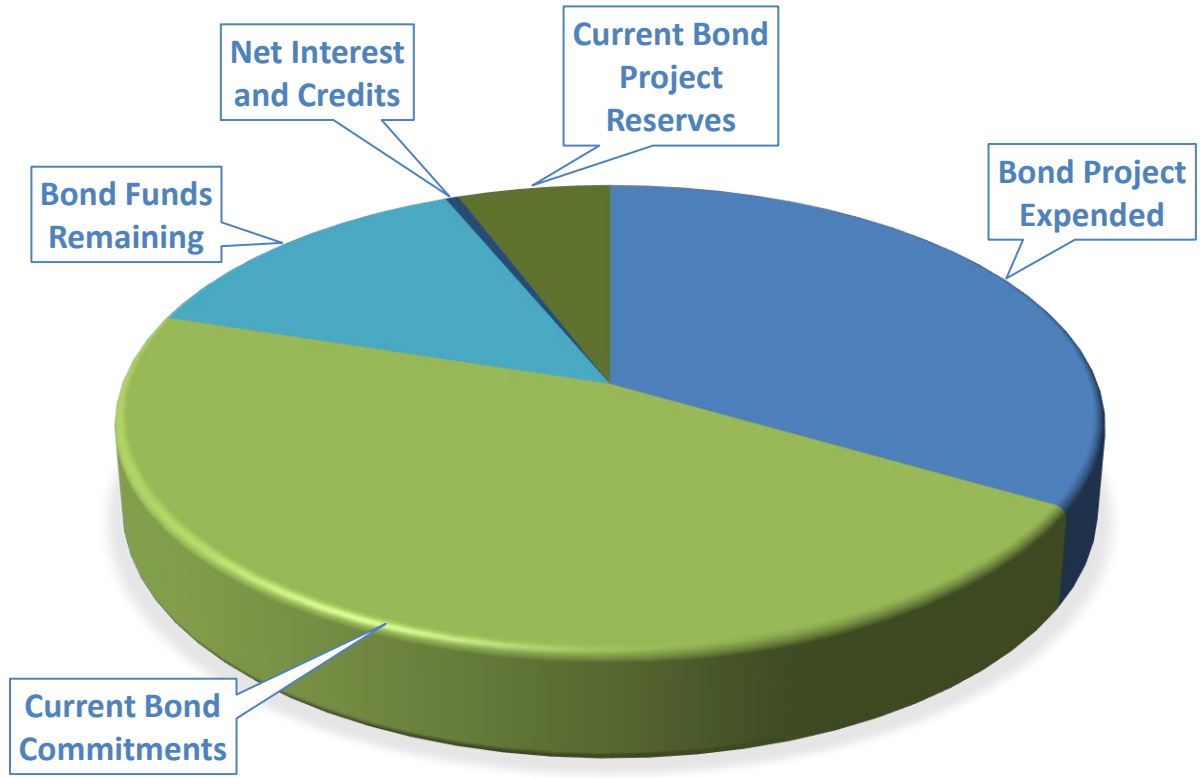
September

November

December 2021



# Expenditure Report Highlights



|                     | <b>Bond \$</b> | <b>% Bond</b> |
|---------------------|----------------|---------------|
| • Expended          | \$84.6M        | 32.59%        |
| • Committed         | \$122.8M       | 47.32%        |
| • Reserved          | \$15.0M        | 5.78%         |
| • Remaining*        | \$35.8M        | 13.81%        |
| • Interest/Credits* | \$1.29M        | 0.50%         |

*As of 6/30/2021*

**\*Funds for Future Projects = \$37.15M**



**Portland  
Housing Bureau**

**Portland's  
Housing Bond**

Investing Together in Affordable Homes

# Housing Bond Audit: Financial Performance from Fiscal Year 2019-2020

# Summary

HARVEY M. ROSE  
ASSOCIATES, LLC

1390 Market Street, Suite 1150 • San Francisco, California 94102  
(415) 552-9292 • (415) 252-0461 (FAX) • info@harveyrose.com

public sector management consulting



- No Bond-funded projects closed on their financing during FY 2019-20
- The audit found that expenditures charged to the Bond Program account conformed to the Bond measure
- The audit report included three findings and six recommendations intended to improve Bond Program documentation and reporting

# Finding #1

**Harvey Rose:** Reviewing and documenting procedures for Portland Housing Bureau staff time allocated to Bond-funded projects

**PHB's Response:** PHB agrees that timekeeping training (for both the many new staff as well as existing staff) will improve accuracy for Bond-funded activities. This effort would be conducted by the Business Operations Team Administration & Finance and Accounting groups.

