

April 4, 2024

BCC Agenda Date/Item: _____

Housing Authority Board of Commissioners
 Clackamas County

Approval of Resolution 1981 Authorizing Designated Officer Authority to Finalize and Execute Development Agreements for Hillside Park Buildings A, B, and C. Project estimated cost of \$147,700,000. Funding is from Local, State, and Federal sources. No County General Funds are involved.

Previous Board Action/Review	October 2019 – Board approval of the Hillside Park Master Plan Design Concept July 2021 – Board approval of Resolution authorizing submittal of Section 18 disposition application January 2022 – Notification to the Board of intent to release Request for Expressions of Interest from developers August 2022 – Related Northwest selected as the developer September 2022 – Approval of an Exclusive Negotiation Agreement with Related Northwest September 2023 – Approval to provide Housing Authority Board endorsement of the concept and preliminary commitment of Regional Affordable Housing Bond funds March 20, 2024 – Policy Session on Hillside Park Redevelopment, where the Board unanimously approved bringing the Resolution back for formal adoption at a future business meeting. April 2, 2024 – Resolution briefed at Issues		
Performance Clackamas	This item aligns with the strategic priority of ensuring safe, healthy, and secure communities by providing sustainable and affordable housing.		
Counsel Review	Yes	Procurement Review	No
Contact Person	Devin Ellin	Contact Phone	971-227-0472

EXECUTIVE SUMMARY: The Housing Authority of Clackamas County (HACC), a component unit of Clackamas County within the Housing and Community Development Division of the Health, Housing and Human Services Department, is requesting Board adoption of Resolution 1981 authorizing a designated officer the authority to finalize and execute development agreements between HACC and Related Northwest for Buildings A & B and Building C of Phase 1 of the Hillside Park redevelopment project. The designated officer is the Executive Director of the Housing Authority of Clackamas County.

Overview of Hillside Park Redevelopment:

Built in 1942, Hillside Park is a public housing project consisting of 100 single family units and duplexes dispersed over a 13.7-acre site in Milwaukie. As part of its public housing repositioning, the Housing Authority of Clackamas

For Filing Use Only

County will be redeveloping this aging affordable housing into up to 500 units of new affordable housing in two phases. Phase 1, with construction scheduled to start in June 2024, will consist of 275 units in three buildings. Construction of Phase 2, with up to 225 units, will start in 2026. The vision for this project is over five years in the making and is based on extensive input from community stakeholders and an approved master plan.

Developer Selection

Related Northwest, an experienced local affordable housing developer, was selected through a competitive Request for Expressions of Interest process to lead the project. On September 29, 2022, the Housing Authority Board of County Commissioners approved HACC entering into an Exclusive Negotiation Agreement (“ENA”) with Related Northwest. The ENA obligated both parties to negotiate in good faith towards the terms of binding development agreements to govern the redevelopment and set forth the terms of the transaction. Since the ENA was approved, HACC and its outside counsel have been negotiating two separate development agreements with Related Northwest for Phase 1.

Development Agreements

The Housing Authority of Clackamas County was represented by outside counsel with experience representing housing authorities and preserving public interests in the development of affordable housing. The development of Phase 1 will be governed by two separate development agreements, one for Buildings A & B and one for Building C in alignment with Board priorities. In both agreements, HACC will retain ownership of the underlying land and lease the property under a long-term ground lease to various tax credit partnerships. These partnerships have or will be established as legal entities to facilitate the development and hold the corresponding legal and financial responsibilities. HACC and Related Northwest will consult with each other regarding the selection of the property management company for all three buildings. Both parties must approve of the selected property manager.

Development Agreement for Buildings A & B

Buildings A & B will consist of 175 units affordable to households making 60% of the Area Median Income (AMI) and below. HACC will have a 20% ownership stake in the General Partnership and will receive a portion of the cash and deferred fee on a pro rata basis, equivalent to its ownership interests in the partnership.

Development Agreement for Building C

Building C will consist of 100 units affordable to households making 60% of the Area Median Income (AMI) and below. HACC will have a 100% ownership stake in the General Partnership. Related Northwest will develop Building C with the understanding that, once the building is complete, leased and stabilized, and after the project’s tax credits partnership receives Form 8609, HACC will replace Related Northwest as General Partner (GP) of the Limited Partnership (LP). Form 8609 is the Internal Revenue Service document that credit allocating agencies give to property owners as evidence that the owner is eligible to claim low-income housing tax credits.

Healthy Families. Strong Communities.

2051 Kaen Road, Oregon City, OR 97045 • Phone (503) 650-5697 • Fax (503) 655-8677

www.clackamas.us

In return, Related Northwest will receive the total cash developer fee (up to \$3.0 million). Once Form 8609 is received, HACC will have the option to purchase Related Northwest’s GP interest in the LP. The purchase price for the GP interest will be \$1.0 million. Once HACC purchases Related Northwest’s GP interest, all deferred developer fee payments, currently estimated at approximately \$8.0 million dollars, will be owed to HACC and disbursed through operational cash flow for up to 15 years.

