

OREGON STATE HOUSING COUNCIL
PUBLIC MEETING

Deskins Commons



Date: October 3, 2014

Time: 9:00 A.M.

Location: Housing and Community Services [NMOB]
Conference Room 124a/b
725 Summer Street NE, Salem, OR 97301

Call In Number: Call in Number: 1-877-273-4202
Room Number: 4978330

STATE HOUSING COUNCIL

OCTOBER 3RD, 2014 | MEETING PACKET

TABLE OF CONTENTS

| | |
|---|-------|
| AGENDA | 1 |
| DRAFT MINUTES FOR APPROVAL – AUGUST 1, 2014 | 2-7 |
| <i>RESIDENTIAL LOAN PROGRAM – CONSENT CALENDAR APPROVAL</i> | 8-9 |
| <i>a) 30500 Kenady Lane, Cottage Grove 97424</i> | |
| <i>b) 1300 Neahkahnne Street SE, Salem 97306</i> | |
| <i>ABIGAIL APARTMENTS PORTLAND</i> | 10-16 |
| <i>GREELEY HEIGHTS LIHTC WARM SPRINGS</i> | 17-19 |

Oregon State Housing Council

725 Summer St NE, Suite B
Salem, OR 97301-1266
Phone: 503.986.2000
Fax: 503.986.2132
TTY: 503.986.2100
www.ohcs.oregon.gov/OHCS/OSHC



Council Members:

Jeana Woolley, Chair
Mayra Arreola
Tammy Baney
Aubre L. Dickson
Michael C. Fieldman
Zee D. Koza
Adolph "Val" Valfre, Jr.

Public Meeting Agenda

Date: October 3rd, 2014
Time: 9:00 a.m.-12:00 p.m.
Location: North Mall Office Building
725 Summer Street NE, Salem OR 97301 | Conference Room 124a/b
Call-In: 1-877-273-4202; Room Number: 4978330

1. Call to Order and Roll Call
2. Public Comment
3. Draft Meeting Minutes for Approval
August 1st, 2014
4. Affordability, Balance and Choice Workgroup Update
5. Residential Loan Program – Consent Calendar Approval
 - a) *30500 Kenady Lane, Cottage Grove 97424*
 - b) *1300 Neahkahnne Street SE, Salem 97306*
6. Conduit Bond Award for Approval
The Abigail Apartments
7. GHAP Affordability Requirements for Approval
Greeley Heights
8. Report of the Director
9. Report of the Chair
10. Other
Proposed 2015 meeting calendar for approval

*Janet Byrd, Executive Director
Neighborhood Partnerships*

Adjourn State Housing Council Meeting

Oregon State Housing Council

725 Summer St NE, Suite B

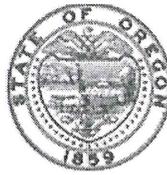
Salém, OR 97301-1266

Phone: 503.986.2000

Fax: 503.986.2132

TTY: 503.986.2100

www.ohcs.oregon.gov/OHCS/OSHC



Council Members:

Jeana Woolley, Chair

Mayra Arreola

Tammy Baney

Aubre L. Dickson

Michael C. Fieldman

Zee D. Koza

Adolph "Val" Valfre, Jr.

AUGUST 1, 2014 MEETING MINUTES

Housing Council Members Present:

Jenna Woolley, Chair

Tammy Baney

Aubre Dickson

Mike Fieldman

Zee Koza

Val Valfre

Housing Council Members Not Present:

Mayra Arreola

OHCS Staff Present:

Casey Bauman, Loan Specialist

Mike Boyer, Legislative and Communications Coordinator

Julie Cody, Program Delivery Division Administrator

Danny Gette, Loan Specialist

Diana Koppes, Business Operations Division Administrator

Carol Kowash, LIHTC Manager

Alison McIntosh, Government Relations and Communications Liaison

Rem Nivens, Assistant Director of Public Affairs

Tony Penrose, Loan Officer

Teresa Pumala, Loan Officer

Joyce Robertson, Loan Specialist

Guests Present:

Rey Espana, NAYA

Julie Garver, Innovative Housing

Tom Kemper, Housing Works

John Miller, Oregon ON

Jessy Olson, Guardian

Riad Sahli, Guardian

Michelle Silver, Silver Consulting

Keith Wooden, Housing Works

1. Call to Order and Roll Call

Chair Woolley calls the August 1, 2014 meeting to order at 9:02 a.m.