# Finding #2

**Harvey Rose:** Updating and revising internal control procedures for reviewing loan disbursement requests to ensure compliance with loan agreement terms, Bond measure language, and state constitution requirements

## **PHB's Response:**

- The disbursement procedures manual will be updated to reflect new forms and certifications PHB has recently created
- Certification of bond eligibility remains with the Certified Public Accountants
- PHB will do additional monitoring of capitalizable costs
- PHB will include a certification to identify the source of funding for the Program Delivery Fee at time of financial close

# Finding #3

**Harvey Rose:** Enhancing reporting on Bond Program expenditures in the Annual Progress Report and quarterly reports to the Bond Oversight Committee

## **PHB's Response:**

- PHB will engage the BOC to determine revisions to the quarterly expenditure report
- PHB agrees that the bond funds per unit per project and average amount of bond investment per unit would improve dashboard report
- PHB will consider more information on project expenditures in the annual reports

# Portland's Housing Bond

## Next Steps





# Portland's Housing Bond

GOAL: 1,300 TOTAL UNITS

**EXCEEDED: 1,490 UNITS** ✓

GOAL: 600 UNITS AT 30% AMI

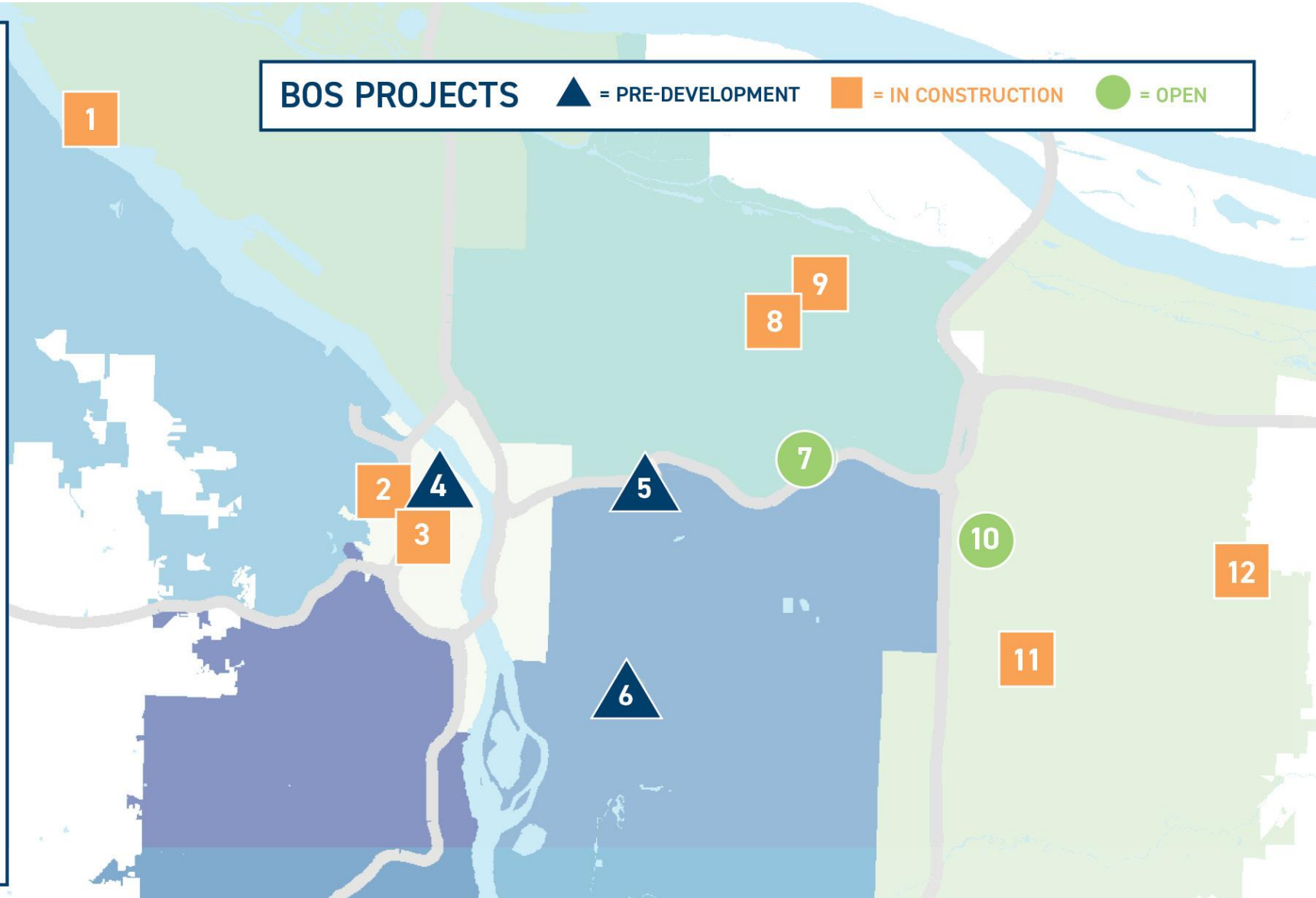
**EXCEEDED: 628 UNITS** ✓

GOAL: 300 UNITS OF PSH

**EXCEEDED: 313 UNITS** ✓

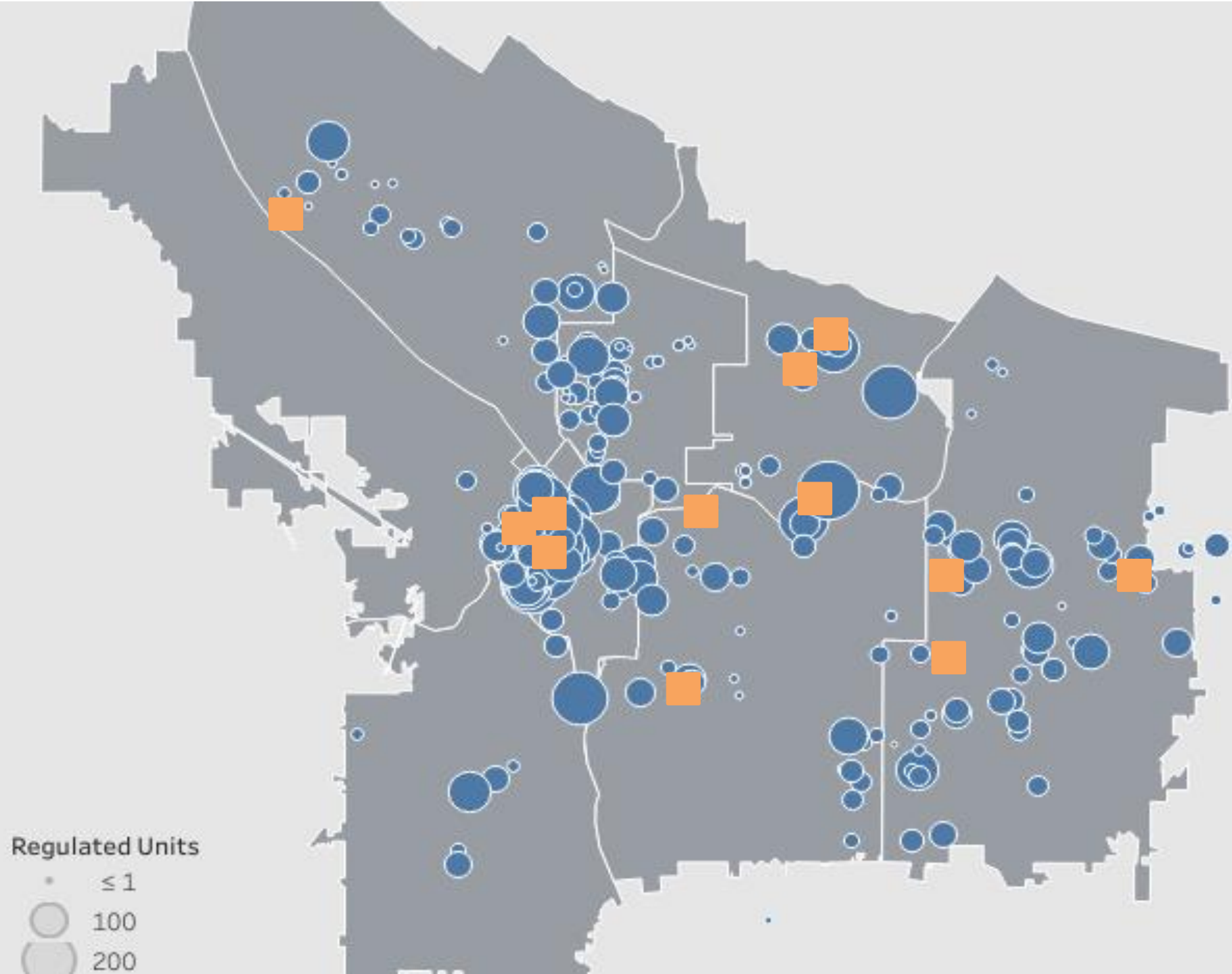
GOAL: 650 FAMILY-SIZE UNITS

**EXCEEDED: 691 UNITS** ✓





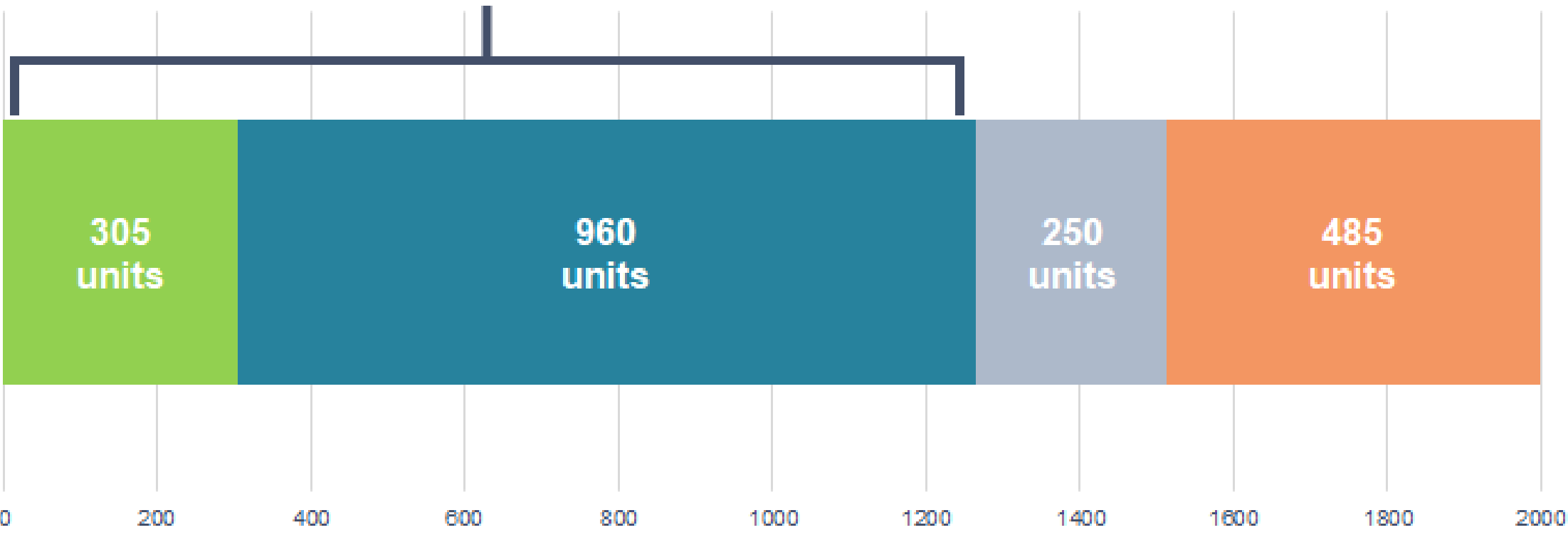
# PHB Housing Portfolio + Portland Bond Projects



# Supportive Housing Goal

From October 2017 to March 2021

**~ 1,265 Units**  
(in operation or planned)



■ Current ■ By 2023 ■ Units secured with Metro bond ■ Needed

# Planning Steps for Use of Remaining Bond Funds

## Feedback & Direction



**Portland  
Housing Bureau**

**Portland's  
Housing Bond**

Investing Together in Affordable Homes

# Bond Project Team Updates

Joyce Hotel and Anna Mann House



# The Joyce

311 SW Harvey Milk

Community Partners for Affordable Housing



# The Joyce

## Unit Mix

| Income Restriction    | Studio/ SRO | 1-Bdrm | 2-Bdrm | 3+ Bdrm | Total | Family-size | PSH |
|-----------------------|-------------|--------|--------|---------|-------|-------------|-----|
| 0-30%                 | 66          | 0      | 0      | 0       | 66    | 0           | 66  |
| 31-60%                | 0           | 0      | 0      | 0       | 0     | 0           | 0   |
| Market/ Manager Units | 0           | 0      | 0      | 0       | 0     | 0           | 0   |
| <b>TOTAL</b>          | <b>66</b>   |        |        |         |       |             |     |

