

OREGON STATE HOUSING COUNCIL
Minutes of Meeting

Meeting Location:
Ameritel Inn
425 SW Bluff Drive
Bend, OR 97702

9:00 a.m.

September 24, 2010

MEMBERS PRESENT

Maggie LaMont, Chair
Tammy Baney
John Epstein
Mike Fieldman
Jeana Woolley

MEMBERS ABSENT

Francisco López
Nancy McLaughlin

GUESTS

Scott Cooper, Partnership to End Poverty
Devin Culbertson, Northwest Housing
Alternatives
Tom Brenneke, Guardian Real Estate Services
Jodi Enos, Umpqua Community Development
Corp.
Stuart Liebowitz, Umpqua Community
Development Corp.
Doug Chrisman, Chrisman Development
Tony Chrisman, Chrisman Development
Gina Leon, US Bank
Jim Long, City of Bend
Greg Blackmore, City of Bend
Barb Ferili, Rural Development
Drew Davis, Rural Development
Erik Kropp, Deschutes County
Kenny LaPoint, Housing Works/Oregon ON
Michelle Silver
Mark Quinlan, Habitat For Humanity, Bend
Cyndy Cook, Housing Works
Rima Wilson, Pacific Crest Affordable Housing
Rob Ray, Pacific Crest Affordable Housing
John Gilbert, Pacific Crest Affordable Housing
Robert Turner, Bank of The Cascades
Chuck Hemingway, Central Oregon Veterans
Outreach
Peter Grube, Bend Affordable Housing
Sharon Miller, Neighbor Impact

STAFF PRESENT

Victor Merced, Director
Rick Crager, Deputy Director
Shelly Cullin, Senior Loan Officer
Dolores Vance, Loan Officer
Lisa Joyce, Policy and Communication Unit Manager
Deborah Price, Regional Advisor to the Department
Vince Chiotti, Regional Advisor to the Department
Karen Chase, Regional Advisor to the Department
Karen Clearwater, Regional Advisor to the
Department
Jo Rawlins, Recorder

I. **CALL TO ORDER:** Chair LaMont calls the September 24, 2010 meeting to order at 9:12 a.m.

II. **ROLL CALL:** Chair LaMont asks for roll call. **Present: Tammy Baney, John Epstein, Mike Fieldman and Chair LaMont. Absent: Francisco López, Nancy McLaughlin and Jeana Woolley (Jeana Woolley arrived at 9:25 a.m.).**

III. **PUBLIC COMMENT:** Kenny LaPoint of Housing Works/Oregon ON welcomed Council to Bend.

IV. **APPROVAL OF MINUTES**

A. Chair LaMont asks if there are any corrections to the August 27, 2010 Minutes. There being no corrections, the Motion was read:

MOTION: Baney moves that the Housing Council approve the Minutes of the August 27, 2010 Council meeting.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman and Chair Maggie LaMont. Absent: Francisco López, Nancy McLaughlin and Jeana Wooley.

V. **RESIDENTIAL CONSENT CALENDAR:** None.

VI. **SPECIAL REPORTS:** None.

VII. **NEW BUSINESS:**

A. *Orenco Senior Housing* (Hillsboro, OR), Predevelopment Loan Request. **Shelly Cullin**, Senior Loan Officer, introduces **Devin Culbertson** of Northwest Housing Alternatives (NHA). **Cullin** states that Northwest Housing Alternatives has requested a predevelopment loan in the amount of \$500,000 for the acquisition of property and for predevelopment costs associated with the development of *Orenco Senior Housing*. The predevelopment loan would be for a term of two years at five percent interest. *Orenco Senior Housing* is a proposed 45-unit senior housing development located near the *Orenco Station MAX* stop in Hillsboro, Oregon. The Washington County Consolidated plan indicates a senior affordable housing deficit of over 1,500 units, and OHCS has designated senior housing in Washington County as a priority one. Due to the soft housing market, NHA was able to get an option on the site at a cost that makes the project financially feasible in this premium location. The purchase price is \$380,000. The Washington County Assessor's office indicates a Real Market Value of \$547,490; and an assessed value of \$301,520. Based on the Assessor's Real Market Value there appears to be adequate security for the predevelopment loan. However, a bit more conservative approach would be additional security, and NHA has offered their office building, which the department has used as security for a previous predevelopment loan, as the additional security. The assessor's market value of the office building is \$214,002. Using the market value of the office building and the purchase price of \$380,000, the total security is \$594,002, or 84% loan-to-value. The department would have a first deed of trust on both properties. **Cullin** gives an overview of the write-up contained in Council's packet and recommends approval of the predevelopment loan request. **Epstein** asks about whether or not there is a policy on when appraisals are to be required. **Crager** explains that there is no policy, but that

appraisals are usually not required when there is sufficient collateral. If there isn't sufficient collateral, then certainly the department would require that an appraisal be done on the property.

