

Investing in Portland's Future

PDC

PORTLAND DEVELOPMENT COMMISSION

INTERSTATE CORRIDOR URBAN RENEWAL AREA

**Request for Proposals
For
Homeownership Development
07-07**

August 2007



I. INTRODUCTION

The Portland Development Commission (PDC), the urban renewal agency of the City of Portland, is responsible for implementation of the City's housing programs. PDC administers a variety of housing development and finance programs to help meet Portland's housing goals of providing a diversity of affordable housing types throughout the City that help support broader area and neighborhood development objectives, as well as accommodate a growing population.

As part of its ongoing effort to provide homeownership opportunities to low and moderate income households, as well as to further the goals of the Interstate Corridor Urban Renewal Plan and Citywide housing goals, PDC is making available up to **\$1,325,000** of urban renewal housing resources through this Request for Proposal (RFP). At the time of this RFP, **\$650,000** of the funds are available in the fiscal year 2007-08 adopted budget and **\$675,000** is proposed to be added to the fiscal year 2008-09 budget. Funds for FY 2008-09 cannot be committed until the FY 2008-09 budget is adopted by the Commission. Through this RFP, PDC will fund **Programs** and/or **Projects** that revitalize existing and/or create new affordable ownership housing in the Interstate Corridor Urban Renewal Area (ICURA).

Funds under this RFP will be awarded to **Programs** and/or **Projects** in the following categories:

Nonprofit Purchase, Renovation, and Resale Program

Nonprofits can request an allocation of funds to support a *Nonprofit Purchase, Renovation and Resale Program* through which they will purchase existing single family homes located in the ICURA, perform needed rehabilitation/renovation and resell the home to an income eligible homebuyer. Prior to approval of funds, specific sites must be identified and meet the PDC current loan product underwriting requirements.

Nonprofit buyer initiated rehab programs are also eligible under this component. While not specifically a part of this RFP, PDC can also provide first mortgage purchase/renovation financing directly to the nonprofit as part of a pilot financing program being offered in partnership with Fannie Mae. Once renovation is complete, this first mortgage can be assumed by an eligible homebuyer.

Nonprofit New Construction Program

Nonprofits can request an allocation of funds to support new construction homeownership programs within the ICURA that do not have sites identified or under contract. Funds may be reserved to provide assurance that resources will be available for a stated purpose once projects are identified. Prior to approval of funds, specific sites must be identified and meet the PDC underwriting requirements for the specific type of financing requested. If PDC resources are used in the development phase of the project,

PDC funds must ultimately transfer to the homebuyer through established PDC assistance products.

New Construction Projects

Nonprofit and for-profit proposers can request an allocation of funds to support the development of a specific affordable homeownership project within the ICURA.

Applications under this category must have site control and a project plan in place.

Financing applications will be considered under the terms of PDC's Housing Development Finance list of products available; a list of which can be located at www.pdc.us/housing_serv/hsg_development/loans_and_programs.asp.

Ultimately, the benefit of PDC funds must transfer to the homebuyer through established PDC assistance products.

II. POLICY AND PLANNING CONTEXT

The Interstate Corridor Urban Renewal Plan was adopted by the Portland City Council on August 16, 2000 and contains the following housing goal:

Enhance Portland's vitality as a community at the center of the region's housing market by providing housing of different types, tenures, density, sizes, costs, and locations that accommodate the needs, preferences, and financial capabilities of current and future households.

A key element of the URA Plan was to ensure that urban renewal activities benefit existing residents. The URA Plan put specific emphasis on ensuring that existing residents are provided wealth creation opportunities through homeownership, business and employment opportunities.

http://www.pdc.us/pdf/ura/interstate/interstate_corridor_urban_renewal_plan.pdf

Interstate Corridor Urban Renewal Area Housing Strategy

In order to help realize this housing goal and its related objectives, an Interstate Corridor Urban Renewal Area Housing Strategy was created and adopted by the Portland Development Commission on March 13, 2002. This Strategy outlines an array of products, programs, and activities to be implemented by the Portland Development Commission through the life of the Interstate Corridor Urban Renewal Plan.

