

A Developer's Approach to Public Housing Redevelopment

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Request for Proposal or Request for Qualifications

- There are Housing Authorities with wide ranges of experience and capacity
- Development projects can take years of planning on the PHA side and can include consultant and legal input
- It is important how RFPs and RFQs are written
- What are the Housing Authority's goals?
- How to get the word out?
- Developers will evaluate an RFP/RFQ to determine how much time it will take to complete and what resources it has available
- Developers will also evaluate whether the RFP/RFQ is winnable and can generate a reasonable fee
- A detailed RFP for a specific site can take multiple weeks to complete
- Team: Architect, General Contractor, Property Manager, Consultant(s), Environmental Engineer, Attorney

Interview

- Following a well-presented submittal, a developer hopes to be called in for an in-person interview
- Housing Authorities should include multiple people in decision-making roles in the interview process
- Developers will often bring key team members (architect, property manager, general contractor) to the interview
- An interview allows a developer to better explain its proposal
- A face to face meeting allows a developer the ability to go into detail on specific development projects, including challenges and successful outcomes.

Selection Process

- Housing Authorities may ask for additional information before selecting a developer
- Housing Authorities should consider many factors before selecting a developer
 - Experience with similar projects
 - Diversity of team
 - Regional/local knowledge
 - Fee sharing/ownership structure
 - Specific personnel assigned to project
 - Aligned development goals
 - Financial capacity
- Staff and Board roles
- Points and scoring are often used, but may not identify a clear winner

The Development Agreement

- This is an important document as it outlines the relationship between the developer and the housing authority
- Should address important issues (among other things):
 - Timeline
 - Predevelopment Loan (if any)
 - Environmental responsibilities
 - Roles and responsibilities of each party
 - Community engagement
 - Legal and HUD requirements
 - Fee sharing/ownership structure (dev fee, sale, seller's note, ground lease, etc.)
 - Right of first refusal/year 15
 - Waterfall cash flow for asset management
 - Social service funding
 - Tenant rights/responsibilities
- Housing Authority should consider outside counsel if internal counsel hasn't negotiated a similar document.

Project(s)

RAD Conversion

- High rise elderly from PH to RAD
- Multi-family redevelopment using RAD
- Conversion of ACC units in mixed-income developments to RAD
- Developer can leverage debt (HUD, Fannie, Freddie, Conventional) based on RAD rents
- 4% tax credits and soft debt
- Scope of work is important because of limited funding
- Relocation of residents is a primary issue in RAD conversion projects (compare to highway construction)
 - Relocation Strategy/Plan
 - Relocation coordinator
 - Hoteling on site
 - Regular communication with contractor and tenants



Courtyard Apartments
Philadelphia, PA

Public Housing Redevelopment

- HOPE VI or Capital projects
- Demolish and replace
- Substantial rehab or new construction
- Typically used on dated, barracks-style apartments
- Can be paired with 4% or 9% tax credits
- Infrastructure development for new communities can be very expensive



Reddick Family
Franklin, TN

For Sale

- Many Housing Authorities are looking to develop single-family for sale as part of a redevelopment strategy
- Plans must be grounded in reality
- Cost of construction versus sales price (GAP)
- Davis-Bacon issues
- Many multi-family developers do not specialize in an affordable single-family product.
- Lease to purchase option
- Might make sense to separate for-sale project and procurement from rental project.



Team Members

Architect: Multi-family knowledge, QAP knowledge, PHA knowledge

General Contractor: MBE/WBE/Section 3 experience, Multi-family construction experience, rehab versus new construction, team player

Legal: Programmatic knowledge, HUD experience

Consultants: Environmental, RAD/Finance, Marketing/Branding, Relocation

Property Manager: Software compatibility, experience with tenant population, social services

Financial Parameters

- General project thresholds
 - 9% tax credit project: 45 – 75 units
 - 4% tax credit project/RAD: Can be larger
 - Smaller developer or not-for-profit may be a good fit for smaller projects
- A developer is able to make financial guarantees to lenders and investors
- A developer often has greater access to debt and equity based on relationships
- Soft sources are often required on projects – PHA sources, grants, local funds (CDBG, HOME, local affordable housing funds)
- Project based vouchers can be used to leverage significant debt on projects
- Fee sharing with PHAs: development fee, cash flow
- Management role for PHAs: Asset management fee, management after guarantees

Community Engagement

- Role of PHA
 - Often ground work is laid by PHA early (pre-developer)
 - Community meetings
 - Relationship with municipality
 - Resident meetings
- PHA staffing may be limited for extensive community engagement
- PHA has existing relationships that can be leveraged
- Tenant leadership can play a role
- Developer can design and implement a community engagement plan, from conceptual design input through construction (MBE/WBE/Section 3)

Thank You!

Questions?