MOTION: Epstein moves that the Housing Council approve a Predevelopment Loan in the amount not to exceed \$500,000, at an interest rate of 5% per annum, for a maximum of two (2) years to Northwest Housing Alternatives for acquisition and predevelopment costs associated with the development of Orenco Senior Housing, located in Hillsboro, Oregon.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Jeana Woolley and Chair Maggie LaMont. Absent: Francisco López and Nancy McLaughlin.

B. 2010 Consolidated Funding Cycle.

1. *The Village Apartments (Monmouth, OR).* **Dolores Vance**, Loan Officer, introduces **Tom Brenneke** of Guardian Management, and **Karen Chase**, Regional Advisor to the Department. **Vance** refers to the write-up contained in Council's packet and states that The Village Apartments in Monmouth, Oregon, is an existing Section 8 project currently in the department's portfolio. The sponsor previously received a "stand-by" response from the department based on further review of the rehabilitation plan and associated costs, which has been completed. The sponsor was able to reduce the rehabilitation costs by \$418,732, and relocation costs by \$30,000. The CFC application requested \$500,000 GHAP, \$1,530,000 HOME, and \$440,000 HPF. After the Housing Division's review of the proposed changes in costs, it concluded that the funding sources could be reduced by \$448,000, including elimination of funds from the HPF program, as follows: \$500,000 GHAP and \$1,522,000 HOME. **Epstein** says he assumes the department has a process to assure thirty years of sustainability. **Vance** and **Cullin** explain the department's process for project oversight to assure sustainability.

MOTION: Baney moves that the Housing Council approve a reservation of up to \$500,000 in GHAP and up to \$1,522,000 in HOME funds to Guardian Affordable Housing Development LLC, to acquire and rehabilitate The Village Apartments, in Monmouth, Oregon, contingent upon meeting all program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Jeana Woolley and Chair Maggie LaMont. Absent: Francisco López and Nancy McLaughlin.

2. *Brookside Court Apartments (Roseburg, OR).* **Dolores Vance**, Loan Officer, introduces **Jodi Enos**, Project Manager, **Stuart Liebowitz**, Housing Developer, Umpqua Community Development Corporation, and **Karen Clearwater**, Regional Advisor to the Department. **Vance** refers to the write-up contained in Council's packet, stating that Brookside Court Apartments is an existing 50-unit elderly and disabled housing complex with Section 8 subsidy, in Roseburg, Oregon, in need of significant rehabilitation to meet the 30-year

sustainability requirement. She gives an overview of the planned improvements, stating that the total cost per unit will be \$130,172; and construction costs per square foot will be \$118.77. She gives an overview of the funding sources outlined in Council's packet. **Baney** asks about relocation of the tenants during rehab and **Liebowitz** explains their planned process.

MOTION: Woolley moves that the Housing Council approve a reservation of up to \$200,000 in GHAP/TF and up to \$545,000 in Housing Preservation Funds (HPF) to Umpqua Community Development Corporation, to acquire and rehabilitate Brookside Court Apartments, in Roseburg, Oregon, contingent upon meeting all program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. **Members Present:** Tammy Baney, Mike Fieldman, Jeana Woolley, and Chair Maggie LaMont. **Absent:** Francisco López and Nancy McLaughlin. **Abstained:** John Epstein.

