

# Request for Proposal – Hillside Manor

Low Income Housing Tax Credit Investor  
Construction Lender  
Permanent Lender



## Housing Authority of Clackamas County

**Solicitation for a LIHTC investor,  
construction and permanent lender  
for a 100-unit affordable housing community  
in Milwaukie, OR.**

**Issue Date:**

May 28, 2019

**Information Meeting:**

June 3, 2019, 8:30am – 9:30am PST  
<https://structurepdx.zoom.us/j/6124463297>  
1-720-707-2699 US  
1-646-558-8656 US (New York)  
Meeting ID: 612 446 3297

**Closing Date:**

June 24, 2019 at 2:00pm PST



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**EXECUTIVE SUMMARY**

Housing Authority of Clackamas County (“HACC”) seeks proposals to finance the recapitalization of an existing public housing property, Hillside Manor, from partnership wishing to serve in one or more of the following roles:

- An investor / limited partner for \$961,697 in annual 4% Low Income Housing Tax Credits.
- A construction lender for a tax-exempt construction loan up to \$16,000,000
- A permanent loan of \$4,648,812 which utilizes \$2,072,096 in Oregon Affordable Housing Tax Credits to reduce \$3,600,000 of the permanent loan by 400 bps.

Hillside Manor includes converting the existing 100 public housing units to Project Based Vouchers through a combination of Rental Assistance Demonstration (RAD) and Section 18 Disposition, recapitalization of the existing building located in Milwaukie, Oregon. The property provides housing to seniors and disabled residents and is currently operated by the Housing Authority of Clackamas County (“HACC”).

The site is located on a major bus line downtown Milwaukie, approximately 6 miles south of the Portland city center. Hillside Manor is nestled within Hillside Park, another traditional public housing property owned and operated by HACC, which is currently in the midst of a master planning exercise to determine a preferred redevelopment scheme.

Financing for the project will consist of 4% Low Income Housing Tax Credits, tax exempt construction and permanent financing, seller financing provided by HACC, and development subsidy committed by Oregon Housing and Community Services. Interest on the permanent loan will be reduced by the Oregon Affordable Housing Tax Credit. Project Based Voucher (PBV) contract will be support all 100 units; 70 units supported with a RAD PBV contract and 30 units supported with a local PBV contract. HACC will maintain a fee interest in the land and provide a ground lease to the ownership entity. HACC is the sole member of the entity that will be the managing member of the ownership entity.

<b>SPONSOR / PROJECT INFO</b>	
City, State	Milwaukie, OR
2019 MFI	87,900
# of units	100
1BRD	96
2BRD	4
3BRD	0
<b>Financial Information</b>	
Total Project Cost	30,942,959
Annual 4% LIHTC	961,697
LIHTC Equity	9,327,531



**DEVELOPMENT ECONOMICS**

**INCOME**

All 100 units will have a project based operating subsidy. Seventy of the units will have a RAD PBV contract. Rent assumptions for these units reflect 2018 Modified RAD Rents. Thirty units will have a local PBV contract. Rent assumptions for these units reflect HACC’s Payment Standards.

HACC will make use of the de minimis reduction and RAD / Section 18 “blend” provision to achieve a 70% - 30% distribution of RAD rents to local Payment Standards.

The building pays all utilities. Based on actual experience, \$18,720 in other income is assumed.

Vacancy is factored at 5% and rent escalation is 2%.

**EXPENSES**

Operating expenses are based upon actual performance of the real estate plus new expense resulting from a LIHTC and tax exempt bond financing. Additionally, replacement reserves are set at \$400 PUPY.

Expenses escalate at 3%.

**OPERATING METRICS**

Permanent loan debt service, deferred developer fee and seller financing are included in the calculation of debt cover ratio. The combined DCR in year one is 1.23 and stays above 1.15 through the permanent loan term. Developer fee is fully paid within 12 years.

REVENUE									
Unit Distribution									
Brd Size	Mgr	60%	55%	50%	45%	40%	35%	30%	Total
0BR Studio	0	0	0	0	0	0	0	0	0
1BR	0	96	0	0	0	0	0	0	96
2BR	0	4	0	0	0	0	0	0	4
3BR	0	0	0	0	0	0	0	0	0
4BR	0	0	0	0	0	0	0	0	0
5BR	0	0	0	0	0	0	0	0	0
6BR	0	0	0	0	0	0	0	0	0
Total	0	100	0	0	0	0	0	0	100

Gross Rent	TC Rent	Local	RAD	UA
Brd Size	Mgr	Restric	PBV	
0BR Studio	0	0	0	0
1BR	0	916	1,134	723
2BR	0	1,099	1,325	823
3BR	0	0	0	0
4BR	0	0	0	0
5BR	0	0	0	0
6BR	0	0	0	0

**TIMING & CREDIT DELIVERY**

All units are assumed placed-in-service 12 months after construction starts.

Given the nature of the occupied rehab and a single building project, we are assuming 100% credit delivery by December 2020.

**DEVELOPMENT STRUCTURE**

Hillside Manor will be owned by the Hillside Manor, LLC, an Oregon limited liability company, of which its sole managing member is HACC Hillside Manor, LLC, an Oregon limited liability company, of which the Housing Authority of Clackamas County, a public body corporate and politic of the State of Oregon is the sole member.

An allocation of approximately \$919,271 in annual 4% credits is expected from Oregon Housing and Community Services (“OHCS”).

