

OREGON STATE HOUSING COUNCIL TELEPHONE CONFERENCE

March 31, 2011 – 2:00 P.M. (NOTE TIME CHANGE)

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Oregon State Housing Council

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Council Members
Maggie LaMont, Chair
Tammy Baney
John Epstein
Michael C. Fieldman
Francisco López
Nancy McLaughlin
Jeana Woolley

STATE HOUSING COUNCIL MEETING

March 31, 2011

PLEASE NOTE TIME CHANGE 2:00 p.m.

Telephone Conference

Meeting Location:

Oregon Housing and Community Services
725 Summer Street NE, Room 336
Salem, OR 97301
(503.986.2005)

AGENDA

- | | | |
|------|---|--------------------------------|
| I. | CALL TO ORDER | M. LaMont |
| II. | ROLL CALL | M. LaMont |
| III. | PUBLIC COMMENTS | M. LaMont |
| IV. | RESIDENTIAL CONSENT CALENDAR | K. Cleveland, R. Franco |
| | A. 15100 Block SE Natalya St., Happy Valley, OR | |
| | B. 700 Block NE Prescott St., Portland, OR | |
| | C. 400 Block E Evans Drive, Tidewater, OR | |
| V. | NEW BUSINESS | |
| | A. <i>Block 49 South Waterfront Apts. (Portland, OR),
Pass-Through Revenue Bond Request</i> | S. Cullin |



Date: 3/16/2011

To: State Housing Council

From: Roberto Franco, Manager
Homeownership Section

Re: Residential Loan Program - purchase of loans equal to or greater than 75% of the local area Acquisition Cost Limit, or \$190,000, whichever is greater.

Background: State statutes require the State Housing Council to establish a single family loan threshold for loans to be reviewed and approved prior to purchase. The current threshold for single family loans includes all loans equal to or greater than 75% of the applicable area program purchase price limit, or \$190,000, whichever is greater.

Considerations: Staff has reviewed all of the following loan files and concluded that the borrowers and properties meet all relevant program guidelines for the Residential Loan Program. All required documents have been properly executed, received, and the loans have been approved for purchase. In addition to being approved by staff, the loan files have been underwritten by the applicable lenders and are insured by either FHA (FB), Rural Development (RG), Conventionally-Insured (IB), or Uninsured (U) with a loan-to-value of 80% or less.

1	<u>Borrower</u>		<u>Lender</u>	HOMESTREET BANK	
	<u>Co-Borrower</u>				
			<u>Purchase Price</u>	\$304,000	<u>Note Amount</u> \$284,012
<u>Property Address</u>	15100 BLOCK SE NATALYA STREET		<u>Cost Limit</u>	\$376,875	<u>Principal Balance</u> \$284,012
	HAPPY VALLEY	OR 97086	<u>Appr. Value</u>	\$307,000	
			<u>Year Built</u>	2005	
<u>Hshld. Income</u>	\$75,936		<u>Living Area (Sq. Ft.)</u>	2,653	<u>Loan-to-Value</u> 93%
<u>Income Limit</u>	\$84,000		<u>Lot Size (Sq. Ft.)</u>	7,042	<u>Insurance Type</u> FB
<u>% of Income Limit</u>	90.40%		<u>Cost per Sq. Ft.</u>	\$114.59	<u>Rate</u> 4.250%
<u>Prior Ownership Yes (Y) or No (N)</u>	N		<u>New (N) or Existing (E)</u>	E	
			<u>Construction Style</u>	One Story	
2	<u>Borrower</u>		<u>Lender</u>	US BANK	
	<u>Co-Borrower</u>				
			<u>Purchase Price</u>	\$300,000	<u>Note Amount</u> \$292,395
<u>Property Address</u>	700 BLOCK NE PRESCOTT ST		<u>Cost Limit</u>	\$376,875	<u>Principal Balance</u> \$292,395
	PORTLAND	OR 97211	<u>Appr. Value</u>	\$316,000	
			<u>Year Built</u>	1902	
<u>Hshld. Income</u>	\$90,000		<u>Living Area (Sq. Ft.)</u>	2,331	<u>Loan-to-Value</u> 97%
<u>Income Limit</u>	\$98,000		<u>Lot Size (Sq. Ft.)</u>	6,970	<u>Insurance Type</u> FB
<u>% of Income Limit</u>	91.84%		<u>Cost per Sq. Ft.</u>	\$128.70	<u>Rate</u> 4.250%
<u>Prior Ownership Yes (Y) or No (N)</u>	N		<u>New (N) or Existing (E)</u>	E	
			<u>Construction Style</u>	Two Story	