**Estimated # People Housed: 66**

- Service Partner(s)
  - NARA
  - CAP
  - Cascadia BH
- Priority Communities Served
  - Homeless/PSH



# Project Funding Sources

|  |                     |
|--|---------------------|
| Portland Housing Bonds                 | \$2,254,778         |
| Other PHB funds, if any                | \$3,450,000         |
| Low Income Housing Tax Credits, if any | \$8,997,919         |
| Senior Commercial Debt, if any         | \$0                 |
| OHCS direct funding, if any            | \$0                 |
| Deferred and contributed developer fee | \$2,425,000         |
| <b>Total Funding</b>                   | <b>\$23,577,697</b> |
| Gap in Funding, if any                 | \$498,597           |
| <b>Total Project Costs</b>             | <b>\$23,675,988</b> |



**Portland's Housing Bond funding = \$2.25MM, leveraged 10 times; \$34k/ unit**

**Total PHB investment (Bonds + TIF) = \$6.20MM, leveraged four times; \$94/ unit**

# Development Progress

- **Current stage of development**
  - Permitting and Construction Documents
  - Commitments received from lender and investor
  - Land Use Decision received
- **Project Highlights**
  - Neighborhood Association supportive and excited about the building preservation
- **Upcoming Milestones**
  - Bidding
  - Constructability Review/Construction Documents
  - Permitting

