



TACOMA HOUSING AUTHORITY

RESOLUTION 2008-01-23 (4)

DATE: January 23, 2008
TO: Board of Commissioners
FROM: Michael Mirra
Executive Director
RE: Property Manager Selection for Salishan Phase 2

Background

In this resolution THA is proposing a selection of the property management for the rental units in Salishan Phase 2 (Salishan Financing Phase 4 and later 5 and 6). This is not strictly speaking a THA procurement. Instead, it is a procurement of the Tax Credit Partnerships that own those units. THA is the managing member of those partnerships. It is making this procurement decision, which the tax credit investors must approve.

To make this decision, THA used a process resembling its own procurement policy.

On November 7, 2007, THA issued a Request for Proposals for Property Management Services for Phase 2 of Salishan. THA sent the RFP notice to thirty-three (33) prospective property managers. Six (6) firms requested the full RFP and the Authority received three (3) proposals; two (2) were responsive.

A committee consisting of THA staff (Bob Paulson and Roberta Schur) and third-party Property Managers (Tim Walter, King County Housing Authority, Teresa Macaluso, Capital Hill Housing, and Joe Thompson, Intercommunity Mercy Housing) reviewed the proposals over several meetings. The committee evaluated the written proposals based upon the evaluation criteria in the RFP. Evaluation factors were as follows:

Criteria	Points
1. Qualifications and capacity of proposed project team	30
2. Evidence of related experience	30
3. Knowledge of applicable HUD regulations, Section 42 compliance and State and Local Landlord/Tenant law	25
4. Project Approach	45
5. Proposed Fee and Adjustment schedule	20
Total	150

The results of the evaluations were as follows:

Offerors	1	2	3	4	5	Total
	Qualifications & Capacity of Team	Related experience	Knowledge of HUD Regs, LIHTC, Landlord/tenant law	Project Approach	Proposed Fee	
Maximum Points	30	30	25	45	20	150
Quantum Management Services	28.4	29.4	24	38.2	16.6	136.6
Tacoma Housing Authority	23.2	22.4	21.2	38	19.6	124.4

Qualifications & Capacity of Team

Both firms presented a team that has experience working with Section 8, public housing and tax credit units. Quantum has focused on the affordable housing rental market since 1987 and has worked on HOPE VI projects for Seattle Housing Authority (SHA) and King County Housing Authority (KCHA). It has also managed Salishan Area 1 since its opening to generally good reviews.

THA has been managing its own public housing units since its inception but has only recently started to manage tax credit projects. THA is currently managing Hillside Terrace and has been intimately involved with the property for some time due to mis-management by a third party provider. As a result, the THA property management staff have taken a troubled property and turned it into a satisfactory performing property in a matter of months.

Evidence of Related Experience

Quantum has a good deal of experience working with tax credit projects and HOPE VI projects. In addition, they have worked on projects with both SHA and KCHA. Quantum is also the property manager for Area 1 of Salishan.

THA has managed its own public housing and bond projects. However, only until recently, has THA had direct responsibility with managing tax credit projects. THA's experience with the 1500 and 2300 blocks of Hillside Terrace shows the capacity of the team. However, the one area they lack experience in is the up-front, lease-up and compliance activities for tax credit units.

Knowledge of applicable HUD regulations, Section 42 compliance and State and Local Landlord/Tenant Law

Both Quantum and THA have experience with HUD regulations. THA is a little more limited in its knowledge of state landlord/tenant law than Quantum. The one area where there seems to be the greatest difference is IRS Section 42 (low income housing tax credit) code experience. Quantum has been working with this program from the program's inception. THA only started working in this area in the past year. THA does not have direct experience in initial lease up which is critical in terms of compliance.

Project Approach

Both Quantum and THA acknowledge that they need to hit the ground running for Salishan 4. There is immediate work that must be done as THA will be occupying units in April 2008.

Quantum proposes one site manager overseeing all of Salishan as well as one occupancy specialist and two maintenance technicians for Salishan 4, and one occupancy specialist and one maintenance technician for Salishan 5. This is in addition to the current staff they have on site for Area 1 (one site manager, two occupancy specialists, maintenance supervisor and two maintenance technicians). Off-site support includes representatives from the Accounting and Compliance departments handling their various functions. In addition, there are two senior managers (Harry Matsumoto and Lori Larsen) overseeing the work at Salishan.

THA proposes one site manager and two maintenance personnel for Salishan 4 and 5. Off-site management staff includes an accountant working half time (.5 FTE) on the tax credit partnerships and one FTE asset manager (to be hired).

Quantum realizes that THA's goal is to become the property manager for Salishan. In acknowledging this goal, Quantum suggests that we follow a similar model as to what was done at SHA's New Holly where SHA and Quantum worked in tandem to help build capacity at SHA. Quantum assisted SHA set up the systems and provided technical assistance to the Site and Assistant Site Managers. Maintenance, lease and occupancy as well as accounting staff were under Quantum.

Proposed Fee & Adjustment Schedule

Quantum is proposing an annual fee of \$35,640 per 90 unit project. This is equal to \$33 per unit per month. In addition, Quantum is proposing a one-time lease-up fee of \$150 per unit, for a total of \$13,500, payable when the unit is initially leased. Additional charges include an applicant screening fee (\$38 per adult and child over age 12) and copying charges (\$.06 per page).

THA is proposing an annual fee which is the greater of 6% of monthly rent and other income monthly and \$35 per unit per month (\$37,800). In addition, THA is proposing a one-time lease-up fee of \$95 per unit, or a total of \$8,550, payable when the unit is initially leased.