3	<u>Borrower</u>		<u>Lender</u>	UMPQUA BANK	
	<u>Co-Borrower</u>				
	<u>Property Address</u>	400 BLOCK E EVANS DR TIDEWATER		<u>Purchase Price</u>	\$220,000
				<u>Cost Limit</u>	\$281,250
		OR 97390		<u>Appr. Value</u>	\$221,000
				<u>Year Built</u>	1977
	<u>Hshld. Income</u>	\$46,200		<u>Living Area (Sq. Ft.)</u>	1,440
	<u>Income Limit</u>	\$61,100		<u>Lot Size (Sq. Ft.)</u>	7,405
	<u>% of Income Limit</u>	75.61%		<u>Cost per Sq. Ft.</u>	\$152.78
	<u>Prior Ownership Yes (Y) or No (N)</u>	N		<u>New (N) or Existing (E)</u>	E
				<u>Construction Style</u>	One Story
				<u>Note Amount</u>	\$214,423
				<u>Principal Balance</u>	\$214,423
				<u>Loan-to-Value</u>	97%
				<u>Insurance Type</u>	FB
				<u>Rate</u>	4.250%

Recommended Motion: That the Oregon State Housing Council approve the Consent Calendar.

Block 49 South Waterfront Apartments

Pass-Through Revenue Bond Request (FC and HC Approval)

Executive Summary

Project Sponsor/Developer:	REACH Community Development, Inc.
Project Owner:	REACH B49 Partners Limited Partnership
Project:	Block 49 South Waterfront Apartments 650 SW Lowell Street Portland, OR 97239
Description:	The Block 49 South Waterfront Apartments are a proposed 209 unit affordable housing project in Portland (South Park Blocks), Oregon. The project will target individuals earning at or below 60% AMI, with 42 of the 209 units specifically available for veterans. The 42 veterans units will benefit from a 15 year Section 8 HAP Contract from the Housing Authority of Portland. The unit mix consists of 56 Studio, 123 one-bedroom, and 30 two-bedroom units. REACH will move their corporate headquarters to the ground floor commercial space (approx. 12,000 sq ft); leaving a small corner retail space (approx. 5,000 sq ft).
Pass-Through Revenue Bond Request:	\$23,488,000 <i>2011 Series D-1 \$8,800,000 (permanent loan)</i> <i>2011 Series D-2 \$14,688,000 (Construction/Bridge loan)</i>
Bond Series:	Housing Development Revenue Bonds 2011 Series D-1 and 2011 Series D-2
Underwriting Rate:	For the \$8.8 M Perm Loan – rate to be locked at close and will have the benefit of a 4% OAHTC. Rate est. to be 2.00%. For the \$14.6 M Construction/Bridge loan, est. rate to be 5%. Secondary Loan from PHB - 0%, 60 yrs, cash flow only
Appraised Value:	\$29,360,000 <i>(Restricted Rent w/beneficial financing value)</i>
Debt Coverage Ratio (DCR):	1.21:1 <i>(estimated first full year of operation)</i>
4% LIHTC Annual Allocation Request:	\$ 1,224,192 <i>(Annual)</i> \$10,986,021 <i>(Total Est. Equity)</i>
OAHTC Request:	\$8,800,000
Weatherization Grant Request:	Up to \$200,000 <i>(to REACH Community Development, Inc.)</i>
Affordability Period:	60 Years
Target Population:	Individuals and Veterans at or below 60% AMI