Key goals and strategies outlined for new development and homeownership include:

- A. Increase homeownership among existing residents, including current renters, people of color, limited and non-English speakers, and people with disabilities

- B. Expand the stock and continuum of homeownership buying opportunities including increasing the supply of permanent and/or long-term affordable homeownership housing stock.
- C. Increase the purchase opportunities and buying power for first-time homebuyers
- D. Support the development of infill housing on vacant lots and accessory dwelling units within Interstate neighborhoods to protect existing residents against displacement.
- E. Support the development of sustainable housing that has increased environmental performance and durability and is physically compatible with the surrounding neighborhood.
- F. Increase opportunities for local business and workforce participation in housing construction and rehabilitation projects.
- G. Preserve and support the development of large units with two, three or four bedrooms to accommodate family housing needs.

http://www.pdc.us/pdf/ura/interstate/interstate_housing_strategy.pdf

The City of Portland has adopted the goal of eliminating the minority homeownership gap by 2015 as part of an effort called *Operation H.O.M.E.: Home Ownership and Minority Equity* (<http://www.operationhome.net/>). This will require the creation of approximately 13,000 new homeowners from Communities of Color. PDC is a participant in Operation H.O.M.E., and to that end, will prioritize proposals that demonstrate innovative strategies to provide homeownership opportunities to African American, Native American, Asian/Pacific Islander, and Latino homebuyers.

III. THRESHOLD REQUIREMENTS

Threshold requirements are established to ensure that all proposals selected through this RFP provide quality housing; are completed by proposers with demonstrated ability to deliver affordable ownership housing; are financially feasible; can be developed in a timely manner; effectively utilize limited TIF resources; provide affordable homeownership opportunities to targeted income households; include creative and innovative marketing strategies to attract buyers from minority and underserved markets; and creatively uses employee workforce training programs and provide opportunities for emerging and small businesses.

Threshold requirements may be fulfilled in a variety of ways depending on the **Program/Project** approach selected by the proposer. All proposals must have the following components to be successful.

Organizational Capacity

Proposers must demonstrate the capacity to manage the affairs of their organization and to acquire, finance, develop/renovate, market, and re-sale a proposed program/project to income eligible home buyers, including:

- The ability to create a development team with the experience and capacity to successfully implement/complete the proposed program/project within budget;
- Key staff members assigned to the program/project have the qualifications and abilities to successfully complete the program/project;
- Demonstrated financial management capacity;
- Experience working with the Public Sector in public/private real estate programs/projects; and in developing partnerships with other entities for the successful completion of identified programs/projects.

Program/Project Feasibility

Program/Project proposals will be reviewed based on the following;

Nonprofit Purchase Renovation Resale Program proposals must include a program operating budget and a plan outlining the strategy the proposer will use to manage a purchase and renovation program. This plan should include strategies to identify homes, determine rehabilitation/renovation needs, assemble the necessary financing, demonstrate affordability to the target market, and attract applicants from the targeted markets.

Nonprofit New Construction Program proposals must include a program operating budget and a plan outlining the strategy the proposer will use to identify and secure appropriate sites. This plan should outline a development strategy of steps required to assemble the necessary financing, demonstrate affordability to the target markets, and attract applicants from the target markets.

New Construction Project proposals must demonstrate site control, articulate a development plan including the number of units, appropriateness of unit sizes for location, income level of targeted buyers, site utilization, constructability, compatibility with neighborhood, compliance with zoning code (or ability to obtain land use approvals), financial feasibility (including sources and uses statement, absorption projections and PDC subsidy per unit, copy of other financing commitments and development timeline).

Readiness

Nonprofit Purchase Renovation Resale and *Nonprofit New Construction Program* proposers must demonstrate the ability to complete and sell properties to eligible homebuyers within 12 months of award.

New Construction Projects proposers must show evidence of site control and demonstrate the ability to complete and sell the properties to eligible homebuyers within 12 months of award.

Cost Reasonableness

All proposals will be reviewed for cost reasonableness and for the amount of PDC funds requested. Awards will not necessarily be granted based upon the lowest cost per unit.

Proposers must provide basis of proposed costs; whether it is based on a recently renovated or constructed project, a current Sale Agreement and actual bids, or preliminary estimates.

Affordability

Affordability target guidelines set by PDC require that tax increment funds used to develop for-sale housing must finance units affordable to families at or below 80 percent of median family income (MFI). However, units affordable to families at or below 100 percent MFI are also allowed under the guidelines provided they include three or more bedrooms.

Proposers must provide sufficient data to indicate their ability to develop, market, and sell homes affordable to families at or below 80 percent MFI. After proposer has established a target sales price they must demonstrate affordability and marketability to targeted income levels.