C. Beaver State Apartments dba Montebello/Montecino (Wilsonville, OR); Spyglass Apartments (Lincoln City, OR); Willamina Villa Apartments (Willamina, OR); Cascade Valley Apartments (Mt. Angel, OR); and Stratford Apartments (Ashland, OR). **Shelly Cullin**, Senior Loan Officer, introduces **Doug Chrisman** and **Tony Chrisman** of Chrisman Development, **Michelle Silver**, and **Gina Leon** of US Bank. **Cullin** refers to the write-up contained in Council's packet and states that Chrisman Development & Management has requested financing from the department for the acquisition and rehabilitation of a portfolio of scattered site projects consisting of six Rural Development preservation projects located in Wilsonville, Lincoln City, Willamina, Mt. Angel and Ashland. The borrower, Beaver State Apartments LLC, is requesting an allocation of tax-exempt bonds in an amount not to exceed \$16M; a Risk Sharing loan in an amount not to exceed \$9.5M; approximately \$10M in Housing Preservation; an allocation of 4% Low-Income Housing Tax credits in an amount not to exceed \$900,000; and a Weatherization grant in the amount of \$645,300. The portfolio acquisition consists of 239 units, of which only 147 units currently receive rental assistance. With the acquisition and transfer of these properties to the new ownership, Rural Development will provide an additional 92 units of rental assistance. The scope of rehab is very extensive and appears to meet the department's 30-year sustainability requirement. Rural Development and US Bank have also approved the scope of rehab. The average vacancy rate for affordable units in Ashland and Wilsonville is approximately 4%; in Lincoln City and Willamina it is 2%; and Mt. Angel is 6%. All of the appraisals indicate a demand for affordable housing. The borrower is a newly formed single asset entity, Beaver State Apartments LLC. The managing member is Western Oregon Affordable Housing and the equity investor will be a to-be-formed affiliate of Raymond James. The balance of the development team, Pinnacle Architecture, WC Construction, Doug Blomgren, legal counsel, and Michelle Silver, tax consultant, are all very experienced with affordable housing and the financing programs proposed for this transaction. Chrisman Development and Management (CDM) has been approved as the property management agent for the project. CDM has been developing affordable housing since 1991, they have 36 employees, and manage 690 units in 24 projects all over Oregon. The resident services plan submitted with the application is preliminary and has not been approved. The borrower will be working with the Resident Services Coordinator for the department to ensure they meet the needs of the residents in each specific community. The

resident services plan must be approved prior to conversion of the Risk Sharing permanent loan and issuing tax credits.

Cullin gives the following overview of the financing: The \$15M plus in bonds will be used through construction, via the US Bank letter of credit. The letter of credit will have a term of 15 months, with one 6-month extension as the letter of credit lender. US Bank will also act as the construction lender. All draws will be processed through the construction account held with US Bank. All parties, OHCS, RD, Raymond James, and US Bank will review and approve the draws. The reason there is a difference in the bonds used for construction versus the final permanent amount, is to meet the 50% test required for the 4% Low Income Housing Tax Credits. At the time of permanent loan conversion, \$6,630,000 will be paid down, leaving a permanent loan of \$9,224,000. The Risk Sharing loan has been underwritten with a term of 40 years at 6.25%. The final interest rate will be determined at the time of bond sale, estimated the last week in October. The annual allocation of 4% Low Income Housing Tax Credits has been approved by the Finance Committee. Raymond James is the equity investor providing approximately \$4.8M in equity. Rural Development financing for the project includes assumption of the existing loans, debt deferral, and additional rental assistance. All six projects will have some or a portion of the existing debt deferred. Montebello/Montecino and Cascade Valley will have a portion that is re-amortized over 50 years at 1%. RD's Multifamily Preservation Revitalization Program provides a 20-year debt deferral with a 30-year restrictive use covenant. At the end of 20 years, they will either extend the deferral or re-amortize the existing debt for 40 or 50 years at 1% and execute a new 30-year restrictive use covenant. The Weatherization grant request for \$645,300 has been reviewed and approved by the Weatherization Program Manager for eligible uses. Gap financing for the project is provided through the department's Housing Preservation Funds. Of the \$10,040,298 in Housing Preservation funds, a portion will be a grant and a portion will be a loan. There may be an adjustment to that amount depending on an analysis from bond counsel for the lottery backed bonds. They are determining if we can utilize the tax exempt housing preservation funds along with the tax exempt housing bonds for the Risk Sharing loan. If it is determined that we cannot use the tax-exempt Housing Preservation Funds, we will request that our portion of the March 2011 lottery backed bond sale be all taxable. The Housing Preservation loan is a soft loan, with a term of 40 years at 0% interest, with no payments required unless the project defaults on the affordability requirements. The balance of the financing is from the deferred developers fee and project cash flow. Uses of funds reflects a total development cost of \$31,751,970; acquisition costs per unit is approximately \$56,000; rehab costs per unit is approximately \$41,000; and development costs per unit is approx \$36,000.