Key Participants/Financial Team

Bond Issuer: **Oregon Housing and Community Services (OHCS)**
 General Partner: **REACH Block 49 LLC (REACH Community Development, Inc. (Parent of GP))**
 Borrower Consultant: **Michelle Silver, Silver Consulting**
 Management Agent: **REACH Community Development, Inc.**
 Bond Counsel: **Orrick, Herrington & Sutcliffe LLP**
 Financial Advisor: **Caine Mitter & Associates Inc.**
 Trustee: **US Bank**
 Construction Lender: **US Bank**
 Permanent Lender: **US Bank**
 General Contractor: **Walsh Construction**
 Tax Credit Investor: **Enterprise Green Community West II L.P. (limited partner)**
 Tax Attorney: **Mike Decina (Kantor Taylor Nelson Boyd & Evatt, PC)**

Building Information

Total Number of Affordable Units	207 units
Total Number of Residential Units	209 units (includes 2 managers units)
Total Building Site Square Footage:	244,986 sq ft
Total Residential Square Footage:	136,298 sq ft
Total Residential Common Area Square Footage:	90,910 sq ft
Total Commercial/Retail Square Footage:	17,778 sq ft
Number of Floors:	6-story building
Year Built:	New Construction (est. completion 2012)
Serviced by Elevator:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Construction Type:	<input checked="" type="checkbox"/> New Construc. <input type="checkbox"/> Acq/Rehab
Currently Occupied:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A
Commercial Space:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No REACH Corporate Offices and small retail space

Parking Ratio:	Total of 166 parking spaces. 116 spaces in the underground parking garage accessible to residential tenants and 50 ground floor parking spaces accessible to commercial tenants.
Amenities:	The project will have a courtyard, lobby with reception area and restroom, community room, multiple office and work rooms, exercise room, laundry rooms on each floor with tenant lounge area, garbage and recycling center with trash closet on each floor, and a large secure bicycle storage area in the basement. Additional building access is provide by three internal stairwells; all access points will be electronically controlled.

OHCS Reviews

OHCS Architectural Review:	<input checked="" type="checkbox"/> Acceptable Date: February 9, 2011 Per OHCS Mgmt – will defer architectural review to Portland Housing Bureau. REACH CDC was the recipient of an RFP by PHB. The project is currently permit ready. Permits expire April 15, 2011.
OHCS Management Agent Review	<input checked="" type="checkbox"/> Acceptable Date: March 11, 2011 Conditionally approved based on: 1) two successful physical and file review inspections; 2) site mgmt, or employees working on tenant files and/or responsible for compliance, must receive LIHTC training and certification; and 3) Resident Services Plan must be approved.
OHCS Reviewed Resident Services	<input checked="" type="checkbox"/> Acceptable Date: March 16, 2011
OHCS Subsidy Layering	<input checked="" type="checkbox"/> Acceptable Date: March 9, 2011
OHCS Weatherization Grant Documentation	<input type="checkbox"/> Approved Date: Not approved at this time Sponsor is completing the WX calculator spreadsheet (at the time of this writing). Staff will be recommending an up to amount of \$200,000. Resources are available for this project.
Meets Allowable Zoning Criteria:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A The site is zoned Central Commercial (CX) with a “d” design overlay and is specifically located within the Central City Plan district and the North Macadam Urban Renewal Area. Development is intended to be very intense with high building coverage, large buildings, and buildings placed close together, be pedestrian-oriented with a strong emphasis on a safe and attractive streetscape. High density residential uses and a wide variety of commercial uses are permitted in this zone.
Environmental Reports Received/Reviewed	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No A Phase I report prepared by Adapt Engineering on December 15, 2010 for US Bank. The report concludes no further environmental due diligence required; with the following exception: if excavated soils are removed from the property during development, soils in a small area of the SW portion of the property should be over excavated to remove residual petroleum hydrocarbon contamination.. The borrower has \$150,000 allocated in the budget for hazardous materials abatement. US Bank RETECH Dept. reviewed the report and concurs with the recommendation.
Geotechnical Report Received/Reviewed	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A Geotech report completed by GeoDesign, Inc. January 23, 2008. See Phase I regarding small amount of petroleum hydrocarbon contamination.
Realistic Development Schedule	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