Estimated Project Cost & Funding

The total cost for Phase 1 redevelopment is anticipated to be approximately \$147,700,000. Primary sources of funding for this redevelopment will include Federal Congressionally Directed Spending, State Local Innovation and Fast Track (LIFT) funds, County Home Investment Partnership Program (HOME) funds, City Construction Excise Tax funds, Low Income Housing Tax Credits (LIHTCs), Private Activity Bonds, Affordable Housing Bond funds, and permanent debt.

Funding Source	Amount*
Milwaukie CET Funds	1,700,000
Federal Infrastructure Grant	4,000,000
State LIFT Funds	6,600,000
County HOME Funds	7,100,000
Deferred Developer Fee	10,000,000
Permanent Loan	33,300,000
Regional Affordable Housing Bond Funds	40,000,000
LIHTC Equity	45,000,000
Total	147,700,000

**Anticipated amounts*

Next Steps

The development agreements represent the first binding documents between the Housing Authority of Clackamas County and Related Northwest for Hillside Park. They outline roles and responsibilities through pre-development, construction, lease-up, conversion, and Form 8609. With the execution of the development agreements, negotiations with lenders and tax credit investors will continue. Both parties must approve of the lender and investor(s). The Housing Authority will issue Private Activity Bonds through a sub-allocation process from the Oregon Department of Housing & Community Services, and the project has already secured the necessary bond volume cap through a competitive process.

Closing on the project is targeted to happen in June. Between the execution of the development agreements and closing, the limited partnership agreement will be negotiated, loan documents will be prepared, the guaranteed maximum price for construction will be set, all necessary permitting, platting, land division will be completed, and the construction contract will be finalized between Walsh Construction and the Limited Partnership.

Prior to closing, staff will seek an additional Board resolution for signing authority to execute all documents required to close and provide the Board with near-final materials, as needed.

RECOMMENDATION: Staff respectfully recommend the Board approve Resolution 1981 authorizing the designated officer the authority to finalize and execute the development agreements for Hillside Park Buildings A & B and Building C on behalf of the Housing Authority in alignment with Board objectives.

Respectfully submitted,

A handwritten signature in black ink that reads "Rodney A. Cook". The signature is written in a cursive style.

Rodney A. Cook
Director of Health Housing and Human Services

**BEFORE THE BOARD OF COMMISSIONERS
OF THE HOUSING AUTHORITY OF CLACKAMAS COUNTY**

In the Matter of Authorizing Development
Agreements for Buildings A and B and Building
C of the Hillside Park Project

RESOLUTION NO. 1981

Page 1 of 4

**BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY
CLACKAMAS COUNTY as follows:**

Section 1. Recitals and Findings. The Board of Commissioners (the “Board”) of the Housing Authority of Clackamas County (the “Authority”) finds and determines:

(a) Statutory Authorization. The Authority is a public body corporate and politic of the State of Oregon and a housing authority authorized by the Housing Authorities Law (ORS 456.005 to 456.235) to, among other things, to: (i) “[p]repare, carry out, acquire, lease and operate housing projects” (ORS 456.125(5)) and [p]rovide for the construction, reconstruction, improvement, alteration or repair of any housing project or any part thereof” (ORS 456.125(6)); (ii) “lease or rent any housing, land, buildings, structures or facilities embraced in any housing project and, subject to the limitations of the Housing Authorities Law, to establish and revise the rents or charges therefor” (ORS 456.120(8)); (iii) “sell, mortgage, lease, rent, transfer, assign, pledge or otherwise dispose of any real property or any interest therein” (ORS 456.120(11)); (iv) “form, finance and have a nonstock interest in, and to manage or operate, partnerships . . . in order to further purposes of the housing authority” (ORS 456.120(20)) and “enter in a partnership agreement with or loan money to an individual, partnership, corporation or other association to finance, plan, undertake, construct, acquire, manage or operate a housing project” (ORS 456.120(18)); (v) “finance, develop, own, operate or manage a mixed income housing project” if certain requirements are met (ORS 456.120(19), ORS 456.153); (vi) “borrow money pursuant to [the Housing Authorities Law] or as otherwise allowed and accept advances, loans or grants or any other form of financial assistance or any combination of these forms of assistance from the federal government, state, county or other public body, or from any sources, public or private, for the purpose of undertaking and carrying out housing projects” (ORS 456.120(17)); (vii) “make and execute contracts and other instruments necessary or convenient to the exercise of the powers of the authority” (ORS 456.120(4)); and (viii) “delegate to one or more of its agents or employees such powers or duties as it deems proper” (ORS 456.135). As used in the Housing Authorities Law, “housing project” includes any work or undertaking “[t]o provide decent, safe and sanitary urban or rural housing for persons or families of lower income” which may include “buildings, land, equipment, facilities and other real or personal property for necessary, convenient or desirable appurtenances” (ORS 456.065(2)); “mixed income housing” means “a housing project that houses tenants with a mixture of income levels, including those not of lower income, for the purpose of reducing the rents for tenants whose incomes are no greater than 60 percent of the area median income” (ORS 456.055(10)); and “person of lower income” or “family of lower income” means a person or a family residing in the State of Oregon “whose income is not greater than 80 percent of area median income, adjusted for family size” (ORS 456.055(14)).