Proposers must demonstrate the ability to integrate recapture and/or retention mechanisms into the PDC financing ultimately provided to the home buyers. Proposers should assume that first mortgage financing for a homebuyer will come from private lending institutions or PDC's Neighborhood Housing Program (NHP). Eligible households must obtain the maximum affordable amount of first mortgage financing before subsidy is applied and the benefit of PDC funds must ultimately transfer to the homebuyer. Proposers should use a 33% PITIMI ratio (principal, interest, taxes, insurance and mortgage insurance) when performing this affordability calculation.

Innovative Marketing Strategies

The City of Portland has adopted the goal of eliminating the minority homeownership gap by 2015. This will require the creation of approximately 13,000 new minority homeowners.

Applications must include marketing strategies to attract buyers from minority and underserved markets. At a minimum, proposers must include an affirmative fair marketing housing plan.

Work Force Training, Emerging Small Business and Community Benefit

In support of PDC's values and goals to assist small businesses succeed, contractors are required to employ women and minorities in their workforce; to utilize minority, women, and emerging small businesses in construction work related to PDC funded projects; and to employ and/or utilize small businesses

from the local community. By partnering with PDC and sharing these diversity efforts, the proposer and its contractors will agree to comply with the following programs:

- A. **Good Faith Effort Program.** This program is designed to maximize participation of businesses owned by People of Color, women and emerging small businesses (collectively, “M/W/ESBs”) in publicly funded development projects. The Board has established an **M/W/ESB utilization goal of 20%** to the publicly funded portion of any Project with construction costs in excess of \$200,000.
<http://www.pdc.us/mwesb/mwesb.asp>
- B. **Workforce Training and Hiring Program.** The Workforce Training and Hiring Program is designed to increase opportunities within the construction trades for underrepresented members of the community through apprenticeship training and direct hiring of People of Color, women and disadvantaged workers. This program applies to the publicly funded portion of any Project with construction costs in excess of \$1,000,000.
- C. **Other Diversity Outreach and Participation Efforts.** PDC encourages the Development Entity to maximize diversity in its business practices, workforce and “soft cost” service contracts.

Developer shall provide a diversity outreach and participation plan (“Diversity Plan”) that describes in detail how the Development Entity will maximize diversity in all aspects of the Project’s development and further the objectives of PDC.

The Diversity Plan shall include detail on the following:

- 1) What efforts the Development Entity will engage in to strive to meet the goals of the Good Faith Effort Program.
- 2) What efforts the Development Entity will engage in to meet the goals of the Workforce Training and Hiring Program.
- 3) What other efforts the Development Entity will engage in to maximize diversity in the Project, which may include all or some of the following:
 - a) **Service Contracts:** The Development Entity’s plan to solicit and utilize M/W/ESB firms to provide design, marketing, and other non-construction related services for the Project.
 - b) **Development Entity Staffing:** The diversity of the workforce employed by the Development Entity to work on the Project.

- c) Project Ownership: The diversity of the Development Entity.
- d) Project Tenants: If appropriate given the uses of the Project, the Development Entity's plan to solicit businesses owned by People of Color and women and emerging small businesses to locate in the Project as tenants.
- e) Other: Other feasible outreach efforts proposed by the Development Entity that will serve to increase the participation of People of Color and women in the Project's development.

For more detailed information on the above programs, please contact John Classen at 503-823-3667, or email: classenj@pdc.us

Green Building Requirements

PDC has developed a set of Green Building Guidelines which provide strategies for increasing environmental performance and durability for affordable housing. These guidelines were developed with the goal of providing developers with effective options that go beyond current codes and standards. These guidelines should serve to help proposers achieve environmentally responsive design and construction in their projects. A copy of the guidelines is provided in the RFP Appendices.

IV. PREFERENCE CRITERIA

These preference criteria were established to meet City housing priorities of affordability, growth management, and neighborhood revitalization. The criteria are based upon the City's adopted Comprehensive Plan Housing Policy and other policy objectives; the 2000-2005 Consolidated Plan, the new Green Building Guidelines, and the Interstate Corridor Urban Renewal Plan and Housing Strategy. Proposals will be evaluated and considered for funding based on the threshold requirements and the following evaluation preference criteria.

