



HOUSTON
HOUSING AUTHORITY

Transforming Lives & Communities

REQUEST FOR BOARD AGENDA ITEM

1. Brief Description of Proposed Item

Memorandum of Understanding with Ojala Partners, LP

2. Date of Board Meeting: August 27, 2019

3. Proposed Board Resolution:

Resolution: The Houston Housing Authority Board of Commissioners authorize the President & CEO to negotiate and execute one or more Memorandums of Understanding and make any corrections and changes as necessary with Ojala Partners, LP for the formation of two partnerships to develop 600 Class A mixed income units pursuant to the memorandum dated August 13, 2019, from Michael Rogers, Vice President Fiscal & Business Operations, to Tory Gunsolley, President & CEO.

4. All Backup attached?

Yes

No

If no, what is missing and when will it be submitted: _____

5. Department Head Approval Signature _____ Date: _____

6. Statement regarding availability of funds by VP of Fiscal Operations

Funds Budgeted and Available Yes No Source _____

Account # _____

VP of FO Approval Signature _____ Date: _____

7. Approval of President & CEO

Signature _____ Date: _____



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MEMORANDUM

TO: TORY GUNSOLLEY, PRESIDENT & CEO
FROM: MICHAEL ROGERS, VICE PRESIDENT FISCAL & BUSINESS OPERATIONS
SUBJECT: MEMORANDUM OF UNDERSTANDING WITH OJALA PARTNERS, LP
DATE: AUGUST 13, 2019

This memorandum recommends that the Houston Housing Authority Board of Commissioners authorize the President & CEO to negotiate and enter into one or more Memorandums of Understanding (MOU) with Ojala Partners, LP (Ojala) to provide additional affordable and mixed finance housing in the City of Houston.

BACKGROUND

The Houston market area has a substantial shortage of affordable housing units. Recent Census data indicates that over 400,000 households in Houston qualify for housing assistance at 80% of the Area Median Income (AMI), additionally there are 155,582 families currently living in poverty. Over 200,000 families in Houston pay greater than 30% of their income for housing. The existing housing stock only provides affordable opportunities for 76,725 families in Houston. This sheds light on the extent of the need for affordable housing for all families at all income ranges below 80% of AMI.

The Houston Housing Authority wishes to increase the number of affordable housing units available for qualified residents within its jurisdiction. To facilitate this, Qualification Based Solicitation QBS 18-01 was issued on January 26, 2018.

This goal of QBS 18-01 is to solicit acquisition, rehabilitation or construction opportunities involving affordable housing. The QBS establishes multiple rounds of solicitations calling for bids to be submitted by the deadlines set forth in the amended QBS.

Each round provided for an approximate thirty-one (31) day negotiation period to enter into a MOU concerning the submitted acquisition, rehabilitation or construction opportunity.

Ojala is proposing a two partnership be created will allow for the development of 600 Class A mixed income units located in the East River area. This area is located adjacent to the boundary of the Second Ward. The Second Ward is designated as a Complete Community by the City of Houston.

Ojala is proposing that Phase I consist of 375 units. 191 of these units would be designated as affordable units. 154 would be made available to families at 80% AMI. 37 of these units would be made available to families at 60% of AMI. These 37 units could be allocated as PBV units if the PBV rents are at 130% of the FMV for the zip code. The remaining 184 units in Phase I will be market units.

Ojala is proposing that Phase II consist of 225 units. 115 of these units would be designated as affordable units. 43 would be made available to families at 80% AMI. 22 of these units would be made available to families at 60% of

AMI. 50 of these units would be made available to families at 30% of area AMI. These 30 and 60% units could be allocated as PBV units if the PBV rents are at 130% of the FMV for the zip code. The remaining 1110 units in Phase I will be market units.

The Housing Authority core responsibilities are:

- Cause Harris County Appraisal District to confirm the tax exempt status of the development
- Use best efforts to secure the 130% payment standard on the PBV's.
- Oversee affordable compliance

Ojala's core responsibilities are:

- Direct and manage the due diligence process from contract through and after Land closing
- Secure acquisition financing as well as the market rate equity required at Land closing
- Provide credit-enhancement and/or completion and repayment guarantees associated with the debt financing upon Development Closing
- Post-Land closing and Post-Development Closing - oversee the development work as well as the full implementation of the business plan

The negotiated MOU(s) will require board approval at a later board meeting.

EVALUATION COMMITTEE

The Evaluation Committee for QBS 18-01 round eleven (12) consisted of Michael Rogers, Vice President Fiscal & Business Operations, Jonathan Zimmerman, Senior Policy Analyst and Alan Isa, Policy Analyst. Michael Rogers chaired the evaluation committee

SCORING

The terms of QBS 18-01 called for the evaluation committee to evaluate each submittal and to recommend that each proposal scoring in excess of seventy-five (75) points be selected to determine if a MOU could successfully be negotiated.

The scoring criteria and results are listed below:

EVALUATION CRITERIA	OJALA
<p>CRITERIA 1 (10 POINTS) - Demonstrated Expertise & Relevant Experience Design, Construction & management of mixed income/mixed finance developments Reference - financial institutions, governmental entities and former clients</p>	10
<p>CRITERIA 2 (25 POINTS) - Design and location Ability to comply with HUD Site and Neighborhood Standards Development serves and underserved community or population Community amenities including low poverty rates, low crime rates, high school achievement, access to employment Absence of environmental issues</p>	16

<p>CRITERIA 3 (10 POINTS) - Ability to meet Section 3 and M/WBE requirements Proposal to meet requirements Track record of meeting requirements</p>	<p>7</p>
<p>CRITERIA 4 (20 POINTS) - Development Partner Plan Overall Feasibility of the Plan Schedule of performance / timeline Strategy / Methodology, Acquisition with or without rehabilitation or new construction Development Specifications that contribute to the mission of HHA proposed number and type of affordable units Construction / Rehabilitation estimates, proposed construction partners</p>	<p>16</p>
<p>CRITERIA 5 (10 POINTS) - Proposed Budget Development and operating pro forma including the amount of gap funding assistance needed from HHA relative to the amount of public benefit Sources and Uses including cash flow</p>	<p>7</p>
<p>CRITERIA 6 (25 POINTS) - Economic Benefit to HHA Allocation of Income Streams for all Revenue sources and providing guarantees post Development partner exit Developer Fee Split Proposed Ground Lease Payments Right of First Refusal, purchase option, exit strategy</p> <p style="text-align: right;">TOTAL POINTS</p>	<p>22</p> <p style="text-align: right;">78</p>

The Ojala submittal met the minimum score threshold and was selected to determine if one or more Memorandums of Understanding could successfully be negotiated.

RECOMMENDATION

Accordingly, I recommend that the Board considers this resolution, which states:

Resolution: The Houston Housing Authority Board of Commissioners authorize the President & CEO to negotiate and execute one or more Memorandums of Understanding and make any corrections and changes as necessary with Ojala Partners, LP for the formation of two partnerships to develop 600 Class A mixed income units pursuant to the memorandum dated August 13, 2019, from Michael Rogers, Vice President Fiscal & Business Operations, to Tory Gunsolley, President & CEO.