	Construction begins:	April 2011
	Construction completed:	October 2012
	Marketing begins:	June 2012
	Lease up completed:	July 2013

Market Information

Market Analysis Completed By:	First Service PGP Valuation <i>(included in Appraisal)</i>
Effective Date:	January 6, 2011
Rents 10% Below Market	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Lender Review/Meets Underwriting Criteria	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Equity Investor Review/Meets Underwriting Criteria	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Economy

- The Portland MSA economy is based on three primary industries: 1) trade, transportation and utilities; 2) government; and 3) educational and health services.
- The three major employers in the area are Intel, Providence Health Systems, and Oregon Health & Science University.

Population

- Moderate population and household growth is anticipated for the Portland MSA during the next five years.
- Population is expected to increase 1.4% per year; which is ahead of the State of Oregon and the nation.
- Total population in the Portland MSA in 2010 was 2,244,247; projected to grow to 2,400,607 by 2015.
- Total households in the Portland MSA in 2010 were 866,944; projected to grow to 926,959 by 2015.
- Total number of housing units in the Portland MSA in 2010 was 934,443; projected to grow to 1,005,401 in 2015.

Job Growth and Unemployment

- Long term job projections are positive with growth anticipated in most of the major industrial sectors except Manufacturing (for 2008 to 2018 forecast period). Growth rate is estimated at approximately 1% annually.
- Job losses are forecasted for manufacturing over the next ten years (2.8% job loss).
- Strong growth is expected in professional and business services (16.7% growth rate) and educational and health services (22.1% growth rate).
- Unemployment rates at YE09 were 10.5% for the Portland MSA; this has improved to 9.9% as of December 2010.

Supply

- There has been significant growth in new construction, affordable and market rate, over the last ten years in downtown Portland.
- There are a total of 3,129 market rent units that have been added to the multi-family market supply since 2008; they are currently in lease-up, or nearly stabilized. All of these apartments are considered luxury units; the subject will compete in a more affordable rent range.

Demand

- The appraiser conducted a survey of 1,288 market rate rental units considered "competitive" with the Subject which indicated an average vacancy rate of 6.1% for the stabilized projects. This shows average demand for market rate properties in the Subject's area.

- As new luxury apartments continue initial lease-up in upcoming months, the competitive supply will remain high.
- Overall, the subject will compete well in the average quality apartment market, recognizing that the majority of new development is high-end, and that these projects will be stabilized by the time the Subject is completed in 2013.
- The appraiser conducted a survey of 1,306 affordable rental units which indicated an average vacancy rate of 1.6%.
- Restricted rent demand appears very strong for well maintained and managed properties in the subject area.
- All comparable units are targeted to low income tenants. All but two of the projects have waiting lists that vary in length depending on unit size, ranging from 2 months to 3 years.

Conclusions

- Moderate population and employment growth is anticipated for the area.
- Unemployment levels are declining but are still high.
- There are LIHTC projects that have recently completed initial lease-up, are under construction or are proposed in the Portland MSA, but none that will pose direct competition to the subject.
- Market vacancy is 6.1% while affordable vacancy is 1.6%.
- The subject will compete well in the average quality apartment market, recognizing that the majority of new development is high-end, and that these projects will be stabilized by the time the Subject is completed in 2013.

Lender's Valuation Analysis

A complete appraisal report by First Service PGP Valuation was received January 6, 2011, and reviewed and accepted by the Bank's RETECH's. Concluded values are presented below:

Valuation	Interest Appraised	Date	Value
Market Value - As Is	Fee Simple	12/1/2010	\$5,030,000
Prospective Market Value – Upon Completion – Restricted Rents	Fee Simple	11/1/2012	\$14,320,000
Prospective Market Value – Upon Stabilization – Restricted Rents	Fee Simple	9/1/2013	\$15,080,000*
Prospective Market Value – Upon Completion – Market Rents	Fee Simple	11/1/2012	\$29,560,000
Prospective Market Value – Upon Stabilization – Market Rents	Fee Simple	9/1/2013	\$31,270,000
Market Value – LIHTC		9/1/2013	\$10,670,000*
Market Value – Beneficial Financing		9/1/2013	\$3,610,000*
Total Value = Restricted Value at Completion + Value of Tax Credits + Beneficial Financing			\$29,360,000

Based on the proposed construction and bridge loan amounts (\$23,488M), the LTV during construction is 80% and the LTV during the perm period is 30% (perm loan \$8,800M).