Innovative Home Ownership Models

Obtaining affordable homeownership in Portland is becoming increasingly difficult. To address this problem PDC and the City of Portland are seeking new and innovative strategies to create and maintain affordable ownership housing in the city. Proposers are encouraged to propose new strategies to achieve this goal, including lease-to-own, limited equity cooperatives, deed restrictions, land trusts, shared appreciation mortgages or other innovative models.

Additionally, proposers are encouraged to include innovative site-design models that support families and serve to foster community among future homeowners.

To this end, the Portland Bureau of Planning has prepared a collection of housing prototypes for typical infill housing lots. The prototypes present innovative housing configurations that meet City regulations and design objectives, while promoting attractive, family-friendly and pedestrian-friendly housing types. The collection of prototypes can be found at: <http://www.portlandonline.com/planning/index.cfm?c=44187>

Family Housing Near Schools

Portland School District is facing increasing challenges as a result of declining enrollment. One solution to this challenge is to create more affordable homeownership options for families with children near existing schools. Family housing is defined as three or more bedrooms with a targeted marketing strategy to attract families with school age children.

Leverage of PDC Resources

PDC will give preference to programs/projects that show significant leverage of PDC funds, defined as the least amount of PDC investment that provides the highest level of public benefit, and utilization of other funding sources. Leverage ratios will be compared to other proposals, taking into consideration public benefits by income levels to be served, number of bedrooms, and other factors.

Innovative Partnerships and Outreach

Proposals demonstrating support for the goals of Operation H.O.M.E. will be given funding preference. Innovative strategies, partnerships and outreach in the design, development, and/or marketing of new homeownership opportunities that cultivate and attract qualified buyers from Communities of Color are strongly encouraged.

V. APPLICATION REQUIREMENTS

A complete response to this RFP for all projects/programs should include the following information. Proposals should not exceed 10 pages, excluding required forms and attachments.

- *Cover Letter* - Funding Request
 - The specific program or project funding request you are making under this RFP and how the funds will be used
 - Home ownership models to be used and the targeted income level
 - Description of community process you have or will employ to gain input on the proposed Program/Project, and how that input has/will help shape the Program/Project
 - If project: type and number of units to be renovated/developed under your proposal
- *Organizational Capacity* - Organizational capacity requirements, including:
 - Mission statement
 - Description of programs operated and their results

- Description of the proposers ownership housing development experience
- Description of the management team
- Brief bio of the development team including key program/project staff and/or consultants
- *Organizational Documents*
 - Organizational Chart
 - Board roster including board positions, contact information and term expiration dates
 - Resolution authorizing this application
 - Appropriate organizational documents (e.g. bylaws, articles of incorporation, partnership agreement, etc.)
- *Financial Statements*
 - Current organizational operating budget
 - Current income/expense report
 - Current balance sheet
 - Past 2 years audits
 - Most recent annual report
- *Program/Project Feasibility* – Respond to Program/Project Feasibility requirements for the appropriate type of proposal.
- *Readiness* – Respond to Readiness requirements for the appropriate type of proposal.
- *Cost Reasonableness* – Describe the cost reasonableness of your proposal considering the type of project to be developed, number of units produced, the income target of the homebuyer and recapture or retention mechanism to be used.
- *Affordability* – Respond to Affordability Requirements.
- *Innovative Marketing Strategy* – Respond to Innovative Marketing Strategy requirements, including:
 - Description of your marketing strategy to attract buyers from minority and underserved markets. At a minimum, you must include an affirmative fair marketing housing plan.
- *Work Force Training, Emerging Small Business and Community Benefit*
 - Confirm agreement to comply with PDC programs described in Section III
- *Preference Criteria*
 - Describe how/if your proposal addresses each of the Preference Criteria listed in Section IV.

VI. EVALUATION CRITERIA

All complete proposals that are received prior to the submission deadline will be evaluated by a selection committee. The evaluation will be based on the information submitted in response to Section V as well as any related information that PDC may discover in analyzing or verifying information submitted in the proposal; or subsequently requested.

- 1 – Organizational Capacity
- 2 - Program / Project Feasibility, Cost Reasonableness, and Affordability
- 3 - Readiness
- 4 - Innovative Marketing Strategies
- 5 - Preference Criteria

VII. SELECTION PROCESS

1. Upon closing of the RFP application period, all complete proposals will be reviewed by a Selection Advisory Committee composed of representatives from the community, private and public sectors. The Selection Advisory Committee will recommend to the Housing Director the most qualified proposal(s) based on an evaluation of the information submitted. PDC staff may confer with the proposers and/or third parties to clarify or verify information, request and accept additional information, or at their discretion, waive minor informalities in an application. The Housing Director makes reservations after considering committee recommendations.

