

GRACE COMMONS - Work Group Meeting Agenda and Notes

July 11, 2019

Attending: Andrew Eshleman, Beth Nist, Jenny Stadler, Ross Cornelius, Curt Germundson, Alena Guggemos, Paddy Tillett, Sharon Loomis-Malin, Nancy Entrikin

PHAME day will be proclaimed by the City of Portland on July 31st @ 4:30pm. Jenny will be commenting and PHAME will be performing at City Hall. It's a great opportunity for appropriately promoting our project. There will be a nice piece about Grace Commons for Jenny to share with the City Commissioners.

CONVENTIONS:

Terminology and Definitions:

“Outreach” Jenny has shared with Ross that the use of the term “outreach” could be understood by some as a religious term. We agreed to find another word to describe the relationship between Grace/GI.

“Commercial Space” We discussed referring to the “commercial space” as “non-housing space, occupied by non-profit entities” to avoid it sounding as if these spaces were being used to create a profit.

Eastside Arts Center - “Eastside Arts Center at Grace Commons” needs to be further defined. The group discussed how using this terminology for a subset of the non-commercial space could be helpful for fund raising.

Grace Commons Name of development as a whole.

GRACE/GI - More work needs to be done on defining the relationship between Grace and GI. Ross suggested that Andrew might take the lead on this. Sharon added that we needed to know more, i.e. what the ability of each group was to raise money before the relationship would be clear.

Acronyms and unfamiliar terms - use and definitions. It would be helpful for the group to begin developing a glossary of terms, because when an unknown term is used, it is hard for people to following anything else that is said.

Work Group meetings, standing agenda, notes, communications, sub-groups, Trello, We will continue calling ourselves the Work Group and will go back to following a standing agenda. Nancy (as Ross's new Assistant (-:)) will take meeting notes. People found Trello confusing, so Curt has sent out a link to sign up for a new app "SLACK". We will have a test run at our next meeting to make sure everyone is up and running, so make sure you are signed up!

ROLES AND RESPONSIBILITIES

CURRENT LINE-UP - GRACE COMMONS PROJECT:

7/11/19

Role	Definition	Role and Responsibilities	Who are they now?	Comments
Stakeholder(s)	People or institutions supporting a successful outcome for the project	Support Project Success		
Owner(s)	Entities having fee-title to the completed real estate project.	Asset Management Members of COA Programming and Operations Property Management Fundraising and capital campaign	GRACE PHAME, GI as tenants	For their respective parts: QUAD - Housing PHAME - Condo GRACE - Condo GI?
Sponsor(s)	Have a visceral stake in project success. Skin in the game, taking risk, and receiving benefits if project is successful.	Actively promote the project. Extending relationships, connections, political and real capital, and other resources to achieve project success. Recruit stakeholders. Create buzz, exposure, profile. Create political support leading to successful funding.	QUAD PHAME GRACE/GI	Lead: Supporting:

<p>Developer(s)</p>	<p>Expends and manages resources to drive the project to completion.</p> <p>Can overlap with Sponsor, owner roles</p>	<p>Achieves feasibility and successful project closing. Assembles financing. Deploys pursuit capital. Obtains entitlements, approvals, permits. Extends guarantees to funders. Manages construction delivery and budget Delivers the project to owners. Receives developer fee.</p>	<p>QUAD</p> <p>Supported by: Owner's Dev Rep HDC Other sponsors</p>	<p>Responsibilities transferred to owner(s) at conversion to perm debt.</p>
<p>Owner's Development Representative</p>	<p>Assists owners and sponsors to manage and deliver the project.</p> <p>Role overlaps and applies where best for project.</p>	<p>Manages the development process and strategy. Overall project coordination and delivery. Integration, negotiation, resource alignment, milestones. Project positioning and feasibility. Identifies and addresses bottlenecks.</p>		
<p>Development Consultant - Construction (HDC chart)</p>	<p>Construction Project Manager</p>	<p><u>Varies by phase:</u> Assemble Design and Construction Teams; negotiate architect, consultant proposals; Owners rep for design, value engineering, contract negotiations. Site evaluation, enviro, zoning. Developer Fee Split.</p>	<p>HDC</p>	
<p>Development Consultant - Finance (HDC Chart)</p>	<p>Project Finance Manager</p>	<p>Proforma Financial Modeling. Operating Budgets, Sources/Uses, Project Funding applications. Funder due diligence, negotiates funder commitments. Spearheads financial closing. Developer Fee Split</p>	<p>HDC</p>	

Following (in blue) are some additional comments Ross made when we reviewed the above handout:

- Stakeholders include banks, the City of Portland, donors, etc. The more stakeholders, the better our chances are of getting funded. Stakeholders are looking at who to bet on. Our job is to give them no reason to say no.
- Owners, sponsors and developers often go together, but not always. In the comments area note that the tax credit investor will own 99.99% of the housing for the first 15 years after which Quad will own it. However, Quad will control the housing even when ownership is with the tax credit investor.
- Sponsors
- Developers

Additionally, Ross explained the development fee could be split amongst more than just the developer and that it is negotiable. We will determine how to split both benefits and risks. (Bring benefit, carve up benefit.) Contributing pursuit capital in the beginning will result in benefit at the end if the project succeeds as can the contribution of non-capital services such as promotion of the project. Quad as developer could have Grace/GI and PHAME as sub-developers. The structure of these roles hasn't been worked out yet.

- Consultants
 - Owner's Development Representative, Ross has assumed this role, and he briefly described it as the person who orchestrates everyone and is everyone's servant.
 - HDC - Financial Consultant
Construction Management
 - Professional Consultants There may be others we bring into the group.
- Architect
- Contractor

FEASIBILITY: (Go, No Go)

- How do we define Feasibility? - Individually and collectively

Paddy described Feasibility as 1. Does the project make sense for the program and mission of Grace and the partners, and 2. Can we put the money together for the project.

Alena noted feasibility means the sponsors can successfully operate the project under the financial assumptions of the underwriting. Is it a sustainable project going forward after closing?

Ross suggested arriving at feasibility would be getting the application for the Portland Bond money submitted in the spring and securing \$15,000,000. Then our ability to raise money would be much higher. He also said that we don't yet know the real cost of the non-residential space and need to go over the allotted costs line by line with Baker.

- Learnings and concerns to date
- Alignment and resources going forward; Six Month Agreement

FEASIBILITY STRATEGY:

Curt described the initial \$200,000 needed to get to feasibility as feasibility capital and that there would be an additional \$1.5 million +/- needed for pre-development costs once we determine that the project is feasible. Quad would be responsible for the pre-development costs, but needed Grace/GI and PHAME to contribute to the fea-

sibility costs. Currently, no division of feasibility costs has been arrived at. Curt will be reaching out to the other partners to discuss options leading up to his board meeting on the 25th of July.

Curt shared an update of QUAD and operational issues they are addressing. He noted the project is projected to be quite a bit larger than QUAD initially anticipated. Curt will be presenting the project and the feasibility capital commitment to his board on July 25.

- Affordable Housing Funding
- Eastside Arts Center/EngAge model
- Funding for Commercial Elements

PREDEV BUDGET

- Cost Sharing Negotiations
- Lending Potential
- Other resources/parties

Opportunity was noted for potentially borrowing feasibility capital from Impact Capital and other lenders.