Chair Woolley asks for roll call. Present: Tammy Baney, Aubre Dickson Mike Fieldman, Zee Koza, Val Valfre and Chair Woolley.

2. Public Comment

John Miller, Oregon ON commented that the Affordability Balance Choice (ABC) committee took inclusionary zoning off the table at the first meeting. He asked the Council to send a letter to Representatives Parrish and Reardon asking them to bring back inclusionary zoning as an issue that should be considered within the ABC committee process.

Tammy Baney commented that projects needed to pencil out for private sector partners .

3. Approval of Housing Council Meeting Minutes – July 11th

Chair Woolley requested a motion to approve the July 11th, 2014 meeting minutes with corrections provided by Council members. The motion was read:

Motion: Aubre Dickson moved and Val Valfre seconds that the Housing Council approve the July 11th, 2014 meeting minutes.

Vote: In a roll call vote the motion passed. Members present: Tammy Baney, Aubre Dickson, Mike Fieldman, Zee Koza, Val Valfre and Chair Jeana Woolley.

4. Portfolio Refinance for Approval

Casey Bauman summarized the proposed Revera refinance project that consists of seven separate assisted living facilities and is currently financed using OHCS Elderly and Disabled Bonds. The proposal is for the early redemption and repayment of existing Elderly and Disabled Bonds, and to issue new taxable bonds in the amount of \$24M, using terms that are more in line with the current debt market and an additional five years of affordability. Interest rate reductions with the new loan will range from 2.48% to 4.13%. Bauman recommended approval of the refinance.

Chair Woolley asked Council members if there were any questions

Val Valfre asked what the proportion of out of pocket was versus the \$3.25M going towards future upgrades and what those upgrades would include.

Casey Bauman replied the out of pocket amount is \$6.8M.

Michelle Silver added the upgrades include general maintenance and capital improvements.

Chair Woolley called for any further discussion, there being none a motion was requested.

Motion: Val Valfre moves and Aubre Dickson seconds to approve the issuance of new Taxable Bonds in an amount not to exceed \$24,000,000 to seven individual owner Limited Partnerships, jointly and severally inseparably libel, which will be used for the early redemption and repayment of existing Elderly and Disabled Bonds. Approval is contingent upon the borrower meeting OHCS and Capital One underwriting and closing criteria, documentation satisfactory to legal counsel, and Treasurer's approval for the bond sale.

Vote: In a roll call vote the motion passed. Members present: Tammy Baney, Aubre Dickson, Mike Fieldman, Zee Koza, Val Valfre and Chair Jeana Woolley.

5. **Conduit Bond Award for Approval**

Teresa Pumala summarized the project improvements for the Erickson Saloon and the Fritz Hotel. The proposed project consists of two contiguous, three-story buildings which will be fully combined and converted into a single, three-story, low-rise property following rehabilitation. It will contain 62 units (52 affordable and 10 market rate), including 39 studio and 23 one-bedroom units. Unit sizes are small and considered "urban studios" or "micro-apartments". Studios range from 302 to 421 square feet and one-bedroom units range from 360 to 609 square feet.

Val Valfre commented that this looks like a really interesting project and is pleased with the idea.

Aubre Dickson asked if differed developer fee (close to \$1M) would pay off in 12 years. **Julie Garver** said the investor has calculations that they will pay it off in 12 years.

Aubre Dickson asked what the market study indicated as the absorption rate? **Julie Garver** said the market study found that it was about 30 units per month.

Aubre Dickson noticed lead based point and asbestos in the building and asked what the cost for remediation would be and what the hard cost contingency would be. **Julie Garver** said the hard cost contingency is 10% (approximately \$750,000) and abatement costs have been verified and estimated by the abatement contractor.

Chair Woolley asked about the architectural exception what is the standard and what are we accepting?

Teresa Pumala said the exception was for the minimum size of unit square footage. Our minimum on studio is 350 square feet. Market study supported the small square footage units.

Chair Woolley called for any further discussion, there being none a motion was requested.