If beneficial financing is excluded, the LTV during the perm period is 34%, with less than the Bank's current policy requirements of 80%.

Development & Financing Team

Borrowing Entity	REACH B49 Partners Limited Partnership
General Partner	REACH Block 49 LLC (REACH Community Development, Inc. (parent of GP))
In Good Standing w/OHCS	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Construction/Permanent Lender	US Bank
Credit Underwriting Approved	<input type="checkbox"/> Yes <input type="checkbox"/> No Date: as of 3/17/11 – USB staff have completed stage 2 of credit approval, final approval is expected by March 21, 2011.
Commitment to Close w/out Substantive Credit or Project Conditions	<input type="checkbox"/> Yes <input type="checkbox"/> No Date:
Equity Investor	Enterprise Green Communities West II L.P.
Credit Underwriting Approved	<input type="checkbox"/> Yes <input type="checkbox"/> No Date: Letter of Intent January 31, 2011. Investor going to committee week of March 21 st .
Other Funding Sources Committed w/out Substantive Credit or Project Conditions	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No PHB “draft” commitment letter dated: March 15, 2011, final letter est. to be executed by end of week.

Financing Structure:

The Pass-Through Revenue Bond request of approximately \$23,488,000 will include short-term bond of approximately \$14,688,000 (Bridge Bond) and the long-term bond of approximately \$8,800,000.

US Bank will purchase \$23,488M in Tax Exempt Bonds (Tranche A - \$8,800M, Tranche B - \$14,688M). Tranche A will be floating during the construction period and will not have the benefit of OAHTC. Once Tranche A converts to perm, the interest rate will be fixed with the benefit of OAHTCs. Tranche B will be floating during construction and will be repaid at conversion.

The chart below summarizes the proposed funding of Enterprises equity contributions with funding conditions. They are paying 89.75 cents per credit; total tax credit allocation is \$10,987,045.

Equity Installment	Estimated Date	Total Amount	Amt Funded	Funding Conditions
1	Closing	\$1,648,057	15% / 15%	Payable at closing
2	4-1-2013	\$6,042,875	55% / 70%	Payable the later of April 1, 2013 or C of O, cost certification, lien waivers from contractor, appropriate insurance policies in place, survey, etc.
3	1-1-2014	\$3,296,113	30%/100%	Payable the later of January 1, 2014 or C of O on all units, stabilized operations (1.20 for three consecutive months), all partnership reserve accounts established, loan conversion (US Bank requirements), 8609's, etc
Total		\$10,987,045		

There will be 15% or \$9,643M paid in as equity at bond closing through the various subordinate grants/loans and land donation from REACH. 92% or \$59,191M will be paid in at construction completion, and 100% or \$64,397M at conversion.

The Portland Housing Bureau ("PHB") will be providing three tranches of debt for a total of \$23,237M:

- * **\$21,600M Residential Loan** – Funds are for the construction of the building (0%, 60 year term, no amortization, cash flow only payments). This debt will remain in place after conversion and will be subordinate to US Bank debt.
- * **\$749,532 Retail Loan** – Funds are for the permanent financing of the retail space (1%, 30 year term, no amortization, cash flow payments only). These funds will come in when the condominium for the retail space has been established at or near construction completion. At this time, PHB will pay down the US Bank bridge loan.
- * **\$790,000 Commercial Loan** – Funds are for the permanent financing of the office space (2%, 20 yr term, 30 year am, hard debt obligation to REACH). These funds will come in when the condominium for this unit has been established at or near construction completion

Project is expected to generate approximately \$228M in NOI during the lease-up/stabilization period. These funds are scheduled to come in AFTER construction completion and will be used to help cover interest expense during the lease-up phase.