One of the requirements in the RFP was to provide a 10-year operating pro forma based on a given set of assumptions. In comparing the two responses, Quantum anticipated it would cost \$4,563 per unit and THA anticipated a cost of \$4,284.

	Quantum	THA
Annual Fee	\$35,640	\$37,800
Lease-up Fee	\$13,500	\$8,550
Applicant screening fee	\$38 per person over age 12	
Copying charges	\$0.06 per page	
Annual operating expenses per unit (based on the set of assumptions provided in the RFP)	\$4,563	\$4,284

Recommendation

The review committee recommends that THA (and the tax credit investors) select THA Housing Programs Department to provide property management services to Phase 2 of Salishan with Quantum remaining responsible for the initial lease-up. Quantum is agreeable to this arrangement. It has long known that THA would become the eventual property manager of Salishan.

This arrangement acknowledges that the THA team is not as experienced and qualified as Quantum in managing tax credit properties, especially in initial lease-up. Yet, the Housing Programs Department has spent the past two years gearing up and building capacity to achieve this goal. The committee believes that the capacity as well as the ability does exist within the department to take on this responsibility. Its performance at Hillside Terrace when it took over a troubled tax credit property from private management is very promising. In addition, and not reflected in the scoring, there have been some notable difficulties in Salishan Area 1 management apparent with some of Quantum’s on-site staff concerning delay in filling some vacancies and inadequate communication with THA staff.

For these reasons, the committee is making the following recommendations. Quantum has expressed its willingness to participate in this arrangement:

- Quantum will work with THA in an oversight capacity to help ensure systems are set up to successfully lease-up Salishan 4 of Phase 2. This will also allay any investor concerns while THA gains the necessary experience with the initial lease-up process.
- Delay the transition of Salishan Phase 1 property management until at minimum December 31, 2008 to ensure a seamless transition with Phase 2. This will ensure that Quantum closes the year for Phase 1, in terms of audit and will give THA adequate time

to take over managing member responsibility from Lorig of Salishan 1 & 2 on July 1, 2008.

- THA should work to further develop a clearer separation of duties between its property management responsibilities and its partnership responsibilities. As it is configured currently, there is a heavy reliance on Finance for both of these functions.
- THA should make it a priority to increase its structural capacity as there are several key people that have yet to be hired that will be critical to THA's success.



TACOMA HOUSING AUTHORITY

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PROPERTY MANAGEMENT SERVICES FOR SALISHAN PHASE 2

Whereas, The Housing Authority of the City of Tacoma (THA) issued an RFP on November 7, 2007 soliciting offers for property management services for Phase 2 of Salishan;

Whereas, Thirty-three (33) RFP packages were mailed out to prospective lenders;

Whereas, Three (3) responses were received by the Committee;

Whereas, Two proposals deemed responsive were evaluated by a review selection committee;

Whereas, Each firm was rated against the following evaluation criteria:

1. Qualifications and capacity of proposed project team (30 points);
2. Evidence of related experience (30 points);
3. Knowledge of applicable HUD regulations, Section 42 compliance and State and local landlord/tenant law (25 points);
4. Project approach (45 points); and
5. Proposed fee and adjustment schedule (20);

Whereas, The proposals were evaluated using the criteria outlined in the Request for Proposals; and,

Whereas, The review committee is making the recommendation to select THA Property Management to provide property management services to Phase 2 of Salishan the Committee with the following recommendations:

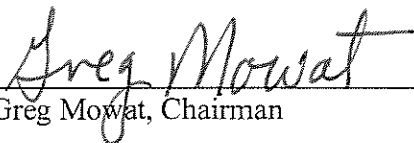
- THA does not have any direct experience doing the initial lease-up and occupancy of a tax credit project. For that reason, the committee recommends retaining Quantum to work with THA in an oversight capacity to help ensure systems are set up to successfully lease-up Salishan 4 of Phase 2. This will also allay any investor concerns while THA gains the necessary experience with the initial lease-up process.
- Delay the transition of Phase 1 property management until at minimum December 31, 2008 to ensure a seamless transition with Phase 2. This will ensure that Quantum closes the year for Phase 1, in terms of audit and will give THA adequate time to take over managing member responsibility from Lorig on July 1, 2008.
- THA should work to further develop a clearer separation of duties between its property management responsibilities and its partnership responsibilities. As it is configured currently, there is a heavy reliance on Finance for both of these functions.

- THA should make it a priority to increase its structural capacity as there are several key people that have yet to be hired that will be critical to THA's success.

Resolved by the Board of Commissioners of the Housing Authority of the City of Tacoma, Washington:

1. That the Executive Director has the authority to select THA as the Property Management entity for Salishan Phase 2 (Financing Phases 4, 5 and 6) that includes an oversight function performed by Quantum Management Services for the lease up of Salishan Financial Phase 4 and to negotiate and execute an agreement with Quantum for such services.

Approved: January 23, 2008



Greg Mowat, Chairman



TACOMA HOUSING AUTHORITY

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Executive Director of the Housing Authority of the City of Tacoma (the "Authority") and keeper of the records of the Authority, CERTIFY:

1. That the attached Resolution No. 2008-01-23 (4) (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners of the Authority as adopted at a meeting of the Authority held on the 23rd day of January 2008, and duly recorded in the minute books of the Authority.

2. That such meeting was duly convened and held in all respects in accordance with law, and, to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a majority of the members of the Board of Commissioners of the Authority present at the meeting voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of January 2008.

Michael Mirra, Executive Director
Tacoma Housing Authority