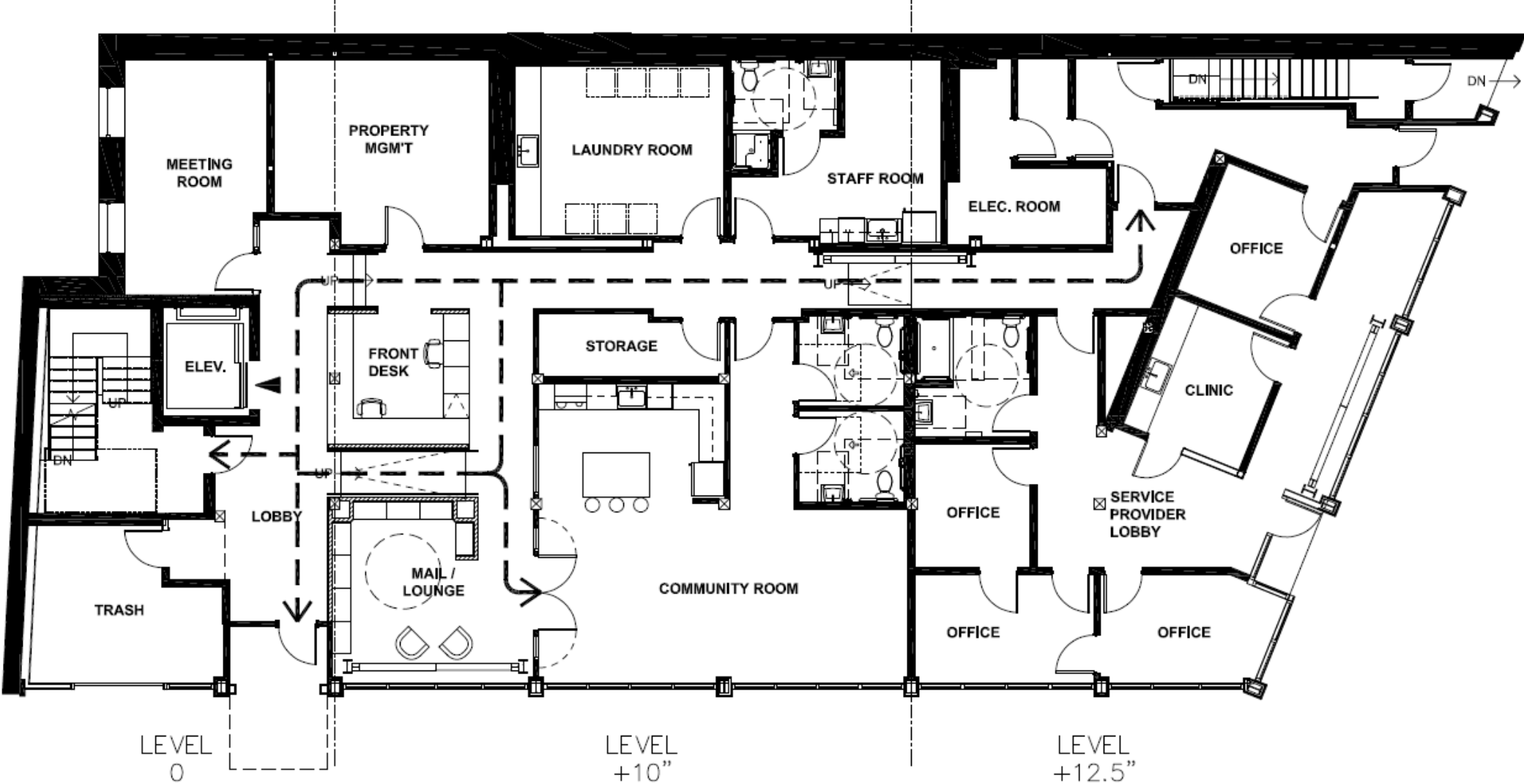


# Material Changes

## **Material changes since funding award**

- No longer has commercial space on ground floor – Prosper Portland funding not available
  - Resulted in improved service provider and community space on ground floor
- Roof deck and outdoor space was not able to be achieved within the current code

# Ground Floor Redesign



# DMWESB-SDV Updates

## Culturally Specific Partners

### Updates:

- Bremik will present to COEP (Community Opportunities and Enhancement Program) in August prior to issuing bid set
- Native American Rehabilitation Association, Cascade AIDS Project, and Cascadia Behavioral Health will be providing services
- Cascadia will also be providing trauma informed property management services and 24-hour desk coverage

## Issues / Challenges

- Due to COVID related furloughs etc. the permitting timeline has been difficult to predict, simultaneously, OHCS is scheduling closings a year in advance.
- Volatility in the lumber and labor market due to COVID paired with volatility in the tax credit markets due to the same. While the locking of the 4% provided much needed equity, it also eroded per credit pricing.

# Community Engagement

## Highlights:

- Began community engagement before submitting application
- NARA, CAP, Cascadia, and CPAH staff and residents have been engaged in design conversations since day one
- Adapting services during COVID





# Anna Mann House

1025 NE 33<sup>rd</sup> Avenue

Innovative Housing, Inc.





# Anna Mann

- Service Partners include Innovative Housing, the Immigrant and Refugee Community Organization (IRCO), Black Parent Initiative (BPI), New Narrative
- Populations served include low-income families & individuals, households exiting homelessness, immigrants & refugees, and other communities of color.

## Unit Mix

| Income Restriction | Studio/ SRO | 1-Bdrm    | 2-Bdrm    | 3+ Bdrm   | Total      | Family-size | PSH       |
|--------------------|-------------|-----------|-----------|-----------|------------|-------------|-----------|
| 0-30%              |             | 24        | 13        | 5         | 42         | 18          | 12        |
| 31-60%             |             | 42        | 35        | 9         | 86         | 44          | 0         |
| Manager            |             |           | 1         |           |            |             |           |
| <b>TOTAL</b>       |             | <b>66</b> | <b>48</b> | <b>14</b> | <b>129</b> | <b>61</b>   | <b>12</b> |

**Estimated # People Housed: 312**



# Development Progress

## **Current stage of development**

- Permitting Approval in Process
- Architect's Response to Initial Comments Complete

## **Project Highlights / Partners**

- Project Achieved Landmarks Approval
- Updated Cost Estimating Completed
- New service partners: Black Parent Initiative, Know Me Now, and Islamic Social Services of Oregon State

## **Upcoming Milestones**

- Final Bids (Sept 2021)
- Permits (Oct 2021)
- Closing/Construction start (Nov 2021)
- Deadline to pay down \$6 MM acq loan: Dec. 1, 2021



# DMWESB-SDV

## Updates

### Updates:

- National Association of Minority Contractors Oregon (NAMC) will consult and provide technical support for COBID subcontractor recruitment at bid time in September.
- NAMC and IHI are working with both contractors to develop a project specific Anti Hazing Program and customized Zero Tolerance Policy for the job site.

