



HOUSTON
HOUSING AUTHORITY

Transforming Lives & Communities

REQUEST FOR BOARD AGENDA ITEM

1. Brief Description of Proposed Item

Memorandum of Understanding with NRP Group

2. Date of Board Meeting: October 16, 2018

3. Proposed Board Resolution:

Resolution: The Houston Housing Authority Board of Commissioners authorize the President & CEO to negotiate and execute a Memorandum of Understanding and make any corrections and changes as necessary with the NRP Group for the formation of a housing development partnerships to provide additional affordable housing units pursuant to the memorandum dated October 2, 2018, 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 NRP GROUP
DATE: OCTOBER 2, 2018

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 The NRP Group to provide additional affordable 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 ten (10) rounds of bid solicitations calling for bids to be submitted by the deadlines as follows:

- | | |
|-------------------------------|----------------------------------|
| Round One – February 22, 2018 | Round Six– July 27, 2018 |
| Round Two – March 23, 2018 | Round Seven – August 31, 2018 |
| Round Three – April 26, 2018 | Round Eight – September 18, 2018 |
| Round Four – May 25, 2018 | Round Nine – October 16, 2018 |
| Round Five – June 29, 2018 | Round Ten - November 13, 2018 |

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.

The NRP Group is proposing a partnership be negotiated that will allow the development of a new 324 unit apartment complex to be Constructed. 304 of the new units will be for families with incomes less than 60% of the AMI with the remaining 20 units for families at 30% of the AMI. This is a proposed 4% Bond LIHTC development.

HHA will earn a 25% interest in the developer fee and a 50% participation in future cash flow of the development once certain preferential returns have been made. HHA is not required to make a capital contribution.

The NRP group is open to considering increasing the number of deeply affordable units if HHA can provide the additional funds required to pursue this alternative.

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

EVALUATION COMMITTEE

The Evaluation Committee for QBS 18-01 round three (3) consisted of Michael Rogers, Vice President Fiscal & Business Operations, Katie Barbour-Jakubcin, Policy Analyst and Cody Roskelley, Director, Real Estate Investment Department. 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	
<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>	20
<p>CRITERIA 3 (10 POINTS) - Ability to meet Section 3 and M/WBE requirements Proposal to meet requirements Track record of meeting requirements</p>	6
<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>	15
<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</p>	10

Sources and Uses including cash flow	
CRITERIA 6 (25 POINTS) - Economic Benefit to HHA	18
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	
TOTAL POINTS	79

The NRP Group submittal met the minimum score thresholds and were selected to determine if a Memorandum 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 a Memorandum of Understanding and make any corrections and changes as necessary with the NRP Group for the formation of a housing development partnerships to provide additional affordable housing units pursuant to the memorandum dated October 2, 2018, from Michael Rogers, Vice President Fiscal & Business Operations, to Tory Gunsolley, President & CEO.



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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.

The NRP Group is proposing a partnership be negotiated that will allow the development of a new 330 unit apartment complex to be Constructed. This development will involve the creation of a PFC public/ private development. NRP will cover all pre development costs.

50% of the units will be available to families at 80% AMI.

HHA will earn a Origination fee similar to a ground lease for the for the PFC participation, an annual Asset Management fee and participation in operating cash flow and a participation in cash flow from major capital events. HHA is not required to make a capital contribution but is expected facilitate the property achieving tax exempt status. At the end of the ground lease the PFC will own the land and improvements outright.

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

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CRITERIA 6 (25 POINTS) - Economic Benefit to HHA	16
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Developer Fee Split	
Proposed Ground Lease Payments	
Right of First Refusal, purchase option, exit strategy	
TOTAL POINTS	75

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