(b) The Project. The Authority is currently initiating a partial redevelopment of the Authority’s Hillside Park Project (the “Project”). The Project is expected to include Hillside Park

Buildings A and B (“Buildings A/B”), to include approximately 175 units of housing and related infrastructure and other improvements, and Hillside Park Building C (“Building C”), to include approximately 100 units of housing and related infrastructure and other improvements. Pursuant to the authority set forth in Resolution No. 1972 adopted by the Board of September 29, 2022, the Authority entered into an Exclusive Negotiation Agreement with the Related Companies of California LLC (“Related”), pursuant to which the Authority and Related agreed to negotiate in good faith an agreement regarding the development of Buildings A/B and Building C of the Project. The total financing for the Project is expected to require the use of various funding sources, including tax-exempt obligations, low-income housing tax credits, loans from public and private lenders, and grants. Certain of these sources will require the creation of one or more limited partnerships and/or limited liability companies.

(c) The Partnerships. Related has caused Hillside Park Buildings A&B Housing Partners Limited Partnership (the “Buildings A/B Partnership”) and Hillside Park Building C Housing Partners Limited Partnership (the “Building C Partnership” and, together with the Buildings A/B Partnership, the “Partnerships” and each, a “Partnership”) to be formed in connection with the development of the Project, with the expectation that Buildings A/B and associated land will be transferred via long-term lease to the Buildings A/B Partnership and that Building C and associated land will be transferred via long-term lease to the Building C Partnership.

(d) The Related Developer Entities. Related has also caused Related/Hillside Park Buildings A & B Development Co., LLC (the “Buildings A/B Related Developer Entity”) and Related/Hillside Park Building C Development Co., LLC (the “Building C Related Developer Entity” and, together with the Buildings A/B Related Developer Entity, the “Related Developer Entities” and each, a “Related Developer Entity”) to be formed in connection with development of the Project, with the expectation that the Authority would enter into a Development Agreement and related agreements and instruments with each Related Developer Entity pursuant to which the parties would agree to jointly develop the applicable portion of the Project.

Section 2. Development Agreement Documents. The Board authorizes the Executive Director of the Housing Authority of Clackamas County (the “Authorized Officer”) to negotiate and approve a Development Agreement pertaining to the development of Buildings A/B and related infrastructure and other improvements (the “Buildings A/B Development Agreement”) and a Development Agreement pertaining to the development of Building C and related infrastructure and other improvements (the “Building C Development Agreement” and, together with the Buildings A/B Development Agreement, the “Development Agreements” and each, a “Development Agreement”). The Authorized Officer is authorized to execute the Development Agreements and any other documents reasonably required to be executed in connection with the Development Agreements (collectively, the “Development Agreement Documents”). The execution of the Development Agreement Documents by the Authorized Officer shall be conclusive evidence of approval by the Authority of the terms set forth therein.

Section 3. Supplemental Authorization. The Authorized Officer is authorized on behalf of the Authority to: (i) determine in their discretion, prior to the execution of the applicable Development Agreement, whether to proceed with the portion of the Project described in such

Development Agreement; (ii) determine that any document authorized by this resolution is, at the time such document otherwise would be executed, no longer necessary or desirable and, based on such determination, cause the Authority not to execute or deliver such document; (iii) execute and deliver and, if applicable, file (or cause to be delivered and/or filed) any government forms, affidavits, certificates, letters, documents, agreements, and instruments that such officer determines to be necessary or advisable to give effect to this resolution and to consummate the transactions contemplated herein; and (iv) cause the Authority to expend such funds as are necessary to pay for all filing fees, application fees, registration fees, and other costs relating to the actions authorized by this resolution.

Section 4. Execution of Duties and Obligations. The Board authorizes and directs the Authority's Executive Director to cause the Authority to fulfill the Authority's duties and obligations under the Development Agreement Documents.

Section 5. Acting Officers Authorized. Any action authorized or required by this resolution to be taken by the Authority's Executive Director may, in such person's absence, be taken by the acting Executive Director of the Authority.

Section 6. Changes to Titles or Parties. While the titles of and parties to the Development Agreement Documents described herein may change, no change to such titles or parties shall affect the authority conferred by this resolution to execute, deliver, file (if required), enforce and perform the documents in their final form.

Section 7. Ratification and Confirmation. All actions of the Authority and its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.

Section 8. Severability. If any provision in this resolution is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provisions of this resolution and shall in no way affect the validity of the other provision of this resolution.

Section 9. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

Dated this _____ DAY OF _____, 2024.

BOARD OF COMMISSIONERS OF THE
HOUSING AUTHORITY OF CLACKAMAS COUNTY

Chair

Recording Secretary