# DMWESB-SDV Updates

## Current Projected Participation

Silco: 38%

Todd: 33%

**Project Total: 36%**

# Material Changes

## Material changes that have occurred

- Cost Estimates came in significantly higher than anticipated due to design progression and pandemic related inflation
- Costs are now above current GC (Silco)'s bonding capacity

# Change in Project's Hard Costs

| Anna Mann Hard Cost Estimates Over Time  |                                   |                   |                    |                         |                            |
|--|-----------------------------------|-------------------|--------------------|-------------------------|----------------------------|
|  | Original BOS proposal 88 units ** | 128 Units         | Scope/price change | Pandemic Price Increase | Addition of 2nd Contractor |
|  | June 2019                         | July 2020         | Nov 2020           | April 2021              | June 2021                  |
| Old Building, 1910   |                                   | 4,598,164         | 5,319,460          | 6,240,064               | 6,280,887                  |
| Old Building, West Wing  |                                   | 983,057           | 1,365,773          | 1,585,767               | 1,596,143                  |
| Old Building, East Wing  |                                   | 554,554           | 564,640            | 668,081                 | 672,540                    |
| South Building   |                                   | 4,996,420         | 5,853,126          | 6,459,111               | 6,501,192                  |
| East Building*   |                                   | 5,676,015         | 6,435,263          | 7,631,754               | 10,538,863                 |
| Site Work  |                                   | 567,438           | 1,037,247          | 1,201,978               | 1,209,110                  |
| Silco Contingency  |                                   |                   | 500,000            | 500,000                 | 500,000                    |
| <b>Totals:</b>   | <b>13,680,690</b>                 | <b>17,375,648</b> | <b>21,075,509</b>  | <b>24,286,755</b>       | <b>27,298,735</b>          |
| *June estimate for East Building is from Todd Construction, all others from Silco Construction |                                   |                   |                    |                         |                            |
| ** Costs were combined in initial application  |                                   |                   |                    |                         |                            |

Does not include costs outside scope of GC contract

# Change in Project Subsidy Request

| <b>Anna Mann Subsidy Request Over Time</b> |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
|  | <b>88 Units</b>   | <b>128 units</b>  | <b>Current</b>    |
|  | <b>June 2019</b>  | <b>July 2020</b>  | <b>June 2021</b>  |
| <b>PHB Request</b>                         | 12,964,051        | 15,869,341        | 18,764,016        |
| <b>Request/unit</b>                        | 147,319           | 123,979           | 146,594           |
| <b>Special Materials Contingency</b>       |                   |                   | 435,984           |
| <b>Total Request</b>                       | <b>12,964,051</b> | <b>15,869,341</b> | <b>19,200,000</b> |
| <b>Request/unit</b>                        | 147,319           | 123,979           | 150,000           |



# Project Funding Sources

| Project Sources (129 unit project)        | 2020                | 2021 Update         |
|---|---------------------|---------------------|
| Portland Housing Bonds                    | \$16,980,195        | \$16,980,195        |
| Historic Tax Credits                      | \$1,357,256         | \$2,337,641         |
| Low Income Housing Tax Credits            | \$12,210,803        | \$22,232,232        |
| Senior Commercial Debt                    | \$6,738,111         | \$6,663,473         |
| OHCS direct funding - Energy              | \$83,287            | \$83,287            |
| Deferred fee/Sponsor Capital Contribution | \$1,442,430         | \$3,600,000         |
| <b>Total Funding</b>                      | <b>\$37,701,228</b> | <b>\$51,896,832</b> |
| <b>Gap in Funding, if any</b>             | <b>\$0</b>          | <b>\$3,330,659</b>  |
| <b>Total Project Costs</b>                | <b>\$37,701,228</b> | <b>\$56,827,491</b> |



**If Portland Housing Bond fills gap, total investment is \$19,200,000 or \$150,000 per unit. Leverage of other sources is approximately 3:1.**

# Material Changes

To solve the contractor bonding issue, PHB requested that IHI consider three possible solutions:

- 1) Bring in second GC and split work scope between them**
- 2) Hire a new, single GC with higher bonding capacity**
- 3) Reduce project back to original 88-unit proposal**

# Scenario 1

## (recommended)

### Most Viable Solution

#### 1) Bring in second GC

##### Pros:

- Lowest cost option
- Retain contractor expertise
- Maintain Project Timeline
- Synergy with added GC