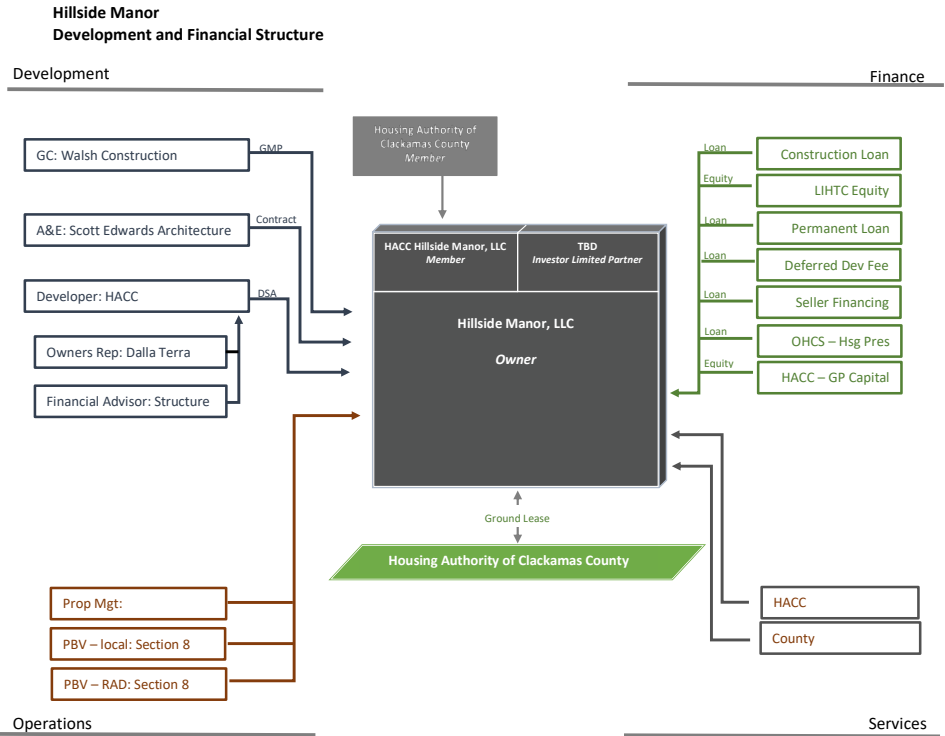
A tax exempt construction loan of approximately \$15,664,395 paid down to a permanent loan of \$4,648,812 is assumed. Rate on the permanent loan is reduced by an award of \$2,027,096 in Oregon Affordable Housing Tax Credits to an effective rate of 3.11%.

Deferred Developer fee of approximately \$600,000 is full paid within 12 years of operations.

The project is currently owned by HACC. The seller and purchase will enter into a Purchase and Sales Agreement for the sale of the building and all improvements. The purchase price is \$10,860,000, which will be paid through a combination of cash and seller subordinate financing. Price to be confirmed by an appraisal of the as is value.

OHCS has made a commitment of \$3,428,811 in subordinate financing.

HACC will make a loan of approximately \$2,620,805 to the partnership at construction loan conversion.



Structure Development Advisors, LLC

## **BUILDING & REHABILITATION SUMMARY**

Hillside Manor is a 100 unit public housing property constructed in 1970. The building is a 9 story concrete structure served by two elevators. The ground floor (a daylight basement, opening up to a shared 'backyard') contains the public common rooms (laundry, restrooms, library, event space, kitchen, mailroom and exercise room) and utility rooms (maintenance shop, trash/recycling area and resident storage).

The public and main entrance is located on the 2nd floor and is at grade level with the parking area. The leasing office, which includes office and support space for the Property Manager, Occupancy Specialist and Resident Services Manager, are located adjacent to the front lobby on the 2nd floor. The residential units are located on floors two through nine and range in size from 1 bedroom efficiency to 2 bedroom. There are currently 6 ADA-compliant units in the building. Site amenities include a walking path and community garden beds.

D3G completed a capital needs assessment of the building in April 2018. This report found no critical (immediate) repairs needed. Non-critical (12 month repair needs) were identified and valued at \$8,998,455. Scope of work will include voluntary seismic upgrades to increase probability of safe exiting, abatement of asbestos and lead paint common to the era the building was originally constructed; replacement of antiquated building systems, such as the elevators, plumbing and heating systems; electrical and lighting upgrades; accessibility upgrades; and interior upgrades to residential units and common areas that will drastically improve livability for the residents and extend the building's useful life for a minimum of 30 years.

Additionally, the capital needs assessment called for an initial deposit to replacement reserves (IDRR) of \$60,000 and annual deposits to replacement reserves of \$350 (HACC has assumed \$400).





## **SITE & NEIGHBORHOOD OVERVIEW**

### **SITE OVERVIEW**

Hillside Manor is located within a larger development owned by HACC. The total property consists of 16.68 acres of land developed with a 9-story apartment building, constructed in 1970, in use as affordable housing for elderly and disabled persons (Hillside Manor, 2889 SE Hillside Court). Also present at the Property are 100 individual affordable housing units reportedly constructed in 1942 (Hillside Park, A, B, C, and D Streets). The Property is identified by the Clackamas County Tax Assessor as tax lot 11E25CD00100 and is owned by the HACC. Zoning for the Property is classified as R-3, residential. Street are public right of ways owned by the City of Milwaukie.

Hillside Manor and Hillside Park each sits on the single lot owned by HACC. HUD's Declaration of Restrictive Covenant is recorded against this single lot for both Hillside Manor and Hillside Park. A solution that will create a distinct piece of land for Hillside Manor is in the works.

HACC is currently engaged in the creation of a master plan for Hillside Park. This plan will identify the preferred residential development plan for the Hillside Park. Existing building and streets will be demolished and replaced with a new street grid and more dense residential development. The master plan will be the basis for requesting a zone change of the existing site, submitting a Development Plan and new plat map.

As part of this Development Plan and plat map process, a lot will be create. These zoning actions are lot partitions are expected by July 2020. In advance of this process, HACC will define a parcel of land using meets and bounds that will be leased to Hillside Manor, LLC. The forthcoming plat will use these meets and bounds to define the future lot lines.