Cullin reviews the operating budget analysis which reflects income, vacancy, operating expenses, debt service, DCRs and cash flow. Operating expenses per unit will be approximately \$4,100. The overall DCR for the project is estimated at 1.29. With a Risk Sharing loan, excess cash cannot be released for use by the borrower until the department has reviewed and approved the annual audit financial statements. Once approved, the borrower can pay the "below the line" costs. With those payments, the remaining cash flow is estimated at approximately \$74,000. Appraisals were completed in July 2010 by First Service PGP Valuation. The combined Rent Restricted Value, as renovated, is \$11.3M. At times, the department has utilized the beneficial financing value to size the debt; however, in this case, the Rent Restricted Value is used with that value and our permanent loan of \$9,224,000. The loan-to-value is approximately 81%, which is below the department's maximum loan-to-value requirement of 85%. She recommends approval of the Recommended Motions contained on the revised page 27 of Council's packet.

MOTION: Epstein moves the following:

That the Housing Council approve a loan, using tax exempt bond proceeds, to Beaver State Apartments LLC, in an amount not to exceed \$16 million for the acquisition and rehabilitation of a portfolio of six properties known as the Beaver State Apartments.

AMENDED MOTION: That the Housing Council approve a Risk Sharing Loan in an amount not to exceed \$9,500,000 to Beaver State Apartments LLC for permanent financing of a portfolio of six properties known as Beaver State Apartments, for a term of 40 years, at an interest rate to be determined by a future bond sale; with permanent loan conversion occurring once the *aggregate* projects meet a 1.15:1 DCR and each project meets at least a 1.10 DCR for 60 consecutive days, and all closing due diligence completed, reviewed and approved by staff.

That the Housing Council approve a Housing Preservation Fund award in an amount of \$10,040,298 for the acquisition and rehabilitation of a portfolio of six properties known as Beaver State Apartments. In addition, staff will determine the portion of the award that will be loaned to Beaver State Apartments LLC or granted to Western Oregon Affordable Housing, Inc.

That the Housing Council approve Weatherization Funds in an amount of \$645,300 to Western Oregon Affordable Housing, Inc., for weatherization eligible activities associated with the rehabilitation of a portfolio of six properties known as Beaver State Apartments.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Jeana Woolley and Chair Maggie LaMont. Absent: Francisco López and Nancy McLaughlin.

At the conclusion of the voting, Shelly requested that discussion be reopened, stating that if the Motion stands requiring that each project meet at least a 1.10 DCR for 60 consecutive days, they would have to resubmit to US Bank for approval because the bank had approved an aggregate 1.15 DCR, and they would not be able to close the transaction by November 10, which was critical to maintaining the proposed financing structure. **Epstein** stated that he would be willing to pull his amendment.

MOTION: Epstein moves to Reconsider the Amended Motion and Move Original Motion:

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Jeana Woolley and

Chair Maggie LaMont. Absent: Francisco López and Nancy McLaughlin.

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That the Housing Council approve Weatherization Funds in an amount of \$645,300 to Western Oregon Affordable Housing, Inc., for weatherization eligible activities associated with the rehabilitation of a portfolio of six properties known as Beaver State Apartments.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Jeana Woolley and Chair Maggie LaMont. Absent: Francisco López and Nancy McLaughlin.

VIII. OLD BUSINESS: None

IX. REPORTS:

A. *Neighborhood Stabilization Program Update (Handout).* Rick Crager distributed a copy of John Fletcher's report dated September 24, 2010. Jim Long with the City of Bend addressed Council, stating that the Neighborhood Stabilization Program is truly stabilizing the neighborhoods. He said there are neighborhoods with houses that have been unoccupied, having brown lawns, and with the NSP, the homes are occupied and the lawns are soon green again.

B. *Hardest Hit Fund Update.* Rick Crager, Deputy Director, handed out copies of the following documents: September 22, 2010 Testimony before the Emergency Board; Oregon