Borrower will providing \$1,000M in cash equity at or near completion. These funds will be used to purchase their office condominium. Proceeds will come from the sale of their existing building.

OAHTCs will be used only on the permanent loan. The annual pass-through requirement is approximately \$235,752. The current operating budget shows a pass-through of \$291,288, which is \$55,536 over the required amount.

The borrower has proposed a Weatherization Grant up to \$200,000. At the time of this writing, the final weatherization documentation (calculator spreadsheet) was not received by the Department's Weatherization Program Manager. Staff is recommending a Weatherization grant up to \$200,000, be approved at this time. All sources must be finalized prior to bond closing, so it is the intention of the sponsor and staff to have this reviewed and approved by March 31, 2011.

Estimated Sources and Uses

Sources	Residential	Commercial	Total
USB Permanent Loan w/OAHTC	8,800,000		8,800,000
LIHTC (4%) Equity	10,987,045		10,987,045
PHB Housing Funding	19,426,856	2,172,229	21,599,634
PHB Retail Cash Flow Loan		749,532	749,532
PHB Amortizing Office Loan		790,000	790,000
REACH Sponsor Land Loan	5,000,000		5,000,000
REACH Equity – Commercial		1,000,000	1,000,000
OHCS Weatherization Grant	200,000		200,000
Deferred Developers Fee	400,000		400,000
NOI During Lease Up	216,538	11,134	227,673

TOTAL FUNDING SOURCES	\$45,030,439	\$4,723,445	\$49,753,885
Uses			
Acquisition	4,543,000	457,000	5,00,000
Construction	30,444,889	3,058,145	33,503,035
Development Costs	10,042,550	1,208,300	11,250,850
TOTAL USES	\$45,030,439	\$4,723,445	\$49,753,885

Rent Gap Analysis:

- A tenant profile oriented towards singles and families was developed using 30% of allowable median incomes for Multnomah County to calculate maximum allowable 60% rents (the maximum for LIHTC rents).
- The Maximum LIHTC Net Rents are less utility allowances. Borrower is estimating utility allowances of \$44 for studio units, \$58 for one bedroom units, and \$71 for 2 bedroom units which reflect the energy efficient nature of the building.
- With respect to the subject, the tenants will pay for electricity, heat, telephone and cable television. Water, sewer, garbage service and hot water will be included with the tenants rent.
- The chart below shows the maximum OAHTC (“OAHTC Rents”) as compared to the maximum rents under the LIHTC Program less utility allowances (“Max Rent at 60%”) as compared to market rents (“Market Rents”).

Unit Type	No. Units	No. Persons in Household	% Median Income	Maximum Rent at 60% (LIHTC)	OAHTC Rents	Developer's Restricted Rent	Market Rents (Market)
Studio – Sec 8	42	1.0	60%	\$704	\$609	\$580	\$850
Studio	14	1.0	60%	\$704	\$609	\$480	\$850
1 BD	123	1.5	60%	\$743	\$648	\$595	\$1,025
2 BD	30	3.0	60%	\$890	\$795	\$775	\$1,400
Total Units	209						
		Difference Developer Rents and Market Rents	% Difference Developer Rents and Market Rents	Difference OAHTC Rents and Market Rents	% Difference OAHTC Rents and Market Rents		
Studio – Sec 8	42	(\$270)	(32%)	(\$29)	(5%)		
Studio	14	(\$370)	(44%)	(\$130)	(21%)		
1 BD	123	(\$430)	(42%)	(\$58)	(9%)		
2 BD	30	(\$625)	(45%)	(\$45)	(6%)		

- Typically, in LIHTC transactions rents must provide a reasonable gap between restricted and market rents to ensure overall success and marketability.
- The chart above shows that the borrower’s proposed rents, which are actually less than the LIHTC or OAHTC allowable rents, are between 32% and 45% below market rate rents (when compared against LIHTC maximum rents). This more than exceeds the current underwriting guidelines of 10%.
- The subject will also benefit from a Section 8 contract for the 42 Veteran units. These units are 32% below market rents. Section 8 rents generally should be at the concluded market rents, however for this project they are below market rents. Regardless, the tenant is only required to pay 30% of their income towards housing and never above the 60% restriction, as required under LIHTC projects.
- The Section 8 contract will for a 15 year term. Agreement is subject to annual appropriations, which is standard for this type of financing.