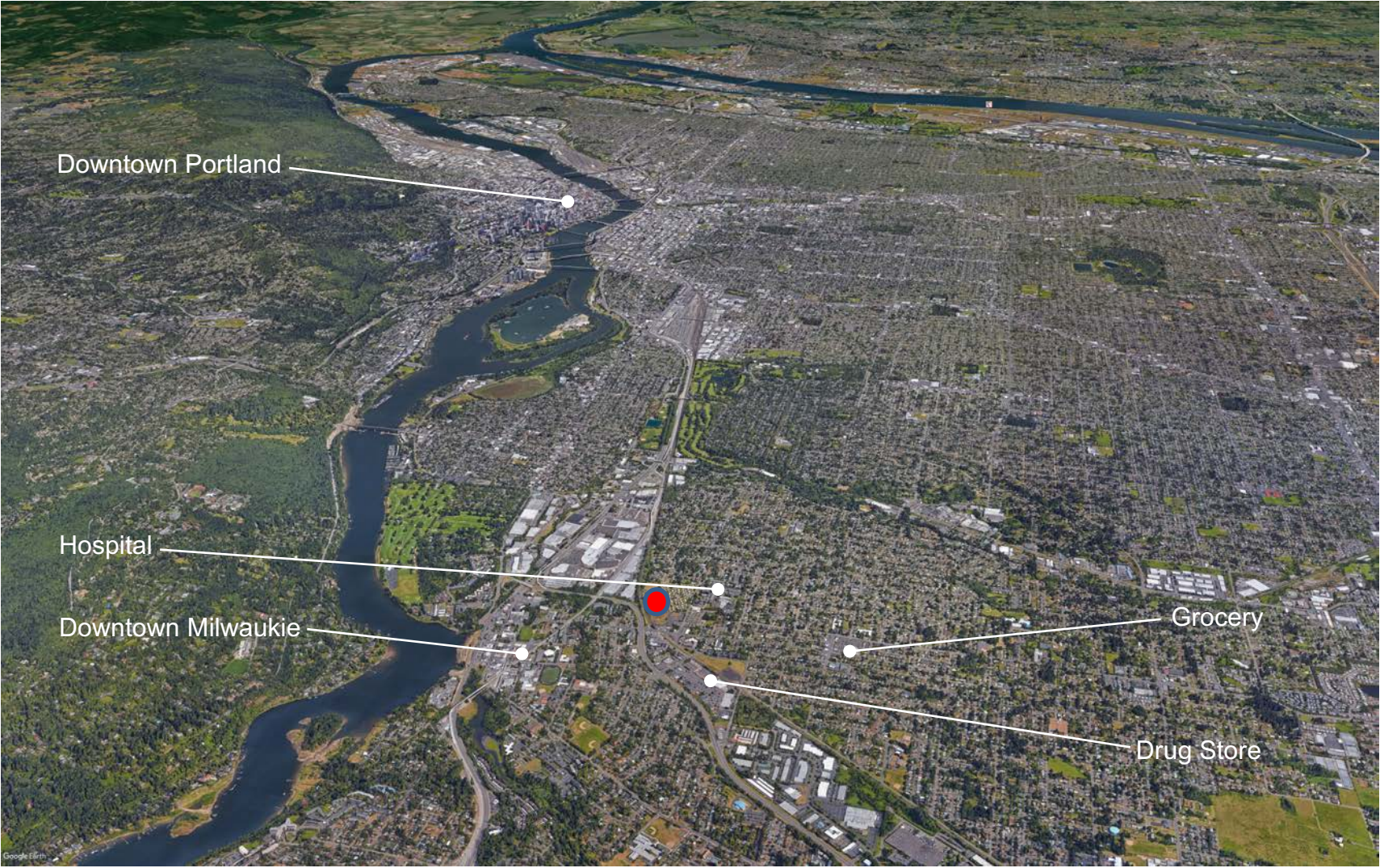
### **NEIGHBORHOOD OVERVIEW**

The site is located in a predominately residential neighborhood just east of downtown Milwaukie. Single family homes are the primary development pattern. SE 32<sup>nd</sup> Avenue and SE Harrison Street are collector streets that include bus route and commercial development.

Below reflect the larger vicinity and key amenities for residents of Hillside Manor.



**Housing Authority of  
Clackamas County**



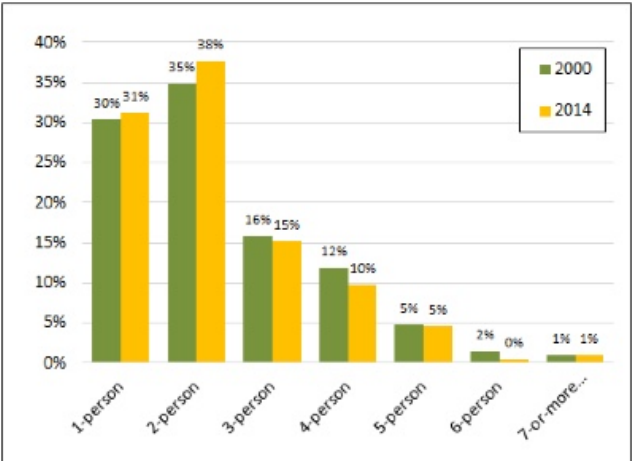


**POPULATION & DEMAND OVERVIEW**

**POPULATION**

City of Milwaukie is an older, close-in suburb adjacent to the City of Portland. Milwaukie is a city of over 20,500 people, within a region of nearly 2.35MM.

Figure 1: Number of People per Household



Source: Housing and Residential Land Needs Assessment. Johnson Economics. 2016.

There are 8,830 households in the City with an average household size of 2.32 persons. 41.5% or 3,664 of households are renters. Countywide, over 30% of households are cost-burdened, needing to spend more than 30% of their gross income on housing. Frequency of cost-burdened households increases as household income decreases. Within Milwaukie, over 80% of households earning less than \$20,000 pay more than 30% of their gross income towards housing.