Motion: Tammy Baney moves and Val Valfre seconds to approve a Pass-Through Revenue Bond Financing in an amount not to exceed \$8,600,000 to Erickson Housing Limited Partnership for the acquisition and rehabilitation of Erickson Fritz Apartments, subject to borrower meeting OHCS, Wells Fargo, NOAH, Portland Housing Bureau and Raymond James Tax Credit Fund Inc. underwriting and closing criteria, documentation satisfactory to legal counsel and Treasurer approval for the bond sale.

Vote: In a roll call vote the motion passed. Members present: Tammy Baney, Mike Fieldman, Zee Koza, Val Valfre and Chair Jeana Woolley. Aubre Dickson abstained.

6. **Subsequent NOFA Awards**

- a. **HOME Grant Award for Approval: *Eastlake Village II and Aspen Villas***

Danny Gette introduced Eastlake Village II, a new construction project and Aspen Villas, a rehabilitation project. These properties will be combined into one financing structure under Paulina Peak Partners LLC.

Val Valfre asked if the project based VASH vouchers were already approved by HUD?

Tom Kemper replied they have the vouchers, but they still need to project base them.

Aubre Dickson asked about the two transitional housing units and if they are intending to have them project based or tenant based vouchers. **Danny Gette** responded by saying Neighbor Impact has the funding for that rental subsidy so they will be providing funding the subsidy for those two units along with the supportive services.

Aubre Dickson followed up by asking if the services were fee based or was Families Forward charging for services.

Tom Kemper said the services for the transitional units will be provided by Neighbor Impact. Families Forwards is an affiliate of Housing Works and primarily funded with tenant fees that all of their projects pay.

Aubre Dickson asked if there was one loan to cover both projects.

Tom Kemper confirmed that it was one loan secured by both properties.

Aubre Dickson asked about the conversion requirements for the project.

Tom Kemper said the conversion requirement is one, two.

Tammy Baney commented that she is grateful for this project and excited for its future.

Chair Wooly stated that the motion should reflect that it is contingent on the permanent loan approval and securing the rest of the funding.

Tom Kemper responded that they have a conditional commitment letter and received commitment from PNC and expected to close this transaction by the end of September, begin construction in October, and have units available by late spring or early summer.

Motion: Tammy Baney moves and Mike Fieldman seconds to approve a HOME grant in the amount of up to \$553,555 to Housing Works for the new construction of East Lake Village II (Bend) and acquisition/rehab Aspen Villas (Redmond). The award is contingent on securing permanent loan approval and additional funding.

Vote: In a roll call vote the motion passed. Members present: Tammy Baney, Aubre Dickson, Mike Fieldman, Zee Koza, Val Valfre and Chair Jeana Woolley.

- b. Other awards for presentation and information purposes
Village East Apartments

Tony Penrose introduced the 42-unit family Section 8 Village East Apartments. Rents are subsidized to all residents but are at risk of losing the Section 8 contract. The property was acquired in 2012 by Guardian Development LLC due to owner transfer and HUD contract expiration. The current contract is year by year with a 20 year contract conversion at LIHTC closing. Previous owner's lack of reinvestment left Village East with failing roofs, leaking windows; mold and pest/dry rot issues. Most units have interior component which have not been replaced since the original construction in 1981, including carpets and vinyl. Residents are exposed to health risk due to water and interior mold issues.

Aubre Dickson asked about secondary debt.

Riad Sahli replied that they are looking at one loan from potentially NOAH or another lender.

Aubre Dickson asked what resident services would be provided.

Riad Sahli said they would be partnering with Cornerstone to provide nutrition services, job and educational opportunities.

Val Valfre asked about the water intrusion/mold issues and if there is relocation plan in place.

Riad Sahli right now the mold is the biggest unknowns right now but we think it is isolated to the attic space. We believe we have an adequate budget for the mold remediation and also have a 10% hard cost contingency. We are anticipating 10-13 day relocation and we have a budget for moving people out and into hotels in the Eugene/Springfield area. We are also exploring an option that would allow residents to stay in their units during upgrades.