Projected Annual Income & Expenses (First Full Year of Operation 2013-2014 as underwritten by lender)

Rental Income:	\$1,530,180
Other Income:	\$50,412
Potential Gross Income:	\$1,580,592
Vacancy (6.6%)	\$(100,992)
Effective Gross Income	\$1,479,600
Annual Operating Expenses: (\$4,654 p/u)	\$978,524
Net Operating Income	\$501,076
Primary Debt Service: \$8,800,000 @ 2.00% 30 yrs	\$390,318
Sinking fund deposit considered hard debt payment	\$27,625
Annual Cash Flow	\$83,133
Debt Service Coverage Ratio (DSCR)	1.21

Issuer Information

Bond Series:	Housing Development Revenue Bonds 2011 Series D-1 & D-2
TEFRA Date:	March 28, 2011
Bond Purchaser:	US Bank
Bond Closing Date:	April 11-14, 2011
Term of Bonds:	30 year amortization with a mandatory put at year 15.
Bond Documents In Substantially Final Form	<input type="checkbox"/> Yes <input type="checkbox"/> No Bond documents are estimated to be in substantially final form the week of April 4, 2011.

Department Risk/Mitigating Factors

Meets Issuer's Guidelines for Bond Proceeds Yes No Date: March 22, 2011
If No, explain:

- OHCS and the State of Oregon are protected from financial risk in a Pass-Through Revenue Bond Financing because the State does not credit enhance nor guarantee the bonds. The Department's bond documents reflect the pass-through of financial responsibility and bond liability to the lender, trustee and bondholder(s).
- US Bank has conservatively underwritten this transaction. The loan-to-value during construction meets their maximum of 80%, and then during the permanent loan period, the Loan-to-value drops to 30%.
- The City of Portland, through its Portland Housing Bureau, has a substantial financial and public purpose commitment to see this project through completion.
- Forty-two (21%) of the building's 209 units will be set aside for formerly homeless Veterans. The Veterans Administration (VA) and the Housing Authority of Portland (HAP) will refer Veterans who are ready to graduate from transitional housing to a normalized housing environment. Applicants will be subject to REACH's standard screening criteria, though a slightly modified version may be used. Veterans will have access to a full time case manager assigned to Block 49 with regular office hours in the community area of the building, giving them access to supportive services. The location of the building is convenient for trips to the

VA Hospital, just up the hill, accessible by the aerial tram. The Veterans units will be funded through a Project Based Section 8 Contract with HAP for a 15 year term.

I recommend approval of the Pass-Through Revenue Financing as presented

/s/

Shelly Cullin, Senior Loan Officer
Multifamily Housing Section

March 22, 2011 Finance Committee Discussion: The Finance Committee had no substantive discussions regarding the proposed project or financing. They approved the following motions:

LIHTC RECOMMENDED MOTION: To approve an allocation of 4% Low Income Housing Tax Credits to REACH B49 Partners Limited Partnership for the new construction of Block 49 South Waterfront Apartments in an amount not to exceed the lesser of the amount the project is eligible to receive or 1,224,192 in annual allocation.

OAHTC RECOMMENDED MOTION: To approve an allocation of Oregon Affordable Housing Tax Credits in an amount not to exceed of \$8,800,000 to REACH B49 Partners Limited Partnership for the permanent financing provided by US Bank for the new construction of Block 49 South Waterfront Apartments.

WEATHERIZATION RECOMMENDED MOTION: To approve a Weatherization grant to REACH Community Development, Inc. in an amount not to exceed \$200,000 for weatherization eligible activities, contingent on final approval by the Weatherization Program Manager, for the new construction of Block 49 South Waterfront Apartments.