**DEMAND**

Hillside Manor operates at 98.5% occupancy. The wait list averages 722 households, and the wait is 8 to 24 months for a unit. Turnover averages 1.3 units per month over the past 12 months. A combined 1,640 people are on the waitlist for a unit at either Hillside Park or Hillside Manor. Forty-six percent of these people currently live in a one-bedroom unit. There is significant demand for deeply affordable units in Milwaukie.

Figure 2: Comparison of Need to Supply

Rental			
Rent	Estimated Current Need	Estimated Current Supply	Unmet (Need) or Surplus
\$0 - \$400	672	174	(497)
\$400 - \$600	447	136	(311)
\$600 - \$900	432	321	(111)
\$900 - \$1100	531	724	193
\$1100 - \$1400	846	1,419	573
\$1400 - \$1800	436	415	(21)
\$1800 - \$2300	130	387	258
\$2300 - \$2700	59	251	192
\$2700 - \$3600	25	24	(1)
\$3600 +	37	0	(37)
<b>Totals:</b>	<b>3,614</b>	<b>3,851</b>	<b>237</b>

Source: Housing and Residential Land Needs Assessment. Johnson Economics. 2016.

Clackamas County has a deficit of housing units affordable to households earning less than \$35,000 (about 45% AMI).

## DEVELOPMENT DESCRIPTION

### BUILDING

The Bicycle will be five buildings surrounding a central parking lot. All buildings are three-story, wood frame, SIPS Panel structures.

Units will be outfitted with Energy Star appliances and light fixtures. Toilets and faucets will be low-flow to further reduce consumption. Durable materials, such as laminate flooring will be used throughout. Each building will have a laundry room. A large community room is centrally located in one of the buildings on site.

The site will include a play area for children and picnic tables. Landscaping will be drought resistant plants and fruit bearing trees. Grass will not be installed to save on water consumption and reduce ongoing maintenance costs.

Preliminary plans and elevations are included as an attachment.

### COST

The total development cost for Hillside Manor, including acquisition, is \$30,942,959, or \$309,430 per unit. Construction budget is \$11,922,634 (or \$119,226 per unit). A 10% owners' contingency is included within the construction budget.

Construction subcontract will be bid by Walsh Construction using AIA 133 and 201 construction documents. The resulting bids will be used to establish a Guaranteed Maximum Price Contract .

### PROPERTY MANAGEMENT

HACC will use a competitive RFP process to select a management company. HACC may choose to compete for the property management contract. It is HACC staffs intent to work closely with

the identified management company to transition from the Manor's Public Housing platform. As such, HACC will maintain direct oversight of the management company.

### RESIDENT SERVICES

Will be provide by the HACC resident services team and is reflected as an expected \$350 PUPY. In addition, case management has been built into our operating budget as an above-line expense in the amount of \$450 PUPY. This is reflective of the current level of services being provided to the building at this time and in anticipation of the need for the building moving forward.

### SCHEDULE

Schematic Design	April 2019
Design Development	July 2019
Construction Drawings	November 2019
Permit	December 2019
Bids/GMP	December 2019
Construction Start	January 2020
Construction Complete	March 2021



## **DEVELOPMENT TEAM**

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### **DEVELOPER & GENERAL PARTNER:**

#### *HOUSING AUTHORITY OF CLACKAMAS COUNTY*

HACC is the first housing authority in Oregon. It was formed on May 4, 1938. It was formed because county officials saw they had many of the same issues we're facing today – that there was simply not enough safe rental housing to meet the needs of low income Oregonians.

HACC is a division of the Clackamas County Department of Health, Housing and Human Services and is governed by a Board of Commissioners made up of the Clackamas County Board of Commissioners plus one Housing Authority Resident Commissioner. With an annual operating budget of approximately \$18 million, HACC maintains (545) public housing units, (1,651) Housing Choice Vouchers, and (357) units of affordable and special needs housing.

HACC is an independent public corporation authorized by the State of Oregon under the Oregon Revised Statutes §456.055 to §456.235.

HACC served as the developer for the recapitalization of Easton Ridge, a 264 units LIHTC property, and a partner in the development of Rosemont Court, a 212 unit new construction project.

### **ARCHITECT:**

#### *SCOTT EDWARDS ARCHITECTURE*

Based on Portland, Scott Edwards Architecture (“SEA”) has a significant multifamily housing practice, which includes an emphasis on affordable housing.

### **GENERAL CONTRACTOR:**

#### *WALSH CONSTRUCTION CO.*

WALSH has extensive experience with renovation work on occupied multi-family residential buildings. Throughout our 58-year history we have been engaged in the construction and rehabilitation of affordable and special needs housing. In the last 10 years alone, we've completed 19 occupied renovation projects.

### **PROPERTY MANAGEMENT:**

To be selected through competitive process.

### **LEGAL:**

#### *KANTOR TAYLOR NELSON EVATT & DECINA.*

Seattle-based law firm, provides creative legal counsel to businesses and organizations in complex real estate development and finance transactions with an emphasis on affordable housing, community facilities and other economic development.

### **DEVELOPMENT CONSULTANT:**

#### *DELLA TERRA*

As the owners' representative, Della Terra will provide design and construction management support to the project.

### **STRUCTURE DEVELOPMENT ADVISORS**

Structure will provide support to HACC in the selection of equity and debt partners and with advisory services related to RAD, Section 18, and finance.

## PROPOSAL PROCESS

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### SELECTION PROCESS AND CRITERIA

HACC will evaluate each proposal based on the criteria and scoring set forth in the following sections. HACC will determine which are the most competitive proposals received.

After determination of the competitive range, only those firms that scored within the competitive range will advance. Interviews may be held at the discretion of HACC. At the interviews, each firm may be asked to clarify specific aspects of their proposal and to answer any questions on the proposal's content. HACC may provide a set of questions in advance of the interview to be answered by each firm at the interview.