NAYA Generations

Joyce Robertson introduced the NAYA Generations plan to replace the obsolete Foster Elementary School, a 3.5 acre parcel in the Lents neighborhood in SE Portland, secured through a long term lease agreement between Portland Public Schools, the City of Portland and NAYA. The project will be culturally specific, open to all, and will serve some of the Native community's most vulnerable and valuable members, early learners, elders, working families, and children in foster care. NAYA Generations will be an Intergenerational Housing Community including 40 units affordable housing for seniors and families looking to adopt or permanently place children out of the foster system. There will also be an Early Learning Center offering early childhood learning to children aged zero to five and a community Longhouse offering wrap-around services including a Community Health Clinic.

Rey Espana added that the project aims to address the disproportionate number of Native American and African American children in the foster system.

Aubre Dickson asked who the permanent lender and if the debt coverage ratio (DCR) was accurate.

Jessy Olson responded saying they are looking at several lenders right now including NOAH, Capital Pacific Bank and Chase Bank. The must pay DCR is 1.3 at this point.

Aubre Dickson asked about the two units that are at 60% are you anticipating tenant based vouchers?

Jessy Olson replied that they do not anticipate project based vouchers but they do anticipate a handful of tenant based vouchers.



Oregon

John A. Kitzhaber, MD, Governor

Housing and Community Services

North Mall Office Building
725 Summer St NE, Suite B
Salem, OR 97301-1266
PHONE: (503) 986-2000
FAX: (503) 986-2020
TTY: (503) 986-2100
www.ohcs.oregon.gov

Date: September 22, 2014

To: State Housing Council

From: Kimberley Freeman, Manager
Homeownership Section

Re: Residential Loan Program

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:

1. The loan(s) under consideration is greater than or equal to 75% of the applicable area program purchase or \$190,000, whichever is greater.
2. 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), or Uninsured (U) with a loan-to-value of 80% or less.

| | Loan Amount | Purchase Price Limit | 75% of Purchase Price Limit or Max |
|---------|--------------|--|------------------------------------|
| Loan #1 | \$220,924.00 | \$265,158.00 Non-Target area in Lane County | \$198,869.00 |
| Loan #2 | \$209,828.00 | \$265,158.00 Non-Target area in Marion County | \$198,869.00 |



Recommended Motion: State Housing Council approves the Consent Calendar.

Data Classification 3

| | | | | | |
|---|--|---|--------------------------------|--------------|-------------------------------------|
| 1 | <u>Borrower</u> | | <u>Lender</u> | UMPQUA BANK | |
| | <u>Co-Borrower</u> | | | | |
| | <u>Property Address</u> | 30500 BLOCK KENADY LN COTTAGE GROVE OR 97424 | <u>Purchase Price</u> | \$ 225,000 | <u>Note Amount</u> \$ 220,924 |
| | | | <u>Cost Limit</u> | \$ 265,158 | <u>Principal Balance</u> \$ 220,924 |
| | | | <u>Appr. Value</u> | \$ 225,000 | |
| | | | <u>Year Built</u> | 2004 | |
| | <u>Hshld. Income</u> | \$ 56,922 | <u>Living Area (Sq. Ft.)</u> | 1,877 | <u>Loan-to-Value</u> 97% |
| | <u>Income Limit</u> | \$ 67,560 | <u>Lot Size (Sq. Ft.)</u> | 43,560 | <u>Insurance Type</u> FB |
| | <u>% of Income Limit</u> | 84.25% | <u>Cost per Sq. Ft.</u> | \$ 119.87 | <u>Rate</u> 3.125% |
| | <u>Prior Ownership Yes (Y) or No (N)</u> | N | <u>New (N) or Existing (E)</u> | E | |
| | | | <u>Construction Style</u> | Manufactured | |