2. All proposers will receive notice by certified mail of the decision. Successful proposers will be notified by October 15, 2007.

3. PDC will issue a Letter of Reservation of Funds as proposals are selected. A Reservation of Funds is not a commitment to fund programs/projects; it is an agreement to set aside budgeted funds for a specific program/project for up to twelve months, to allow the proposer to proceed with program/project development prior to receiving a commitment.

4. Ultimately program/project approval will follow the appropriate internal PDC approval processes, which in some cases may require commission approval if a proposer is requesting financing products or tools that are not currently approved by Commission (see Reference Material/Exhibits RFP for current list of products available).

VIII. SUBMISSION REQUIREMENTS

In order to be considered, all applications must contain the following information in the format described below:

1. On the top sheet/cover page indicate:

PDC RFP #07-07
Interstate Homeownership RFP - 2007
Name and address of entity submitting the application

2. Applications should be organized with all required documentation indicated in Section V,
3. "Application Requirements" in the order listed.
4. Include a Table of Contents immediately after the Cover Letter
5. Number all pages (other than cover, cover letter and attached forms), tabs are optional
6. Any drawings or graphics should be reduced to an 8.5 X 11 inch format
7. Submit one (1) unbound original application containing pages with original signatures where required, and all attachments.
8. Submit 7 bound copies of completed application and required documentation.

**Applications must be received no later than 5:00 PM on September 17, 2007
FAXES WILL NOT BE ACCEPTED!!**

Submit Applications to:
RFP # 07-07
Attention: David Sheern
Portland Development Commission
222 N.W. Fifth Avenue
Portland, Oregon 97209-3859

IX. GENERAL CONDITIONS

1. This RFP is not a solicitation of competitive bids.

The Portland Development Commission by this request for proposals specifically reserves the right in its sole discretion to determine which proposal best serves the public good, and to:

- a. Revise the solicitation, evaluation, or selection process including extending the deadline or canceling without selecting a proposer.
- b. Waive informalities and irregularities in the proposals received in response to this solicitation.
- c. Disqualify without recourse or appeal any or all proposals.
- d. Reject any or all proposals with or without cause.
- e. Determine the timing, arrangement, and method of any presentation throughout the process.
- f. Verify and investigate the qualifications and financial capacity of the proposer, and any of the information provided in the proposal.

2. Every effort has been made to provide current and correct information; however, unless citing a specific PDC approved resolution or plan, PDC makes no representation or warranty with respect thereto.

3. All proposals received shall become the property of PDC and considered an official public record subject to inspection by the public in accordance with ORS 192.502 and PDC's Public Records Access Policy after the completion of the solicitation process; and may be used for any purposes relevant to the decisions and actions undertaken by PDC towards development of the Interstate Corridor Urban Renewal Area.

4. Restrictions and Communication. Every effort has been made to include herein all the information necessary to prepare and submit a responsive proposal to this offering. However, in the event additional information is desired, please adhere to the following:

If you have a question about any of the information or requirements contained in this solicitation, direct your questions in writing to:

David Sheern
Portland Development Commission
222 NW Fifth Avenue
Portland, OR 97209
sheernd@pdc.us

5. During the course of this solicitation, proposers are cautioned not to undertake any activities or actions to promote or advertise their proposals except in the course of PDC-authorized presentations; or to make any direct or indirect (through others) contact with members of PDC staff except upon prior approval of the above stated contact.

6. PDC will not hold "one-on-one" meetings with any potential proposer during the solicitation or during the evaluation process unless it is requested by the Selection Committee. PDC may, however, ask individual proposers clarifying

questions or obtain additional information about some specific point of a proposal.

7. Failure to abide by these restrictions is grounds for disqualification. This solicitation does not commit PDC to enter into an agreement.

8. PDC accepts no responsibility or obligation to pay any costs incurred by any potential or eventual proposer in the preparation or submission of a proposal; or in complying with any subsequent request by PDC for information or participation throughout the evaluation process.

9. Respondents to this solicitation are prohibited from employing or retaining a former PDC employee to assist in the preparation of a proposal to this solicitation if the former PDC employee has been separated from PDC for less than one year and was associated with the Interstate Corridor Urban Renewal Area while employed by PDC.