Following interviews, HACC will re-score proposals based on both the written proposal and the interview. Prior to re-scoring, the Committee may request that Proposers submit written statements amending their proposals in the form of a best and final offer. Following re-scoring, the Committee will identify the highest scoring proposal and make a recommendation to enter negotiations with the Selected Investor and Selected Lender(s).

### SCHEDULE

A schedule for the selection of an investor and lender is included here. Please review and provide comment about your ability to meet the proposed schedule.

<b>Task</b>	<b>Date</b>
Publish Debt & LIHTC Equity RFP	5/28/19
Pre-Proposal Call with prospective lenders and investors	6/5/19
Questions due from interested lenders and investors	6/10/19
Addendum published	6/14/19
Proposals due	6/24/19
Analysis of responses complete	7/1/19
Interviews with selected lender and investor	7/8/19
Best and Final Offer due	7/15/19
Select lender and investor	7/19/19
Sign Letter of Intent	7/26/19
Close partnership	12/31/19



## Housing Authority of Clackamas County

### *Evaluation Criteria for Investor Proposals*

<b>Tax Credit Investor Criteria</b>	<b>Points</b>
<b>1. Price and Pricing Considerations</b> Amount of equity to be invested, anticipated pay-in schedule, credit amounts assumed, adjusters, and fees and expenses	45
<b>2. Non-Pricing Considerations</b> Terms and conditions of the investment including guarantee provisions, operating and other reserve requirements, insurance requirements, back-end taxes, terms of purchase option and right of first refusal	20
<b>3. Closing Considerations</b> Reasonability of due diligence requirements, process for getting approvals to close, demonstrated track record of the Respondent and its team members in closing in a timely and effective manner, comprehensiveness of proposal	20
<b>4. Relevant Experience</b> Experience in syndication or placement of low-income housing tax credits including, without limitation, experience and interest in the ownership of housing for the benefit of very low income residents; experience in Oregon and with similar developments	15
<b>Total</b>	100

### *Evaluation Criteria for Lender Proposals*

<b>Lender Criteria</b>	<b>Points</b>
<b>1. Upfront and Ongoing Borrowing Costs</b> Application, origination, commitment, extension, and any other fees; expenses including legal costs, third-party reports, and credit enhancement and rating costs; loan interest rate and corresponding ongoing borrowing cost	40
<b>2. Loan Amount and Terms</b> Loan amount, loan sizing parameters such as LTV and coverage ratios, underwriting requirements, security provisions, guarantee provisions, operating and other reserve requirements, prepayment provisions; insurance requirements	20
<b>3. Closing Considerations</b> Reasonability of due diligence requirements, process for getting approvals to close, demonstrated track record of the Respondent and its team members in closing in a timely and effective manner, comprehensiveness of proposal	30
<b>4. Relevant Experience</b> Experience making affordable multi-family housing loans involving public housing authorities or non-profit developers including, without limitation, experience in Oregon and similar developments.	10
<b>Total</b>	100

## **PROPOSAL CONTENT FOR LIHTC INVESTORS**

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Proposals from tax credit investors must address each of the items below as Section A - O. Please follow the order shown below or, less preferably, use a different order but provide an index cross-referencing the order below to that of your letter. Respondents should set out any assumptions that differ from those included in this Solicitation.

### **A. PAY-IN AMOUNT**

State your total proposed capital contribution, quoted as both a total dollar amount and a price per tax credit assuming the following credit amounts:

\$961,697 total / \$961,601 investor's 99.99% share of annual 4% credits

The attached pro-forma reflects conservative dollar amounts of tax credit equity to be raised. HACC anticipates receiving offers in excess of those shown in the pro-forma, and will use any additional equity to create contingency within the construction budget.

### **B. CREDIT DELIVERY ASSUMPTIONS**

State your assumptions for the amounts of credits delivered to the limited partner for each year prior to full annual credit delivery. We are projecting 8.3% first year credit delivery for 2020. Construction is anticipated to end in October 2021. Given the nature of the occupied rehab, we are assuming residents to be certified during construction. Please discuss any potential early credit delivery adjusters, upward timing adjusters and equity caps.

### **C. PAY-IN SCHEDULE**

Please provide your proposed pay-in schedule by stating the percentage of total equity that each payment represents, the calendar date you have assumed for each pay-in, and all conditions (including any administrative ones) precedent to each pay-in. Describe also the purposes to which you would restrict the spending of each pay-in, if any (e.g. construction costs, reserves, developer fee, etc.).

Please note HACC is assuming a "base case" pay-in schedule of 10% at closing, 15% at construction completion and 75% at stabilized occupancy (expected to be April 2021). Respondents are welcome to provide additional pay-in scenarios as alternates to the base case.

### **D. ADJUSTERS**

Describe any capital contribution adjustment provisions if there is an increase or reduction in credits and/or acceleration or delay in credit delivery. Note whether there are limits on any adjustments.



**E. FEES AND EXPENSES**

Describe the amount and type of any upfront or ongoing fees to the investor such as an annual asset management fee. Note whether any fees would escalate over time and, if so, by what amount. For ongoing fees, if the payment source and/or priority are not described in the cash flow distribution provided elsewhere in your proposal, describe the relevant provisions here.

Describe also the amount and character of any upfront or ongoing expenses for which you would require reimbursement. Assume that your legal counsel will provide the tax opinion.

**F. GUARANTEES AND NET WORTH REQUIREMENTS**

Describe the terms of each guarantee that you will require. State the name of the guarantor, guarantee amount (including any cap), timing and conditions for reduction and/or termination of the guarantee, and any reimbursement provisions for payments made on the guarantee.

No guarantee of “projected losses” upon acquisition of the property at the end of the compliance period will be provided.