| | | | | | |
|---|--|---|--------------------------------|-------------|-------------------------------------|
| 2 | <u>Borrower</u> | | <u>Lender</u> | UMPQUA BANK | |
| | <u>Co-Borrower</u> | | | | |
| | <u>Property Address</u> | 1300 BLOCK NEAHKAHNIE ST SE SALEM OR 97306 | <u>Purchase Price</u> | \$ 213,700 | <u>Note Amount</u> \$ 209,828 |
| | | | <u>Cost Limit</u> | \$ 265,158 | <u>Principal Balance</u> \$ 209,828 |
| | | | <u>Appr. Value</u> | \$ 214,000 | |
| | | | <u>Year Built</u> | 1977 | |
| | <u>Hshld. Income</u> | \$ 47,218 | <u>Living Area (Sq. Ft.)</u> | 1,601 | <u>Loan-to-Value</u> 97% |
| | <u>Income Limit</u> | \$ 68,400 | <u>Lot Size (Sq. Ft.)</u> | 8,712 | <u>Insurance Type</u> FB |
| | <u>% of Income Limit</u> | 69.03% | <u>Cost per Sq. Ft.</u> | \$ 133.48 | <u>Rate</u> 3.625% |
| | <u>Prior Ownership Yes (Y) or No (N)</u> | N | <u>New (N) or Existing (E)</u> | E | |
| | | | <u>Construction Style</u> | One Story | |

Conduit Bond, 4% LIHTC, OAHTC & Weatherization Application Request
September 16, 2014
The Abigail Apartments

Project Sponsor: Bridge Housing Corporation
600 California St., Suite 900
San Francisco, CA 94105

Property: Abigail Apartments
1650 NW 13th Ave.
Portland, OR 97209

Owner: Abigail Housing Associates LP

Description: Abigail Apartments is a planned mixed use, 155-unit apartment complex with under-building parking. Twenty-seven units, comprising the 6th floor, will be market rate units. The building is designed as a single, six-story building. A small ground-floor commercial space of 930 square feet (sf) is present. Unit types include studios (35), one (33), two (51) and three-bedroom (36) units, all flats. Project amenities include a laundry room on each floor, ground floor tenant lounges, management space and a courtyard with a playground area. Although zoning does not require any parking, the project will have 80 under-building spaces. Of the total, 63 are assigned to LIHTC units at no charge. The remaining 17 spaces are reserved as rentable spaces for the market-rate units. The site encompasses 0.92 acres or 39,909 s.f. of land and is located on the extreme north end of the Pearl District.

Bond Allocation: \$24,940,085 tax exempt OHCS, of which \$13,223,785 are short term
LIHTC Request: \$1,434,790 in annual allocation of Low Income Housing Tax Credits (equaling \$14,920,325 net Investor proceeds to the project)

OAHTC Request: \$3,000,000 on permanent loan with Wells Fargo

Weatherization Grant: \$163,976

Affordability: 60 Years of affordability

Target Population: Family

Finance Committee Date: September 16, 2014

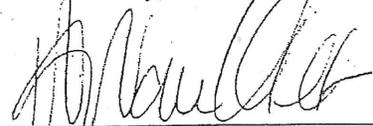
Submitted by: Janna Graham, Loan Officer

Finance committee Meeting: Voting to Approve: ✓
 Voting to Decline:
 Absent:



Julie V. Cody, Finance Committee Chair

9.16.14
Date



Margaret S. Van Vliet, Director

9.16.14
Date

BOND RECOMMENDED MOTION: Move that Finance Committee recommend to the Director to move forward to Housing Council approval of Pass-Through Revenue Bond Financing in an amount up to and not to exceed \$26,000,000 to Abigail Housing Associates LP for the new construction of The Abigail Apartments, subject to borrower meeting OHCS, Wells Fargo, Portland Housing Bureau and National Affordable Housing Trust (NHT) underwriting and closing criteria, documentation satisfactory to legal counsel and Treasurer approval for the bond sale.

WEATHERIZATION RECOMMENDED MOTION: Move that Finance Committee recommend to the Director to move forward to Housing Council approval of an allocation of Low Income Weatherization Fund grant in an amount not to exceed the lesser of the eligible weatherization components or \$163,976, to Abigail Housing Associates LP for the new construction of The Abigail Apartments.