##### Cons:

- Added complexity



**No gap if PHB funds at \$150k/unit**

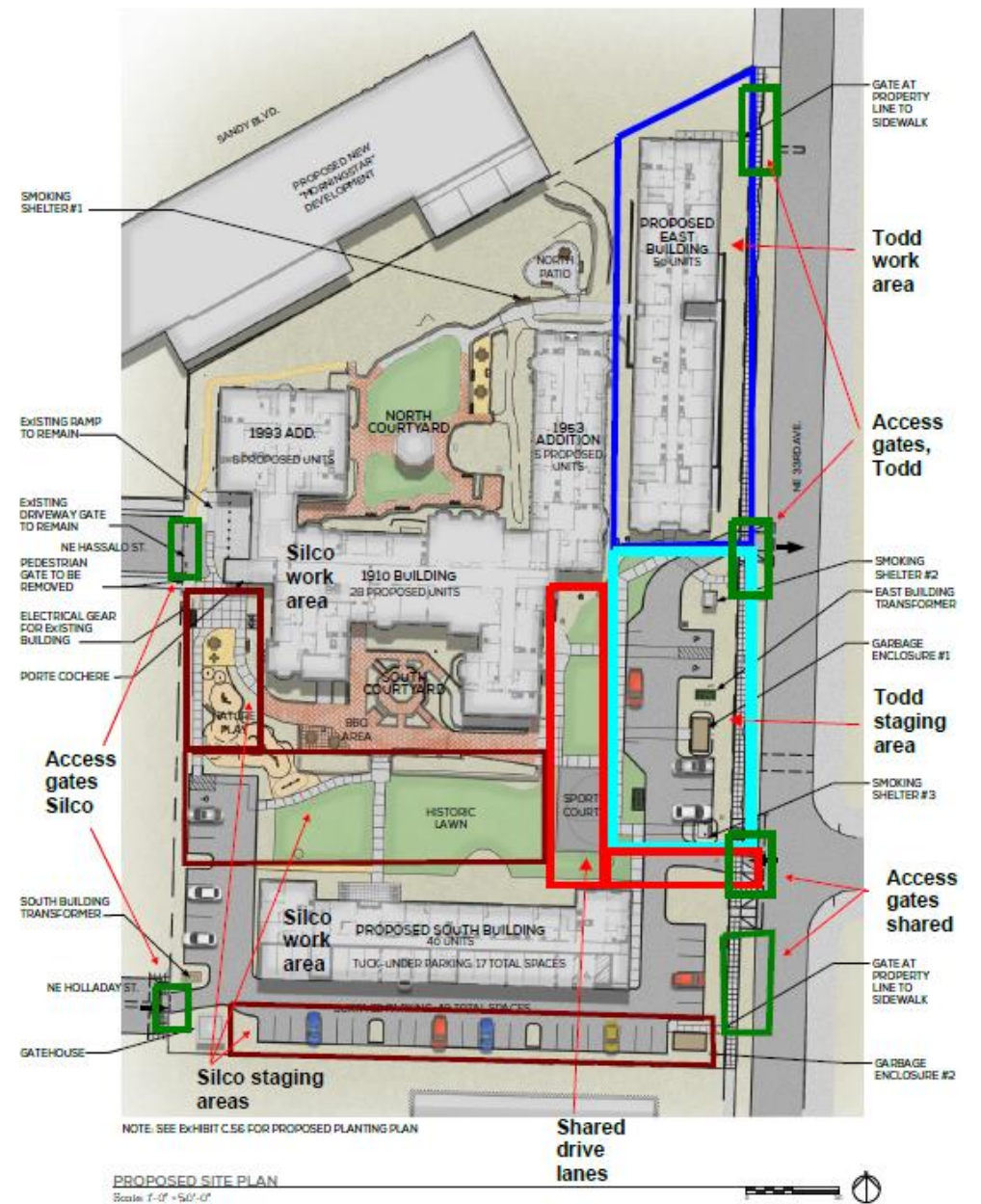


# Scenario 1: Shared work site plan

## Planned Work Division Two Contractors

Silco Scope (red):  
Site work  
Historic building  
New South Building

Todd scope (blue):  
New East Building



## Scenario 2

### Alternative 2): New single GC

#### Pros:

- Less project coordination

#### Cons:

- Significantly higher cost with larger GC
- Project delay
- Loss of current team's knowledge about building

**Approximate Additional Gap:  
\$5 million**

**(assuming Bond capped at \$150k/unit)**

**(Higher cost based on recent estimates for similar projects)**

## Scenario 3

### Alternative 3: Reduce project to 88 units

#### Pros:

- Less Complexity
- Retain Silco pricing/experience

#### Cons:

- Lost opportunity
- Underutilization of site compared to 129 units
- Sunk costs = high cost per unit
- Subsidy cap = funding gap

**Estimated Additional Gap:**

**\$3.5 million**

**(assuming Bond capped at \$150k/unit)**



# QUESTIONS

# Closing Remarks

*Next Meeting Date: October 7, 2021*