**G. RESERVES**

Describe your required reserves, indicating the amount of each reserve, the timing of funding each reserve, any escalator in any annual funding requirement, any conditions for reducing or eliminating the reserve, who holds the reserve, and to whom the reserve is released at liquidation and at sale or refinancing.

Note that the reserves reflected in the attached financial projections are intended to be conservative initial assumptions; proposals for lower amounts will be viewed favorably in the evaluation process to respondents are encouraged to propose their minimum requirements.

Note also that HACC strongly desires that any reserves be either fully released through the cash flow waterfall prior to the end of the compliance period or clearly excluded from any calculation of the fair market value of the development for the purposes of determining any purchase option price.

**H. CASH FLOW**

HACC prefers to retain as much of the net cash flow after obligations as possible. Please indicate your proposed split of remaining cash flow between HACC and the Investor, both during the compliance period and upon sale or refinancing.

**I. BACK-END TAX PROJECTION**

Along with your assumptions for depreciation, capital accounts and capital reserves. Please explain your projected back-end tax liability and resulting forecast of exit tax. Indicate if you will require or prefer the Seller Financing be disaffiliated.

Note that HACC strongly desires to have no back-end tax liability and is open to alternative structures to maximize yield while still having no liability.

**J. INSURANCE REQUIREMENTS**

Describe your insurance requirements and, specifically, whether any special (e.g., earthquake, mold, terrorism) insurance coverage will be required.

**K. PROPERTY MANAGEMENT REQUIREMENTS**

Please indicate any requirements related to the property management firm.

**L. END OF COMPLIANCE PERIOD**

State whether you are willing to provide HACC or any potential 501(c)(3) nonprofit affiliate with a purchase option and right of first refusal and, if so, the terms of each. Please include both the prices and the timing limits on exercise, and state what if anything would happen to the purchase option and right of first refusal if HACC were removed as general partner.

The desired purchase option price is the balance of debt. A specific purchase option price is negotiable. However, in no instance will HACC pay more than the property's fair market value assuming ongoing affordability restrictions and deducting customary brokerage commissions. HACC will not accept any purchase option provisions that would require it to pay for projected losses.

HACC desires an option to purchase the property that continues for at least three years, beginning in year 15, and a right of first refusal at any time following the end of the 15-year initial compliance period.

HACC prefers there not be a put option requiring the sale of the property if the option to purchase is not exercised, and will not accept a put option with a trigger date before the expiration of the HACC purchase option.

For public policy reasons, HACC or its affiliate retain its purchase option and right of first refusal even in the extremely unlikely event they are removed as general partner. HACC would be willing to consider a proposal that required them to reimburse an investor's direct costs of removing HACC as general partner in order to retain the purchase option and right of first refusal.

Please include as an attachment to your response, your option and right of first refusal agreement and standard LPA repurchase provisions.

**M. REPORTING AND AUDIT REQUIREMENTS**

Provide a detailed summary of your reporting requirements, including due dates and penalty provisions, if any. Please note that our desired cycle times for recurring reports are: quarterly reports within 30 days from the end of the quarter and annual audits within 75 days from the end of the calendar year. HACC accounting for the limited partnerships will be performed on accrual basis only.

**N. DUE DILIGENCE AND CLOSING REQUIREMENTS**

HACC intends to close the financing on the date noted in the Schedule section above. Please indicate your ability and willingness to meet these projected closing dates.

Describe your internal approval process, due diligence requirements and all other requirements or processes that HACC should anticipate as a requisite to closing.

Describe any limiting conditions on your proposal such as time required to obtain approvals from the ultimate investor or internal committees.

HACC prefers that no investor be included in the limited partnership that has a separate review and approval of deal terms beyond those of the syndicator. If you are proposing such an investor for this transaction, please name them and describe that investor's review and approval rights.

**O. INVESTOR COUNSEL**

Provide the name of the firm(s) and the individual lawyer(s) that would be used to represent the investor. Include a detailed summary of the individual lawyer's experience relevant to this project.

**P. DISAFFILIATION**

Please indicate if your investment will require the ownership entity to be disaffiliated from the seller. If so, what is the maximum amount of interest HACC could retain in the sole managing member entity.



## **PROPOSAL CONTENT FOR LENDERS**

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As further described in the Proposal Submittal Details in this Solicitation, proposals from lenders must address each of the items below. To facilitate evaluation, proposals should be organized in the order of the outlines set forth below. Please identify the issue being addressed in the introduction to each of your responses. Respondents should set out any assumptions that differ from those included in this Solicitation. Note that there are separate requirements for direct lenders and bond underwriters.

### Construction Lenders

The following items pertain to prospective Construction Lenders.

**A. FIRM EXPERIENCE**

Describe your firm's recent experience making similar loans. In CY2018, what was the number and dollar volume of multifamily rental loans your firm made? Indicate your experience with other Oregon borrowers.

**B. INDIVIDUAL EXPERIENCE**

Indicate the individual who would serve as loan officer and describe their relevant experience. Also, indicate who would serve as your legal counsel and include a detailed summary of the individual lawyer's experience relevant to this project.

**C. FINANCING STRUCTURE AND FEES AND COSTS**

Please provide a Term Sheet including, but not limited to:

- a. Description of the proposed loan
- b. Loan amount proposed, and maximum potential loan amount that could be underwritten
- c. Indicative rate as of July 1, 2019, and describe the index and spread used for the rate
- d. Term
- e. Amortization Period
- f. For a construction loan, term and any extension provisions and related fees
- g. Any interest rate reset terms
- h. Security and/or collateral requirements
- i. All applicable underwriting ratios and requirements for the project and borrower
- j. A description of the underwriting process, including approximate time needed to complete the financing and key approvals required
- k. Prepayment provisions
- l. Fees and expenses, including the fees of your legal counsel

## Housing Authority of Clackamas County

### **D. REFERENCES**

Please list at least three clients for whom your firm has recently served as Lender. Provide contact information including name, title, affiliation, phone number and e-mail address.