Construction Lender: Wells Fargo
Permanent Lender: Wells Fargo
General Contractor: Walsh Construction
Syndicator: National Affordable Housing Trust (NAHT)

Project Financing:

| Sources | | Uses | |
|------------------------------------|----------------|--------------|--------------|
| Tax Exempt Bonds | \$24,940,085 | Acquisition | \$3,811,035 |
| Short term Bonds | \$(13,223,785) | Construction | \$33,749,857 |
| | | Development | \$2,311,789 |
| | | Fees | \$6,890,684 |
| 4% LIHTC Equity | \$14,920,325 | Interest | \$ 921,358 |
| Low Income Weatherization | \$163,976 | | |
| Energy Trust of Oregon | \$34,775 | | |
| PHB TIF Loan | \$12,623,000 | | |
| State of Oregon Brownfields | \$400,000 | | |
| Sponsor Loan | \$2,736,248 | | |
| Cash-Applicant | \$100 | | |
| Wells Fargo perm loan w/OAHTC's | \$3,000,000 | | |
| Wells Fargo perm loan | \$11,716,300 | | |
| Deferred Developer Fee | \$2,090,000 | | |

TOTALS \$47,684,724

Bond Financing: Private placement with Wells Fargo Bank. The bonds will be in three sections, a short term and two long term tranches to accommodate the OAHTC's. The short term piece will be paid off with tax credit equity, the permanent loan and a portion of TIF.

Development Team Members, Roles, Responsibilities and Qualification

BRIDGE has opened a Portland office, to be staffed by Nicole Peterson, who will be responsible for day-to-day project management of the Abigail. BRIDGE Housing Corporation is founded and headquartered in San Francisco. BRIDGE is organized as a non-profit. Since beginning active operations in 1983, BRIDGE has participated in the development of over 13,000 housing units and over 350,000 s.f. of retail/commercial space in close to 100 properties valued at more than \$3 billion. They have a particular expertise in mixed-use projects. BRIDGE is exceptionally financially strong and has a strong portfolio performance.

Walsh Construction: Walsh was selected based on their experience building mid-level, sustainable/green construction for affordable developers in the Portland area.

Pinnacle: Pinnacle was selected based on research and face to face interviews with BRIDGE's Asset Management staff. Pinnacle manages BRIDGE's recently acquired Woodland Park Apartments in Hillsboro, Oregon.

Development Fee:

| | | | |
|--------------------------|---|-------------|--------|
| Development fees: | Total Development Fee | \$5,023,348 | 11.77% |
| Deferred Developer fees: | \$2,090,000 | | |
| | Repayment projected within first 10-15 yrs. at 2.97% interest | | |
| Cash Development fees: | \$2,933,348 | 6.88% | |
| Cash Developer fee: | \$2,150,000 | | |

Operating Budget:

- o Solid DCR and the ability to pay off soft debt
- o Adequate replacement reserves for long term viability
- o Operating expenses are reasonable

Debt Service :

- First full year of operations 1.20 to 1 with OAHTC interest rate reduction.
- DCR at year 20: 1.31 to 1 DCR at year 30: 1.40 to 1

Services/ Amenities:

Bridge Housing is committed to Resident Services and has entered into a 10 year agreement with Impact NW, paying \$40,600/year to insure successful services. 327 s.f. on the main floor is dedicated to, and staffed by Impact NW for resident services. They will conduct an assessment upon move in, to structure services based on need. Impact NW is a non-profit organization specializing in affordable housing resident services. Management Agent and Resident Services have been approved by AM & Compliance.

Market:

- The projected population growth of the CMA for the next five (5) years is 35,597. This is a rate of 1.16% per year from a 2013 population of 600,538 to 2018 at 636,135.
- During this same time period, household growth will total 15,999 households, or 3,200 households per year.
- The PMA median household income for 2013 approximates \$45,084. This compares to \$53,931 for the larger metro area.
- The May, 2014, unemployment rate for the larger metropolitan area stood at 6.1%, down from a high of 10.7% in 2009.
- The Oregon Employment Department forecasts 10-year growth in Region 2 (Multnomah & Washington counties) at 1.65% annually.
- Current apartment vacancies in the Downtown Portland Submarket are 3.4% (NBS) for new conventional market-rate projects and 1.2% (CIVAS) for restricted complexes.
- Continued rental increase is anticipated for the downtown apartment submarket.

- The project will be a member of the Hoyt Street Yards Community Association. This association has CC&Rs regarding the area. The project will pay \$25,464 per year for membership.
- The project contains 36 - 3 bedroom units. There are a limited number of 3 bedroom units in the market area and demand is expected to be strong for these.