### **E. INDIVIDUAL EXPERIENCE**

Indicate the name of the person that would be the primary contact for the financing, and describe their relevant experience. Describe any other team members who would work on this transaction such as other banking staff and the underwriter, indicating their roles, relevant experience, and office locations. Also, who would serve as your underwriter's counsel?

### **F. FINANCING APPROACH**

Based upon the information provided herein, please provide a description of your recommended financial structure for the transaction and any notable alternatives.

This section should include, but not be limited to:

- a. A description of the proposed structure
- b. Loan amount proposed, and maximum potential bond amount that could be underwritten
- c. Indicative rate as of May 1, 2019, and describe the index and spread used for the rate
- d. Term
- e. Amortization period
- f. Any interest rate reset terms
- g. Security and/or collateral requirements
- h. All applicable underwriting ratios and requirements for the development and borrower
- i. A description of the underwriting process, including approximate time needed to complete the financing and key approvals required
- j. Prepayment provisions
- k. Serial and term bond structure

### **G. FEES AND EXPENSES**

Clearly indicate all fees and expenses related to your participation and that of your underwriter's counsel. For each item, include both the calculation basis, if applicable, and the dollar amount assuming the financing amounts described herein. Provide a breakdown of your proposed underwriter's discount into management fee, takedown, and expenses. Indicate whether expenses are capped and, if so, at what level. Include a quote for remarketing fees in the event the financing includes variable rate bonds.

### **H. REFERENCES**

Please list at least three clients for whom your firm has recently provided construction or permanent financing. Provide contact information including name, title, affiliation, phone number and e-mail address.

## **SUBMISSION REQUIREMENTS**

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### **A. Solicitation**

This Solicitation sets forth the minimum requirements that all proposals shall meet. Failure to submit proposals in accordance with this request may render the proposal unacceptable. HACC reserves the right to analyze, examine and interpret any proposal for a period of not more than 60 days, commencing from the proposal due date and time noted herein.

### **B. Content of Proposals**

Proposals shall be prepared simply and economically, providing a straightforward, concise description of Proposer's capabilities to satisfy the requirements of the Solicitation. Submission of technical literature, charts or other supplemental materials is within the discretion of the Proposer, and should directly address the Evaluation Criteria. Responses to the submittal items listed below should not exceed 20 single-sided pages for investor proposals and 20 single-sided pages for lender proposals. Attachments, resumes, and pro-forma financials are not counted within the 20 page maximum.

Proposal contents shall conform to the following required sections:

#### **A. Introductory Email**

This email subject line must state *Hillside Manor Lender Investor Proposal*. The body of the email should summarize what specific financing role(s) the proposal is for, indicate whether the proposal is from multiple firms working jointly and, if so, the nature and previous collaboration efforts of that team, and state that the proposal is valid for a minimum of 90 days. The email must also acknowledge receipt of any addenda, if any. Respondents may also wish to provide a concise summary of the Proposer's organization and generally introduce HACC to the capabilities of the firm.

#### **B. Letter of Intent (Investors) or Term Sheet (Lenders)**

For potential LIHTC investors, the Letter of Intent must fully respond to the items described in the section called, *Proposal Content for LIHTC Investors*. The LOI format should follow the order set forth in this section.

For potential lenders, the Term Sheet must fully respond to the items described in the section called, *Proposal Content for Lenders*.

### **C. Submission of Proposals**

Proposals shall be submitted by June 24, 2019 at 2:00PM Pacific Daylight Time.



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Proposers should email one electronic file in a PDF format containing all submission materials. Submit proposal via email to Angel Sully at [asully@clackamas.us](mailto:asully@clackamas.us). A reply acknowledging receipt of the proposal will be sent.

To ensure proper identification and receipt, state *Hillside Manor Lender Investor Proposal* in the subject line of the email.

### **D. Changes to the Solicitation**

HACC reserves the right to make changes to this Solicitation. Any changes to the Solicitation shall be made by written addendum.

A prospective proposer may request clarification to this Solicitation at any time before the deadline for written questions, on June 10, 2019. HACC will answer these questions in the form of one or more written addenda to this Solicitation.

Any addenda shall have the same binding effect as though contained in the main body of this Solicitation. Verbal instructions or information concerning this Solicitation or the development given out by HACC managers, employees, or agents to prospective proposers shall not be binding.

Addenda, if any, will be emailed to the same list of potential investors and lenders that receive the initial Solicitation and posted on HACC's website. Please email Structure Development Advisors at [mike@structurepdx.com](mailto:mike@structurepdx.com) to be added to the distribution list.

### **E. Cost of the Proposals**

Costs incurred by any proposer in the preparation of its response to the Solicitation are the responsibility of the proposer and will not be reimbursed by HACC. Proposers shall not include any such expenses as part of their proposals.

Moreover, HACC may at any time in its sole discretion, prior to the financial closing, cancel the selection of the Selected Investor and/or Selected Lender. In such event, HACC and the Selected Investor and/or Lender shall bear their own costs and expenses incurred prior to such termination or cancellation, including, without limitation, legal fees, to the extent not explicitly agreed to in advance and funded through a deposit by HACC prior to any such termination or cancellation.

### **F. Form of Solicitation**

For tax credit investors, acceptance of the Selected Investor's proposal for the investment specified herein will be initially evidenced by a Letter of Intent ("LOI") to be finalized within 30 days of the date that the Selected Investor is notified of its selection. Upon execution of a LOI, the parties will work in good faith to finalize the partnership agreement and other documents effecting the terms of the investment, all in form and content satisfactory to HACC and the Selected Investor (collectively, the "Partnership Documentation").

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For lenders, acceptance of the Selected Lender’s proposal for the loan specified herein will be initially evidenced by execution of a loan commitment letter to be finalized within 30 days of the date that the Selected Lender is notified of its selection. Upon execution of the loan commitment, the parties will work in good faith to finalize the loan documentation, in form and content satisfactory to HACC and the Selected Lender (collectively, the “Loan Documentation”).

### **G. Assignment or Transfer**

The successful respondent shall not assign or transfer any interest in the Partnership Documentation or Loan Documentation in whole or in part, without prior written approval of HACC.

### **H. Late Proposals**

All proposals that are not received by the deadline stated in this Solicitation will be deemed late and will not be considered.

### **I. Clarifications to Proposals**

HACC reserves the right to obtain clarification of any point in a firm’s proposal or to obtain additional information necessary to properly evaluate a proposal. Failure of a proposer to respond to such a request for additional information or clarification could result in rejection of that firm’s proposal.

### **J. Solicitor Options**

HACC reserves the right at any time without liability, in its sole discretion and for any reason, to do any or all the following:

1. Cancel and/or reissue the Solicitation, in whole or part, and/or reject all proposals;
2. Reject, in whole or in part, any or all proposals received in response to this Solicitation that are incomplete and/or non-responsive;
3. Waive or correct any immaterial defect or technical error in any response, proposal or proposal procedure, as part of the Solicitation or any subsequent negotiation process;
4. Request that certain or all respondents to this Solicitation clarify, supplement or modify certain aspects of the information or proposals submitted; and/or
5. Extend deadlines for accepting proposals, request amendments to proposals after expiration deadlines or negotiate or approve final agreements.

The determination of the criteria and process whereby responses are evaluated, the decision as to who shall be selected, or whether or not a selection shall be made as a result of this Solicitation, shall be at the sole and absolute discretion of HACC.

HACC shall not select any entity that is determined not responsible to perform or that has been suspended, debarred or otherwise determined ineligible to receive an award.

**K. Requirements and Conditions**

A tax credit investor will be required to develop a partnership agreement, purchase option and right of first refusal, and other ancillary agreements to govern the operation of the proposed partnership and investment of the investor's capital contributions. The investor will work in conjunction with HACC, and their legal and financial advisors in doing so, and will assist in providing review and comment on other parts of the overall financing. The tax credit investor will coordinate with its own counsel in preparing the tax opinion for the transaction. The tax credit investor shall share third-party reports with the lender(s) to streamline due diligence and minimize related costs.

The Selected Investor must be able to represent the following at closing:

- The Selected Investor will certify they have not been barred from investing in this development by any federal department or agency.
- The Selected Investor (has conducted its own financial and legal analysis of the investment. The Selected Investor understands the risks of the investment, has evaluated the merits and risks of making the investment and has determined that the investment is a suitable for the Investor. The Selected Investor acknowledges that no representations or commitments of any kind (except those expressly contained in the limited partnership agreement and related documents) relating to the investment have been made by HACC or any person acting on their behalf or have been relied upon by the Selected Investor.
- The Selected Investor can bear the economic risk of losing the entire investment.
- The Selected Investor understands that the investment will not be registered under the Securities Act of 1933, as amended (the "Act"), or the securities laws of any state, and the investment will be offered and sold in reliance upon an exemption to such registration, subject to substantial restrictions on transfer.
- The Selected Investor understands that no public or private market for the investment is likely to develop. The Selected Investor further understands that:
  - HACC nor related limited partnerships have any obligation or intention to register the investment for resale under any federal or state securities laws or to take any action (including the filing of reports or the publication of information required by Rule 144 under the Act) that would make available any exemption from the registration requirements of such laws; and
  - The Selected Investor may be precluded from selling or otherwise transferring or disposing of any of the investment for an indefinite period of time or at any particular time and may be required to bear the economic risk of the investment for an indefinite period of time.
- The Selected Investor further acknowledges that the investment may not be sold without compliance with all relevant provisions of the limited partnership agreement. The Selected Investor also acknowledges that it will be responsible for compliance with all conditions on transfer imposed by any blue sky or state securities law administrator and will hold the limited partnership and HACC harmless from any breach thereof by the Selected Investor.
- If the Selected Investor is a corporation, partnership, trust or other entity, it is authorized and qualified to become a limited partner in, and authorized to make its capital contribution to, the limited partnership and it has not been formed solely for the purpose of making



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the investment, or if it has been formed solely for the purpose of making the investment, then all of the beneficial interests in such entity are owned by entities that otherwise would be able to satisfy the representations required herein of the Selected Investor.

- The Selected Investor has had the opportunity to examine all material books and records and all material documents relating to the proposed transaction and to ask questions of, and receive answers from, the officers and other representatives of HACC concerning its operations, the terms and conditions of the investment and any other matter relating to the limited partnership or the investment, and to obtain any additional information which HACC possesses or can acquire without unreasonable effort or expense.
- The Selected Investor has such knowledge and experience in financial and business matters, and specifically in tax credit syndications and low income housing tax credits, that it can evaluate the merits and risks of its investment in the Partnership and of making an informed investment decision, and the Selected Investor has obtained, in its judgment, sufficient information to evaluate the merits and risks of such investment.
- The Selected Investor acknowledges that, if it is making the investment in a fiduciary capacity, the above representations and warranties shall be deemed to have been made on behalf of the person or persons for whom the Selected Investor is so purchasing.

Lenders providing construction financing will have the following responsibilities, without limitation:

- Working in conjunction with the HACC's development consultant, advise and assist HACC in formulating and executing a construction financing plan that best accomplishes the purposes of the financing at the lowest possible upfront and ongoing cost and most favorable terms for the borrower.
- Assist lender's counsel in preparing documentation for the financing.
- Share third-party reports with the tax credit investor to streamline due diligence and minimize related costs.

- END OF SOLICITATION MATERIALS -