Location:

- The site is at the extreme north end of the Pearl
- The site is a Brownfield lot
- The site is farther from downtown and public transportation but is considered good by the market analyst
- Distance to MAX light rail .5 mi., Portland Streetcar .3 mi., nearest Tri-met stop .25 mi.
- Emergency services: Fire .6 mi., police 1.8 mi., Hospital .9 mi.
- The site is impacted negatively by external noise from I-405 and railroad tracks near it
- The property has been granted a ten year tax exemption by the Portland City Council

Architectural:

- Scope of Work, highlights include the following features:
 - New construction of 155 units including 128 affordable
 - 80 underbuilding parking spaces, 63 are offered at no charge to the affordable units
 - 235 secure bike spaces are provided in the garage area
 - Developer anticipates receiving LEED Gold certification for the project
 - A main floor community room and large central community space
 - Two extensively landscaped courtyards and a playground area
- Per unit cost is \$307,643. Square footage costs are \$255.64 per square foot total.
(New construction in bond/4% transactions is usually around \$200 per sq. ft. Costs exceed this due to the Brownfield lot remediation and BOLI wages)

Review/Summary:

- Items of note:
 - Architectural *exception* granted by OHCS for larger square footage units and 2 bed with 2 bath units. **Mitigating Factor**, These units provide marketability to a larger pool of families, adult living w/an elder parent and potential roommates for cost control.
 - Environmental – Brownfield site, **Mitigating Factor** OHCS approval conditioned on borrower following the remediation plan approved by ODEQ which involves excavation and disposal of soil and installation of a

methane mitigation system and receiving a No Further Action Letter after completion.

- A 5% vacancy factor was used in underwriting, **Mitigating Factor** low vacancy rates and waiting lists for this type of housing, per the market study.
 - Stress tests on the DCR were calculated removing all commercial income (1.18), adding the proposed cost of the MOU for Resident Services (1.15) and then both of these combined (1.135), **Mitigating Factor**, the project has a positive trending DCR over time, and the worst case DCR is still sufficient for project operation.
 - External noise due to proximity to I-405 & RR tracks, **Mitigating Factor** double paned windows, two layers of gypsum board on exterior and brick veneer on much of building, also the sides facing 405 & tracks will have a special glazing.
- Project schedule:
 - Target close date October 2014
 - Construction complete March 2016
 - Length of time for construction is anticipated to be 18 months.

Memorandum

To: Oregon State Housing Council

From: Mike McHam, Market Analyst & Appraiser

Housing Council Meeting of: October 3, 2014

Requested Action: Approve reducing the General Housing Account Program (GHAP) period of affordability from 60 years, to coincide with the release of the LIHTC Declaration at the end of Year 15.

Project Sponsor/Developer: Warm Springs Housing Authority Limited Partnership #1

Limited Partner: Prestige Affordable Housing Fund XXVI LLC

Consultant: Travois, Inc.

Project: Greeley Heights LIHTC
Area of Bear Drive and Jefferson Street
Warm Springs, OR

Affordability Commitment If Approved: Years 1 through 15 – 60%
Years 16 through 50 – 80%

Target Population: Large Native-American family households at-or-below 60% to 80% MFI.

RECOMMENDATION/MOTION:

Move the Oregon State Housing Council allow the reduction of the General Housing Account Program (GHAP) period of affordability from 60 years to the end of year 15 with a release of the GHAP Declaration, to coincide with the right of first refusal of the LIHTC Declaration upon transfer of the project. The 60% MFI will be maintained on the project and each house until individual houses are eligible for sale. Once any house is eligible for sale, an 80% MFI will be maintained through the remaining term of the 50-year Master Lease.

Project Overview

On the Warm Springs Indian Reservation the community of Warm Springs (aka Warm Springs Agency) is the only significant population center and contains approximately 73% of the population. Greeley Heights LIHTC is a proposed 35-unit, single-family detached residential subdivision, plus a community building (Lot 36) to be constructed in the northeastern quadrant of the community. Houses will be three (14), four (15) and five-bedroom (5) units. An additional three-bedroom unit will be a management unit housing an on-site police officer household (non-income qualified). Houses will be both one and two-story wood frame construction. All units will also have an attached 1.5-car garage.

The net site area for all 36 lots totals approximately 31.83 acres. Infrastructure/offsites will be paid by the Confederated Tribes of the Warm Springs Reservation, Indian Health Services (IHS) and the Bureau of Indian Affairs (BIA). This expense is not a part of the OHCS Greeley Heights LIHTC project. Individual lot sizes range from about 0.67 to 0.98 acres. Surrounding land uses are vacant land or other single-family dwellings, which are compatible with the planned project. A new \$21 million K-8 school just opened within walking distance of the project. No negative externalities are present. All utilities and municipal services will be available to the project upon completion. Topography is slightly sloping and many of the houses will have territorial views. There are no impediments to development.

The initial target market is large Native American families at 30%, 50% and 60% AMI income levels. However, proposed rent levels are distributed at maximum 22% to 48% AMI. This market segment was selected due to many existing households being over-crowded and multi-generational (three or more). This was also supported by a market analysis.

Explanation of Issue

OHCS normally uses LIHTC to fund only multi-family projects. It has never before funded a single-family residential (SFR) subdivision project like Greeley Heights, which was funded from the 2013 NOFA. Also, this is only the second known LIHTC project OHCS has ever funded on an Indian Reservation. These two funding characteristics introduce significant new variables into project development.

- Greeley Heights LIHTC was originally fully funded with OHCS contributing only LIHTC. The balance of project costs are funded by Native American Housing and Self-Determination Act (NAHASDA) funds filtering through the Warm Springs Housing Authority (WSHA). Cost increases since application caused a significant gap between sources and uses.
- Some increase was offset by an increase in credit pricing from \$0.82 to \$0.85 (\$260,289), but a large gap still remained.
- The sponsor voluntarily reduced the developer fee by \$103,111 to assist in closing the gap.
- The sponsor continued diligently working to reduce project costs without sacrificing quality or function of the end product.
- The total remaining gap was reduced to \$200,000, which caused the sponsor to request adding GHAP funds to fill this gap. The Department has approved this amount to make the project whole.
- The only remaining issue is that GHAP funds typically require a 60-year period of affordability at 80% or below MFI memorialized in a declaration of restrictive land use covenants requiring this length of time.

Reason for the Request

The project land is on an Indian Reservation. The land is held in trust by the United States of America for the land owner(s) the Confederated Tribes of Warm Springs. The three (3) Native American Tribes forming the confederation are the Wasco, Warm Springs and Paiute. Since 1938 they have been unified as the Confederated Tribes of Warm Springs.

Trust land cannot be mortgaged, alienated or encumbered, which necessitates a leasehold mortgage. The tribe will lease the land to the Warm Springs Housing Authority (WSHA) for 50 years as required by Federal law for land held in trust. WSHA will then sublease the land where the project units are located, along with the land where the community amenity will be located, to Warm Springs Housing Authority

Limited Partnership #1. When the limited partner exits the partnership at the end of Year 15, it is intended the Warm Springs Housing Authority (WSHA) will exercise the right of first refusal and acquire all 36 lots. Then, in years 16 through 22, the WSHA intends to sell the houses to individuals. As houses are individually sold, new subleases will be entered into for the land where the units are located.

Section 42 of the tax code allows the LIHTC restrictions to be terminated following year 15. Thus, the 60-year affordability period, restrictions and LIHTC Declaration are terminated following execution of the right of first refusal by the WSHA. Even before this request, the WSHA decided to maintain affordability levels on the houses at approximately 80% or below. This request is to allow the GHAP affordability period, restrictions and GHAP Declaration to be removed simultaneously with the LIHTC because:

- Greeley Heights LIHTC is a single-family residential project funded to provide home ownership opportunities at the end of the initial compliance period. It is doubtful if a similar request would be made or approved on a multi-family property.
- The Oregon GHAP restrictions would be removed simultaneously with the federal LIHTC requirements and not clutter the title with restrictions addressed by other documents.
- The legal documents being drafted between OHCS and the ownership entity will maintain the affordability at the appropriate income levels for a 50-year period.
- The BIA only allows a maximum 50-year leasehold mortgage on this project. The ownership would not be able to take the GHAP funds, as the affordability would extend beyond the lease.
- Approval of this request is in accord with the intent of the NAHASDA.

In conclusion, it is requested the motion be approved.