

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS
Policy Session Worksheet

Presentation Date: 06/26/2018 **Approx. Start Time:** 2:30 p.m. **Length:** 30 minutes.

Presentation Title: HOME Repayment Plan, NHA Campus Redevelopment

Department: Health, Housing and Human Services (H3S), Housing & Community Development Division (HCD)

Presenters: **Richard Swift H3S, Director; Kevin Ko, HCD Manager**

Other Invitees: **Chuck Robbins, HCD Director; Jill Smith H3S Deputy Director**

The Housing and Community Development (HCD) Division of the Health, Housing and Human Services Department is proposing to repay a \$250,000 HOME Program loan to the Local HOME Account on behalf of Northwest Housing Alternatives (NHA). NHA has agreed to reimburse the County for the full amount of the repayment. The repayment must be made with non-federal funds.

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

1. Authorize Rich Swift, H3S Director to use the Restricted Fund Balance in the HCD budget to repay \$250,000 to the Local HOME Account.
2. Authorize HCD to enter into an agreement with NHA for the repayment of the \$250,000, and to reserve the \$250,000 for NHA to use for future HOME eligible housing development in Clackamas County.

Background

Clackamas County receives HOME funds annually from the U.S. Department of Housing and Urban Development (HUD) as an entitlement jurisdiction. The HOME Program provides funds to non-profit and for-profit entities to develop, preserve and expand the affordable housing stock in Clackamas County. HOME funds are allocated to a project primarily as a loan, and are secured by a Trust Deed and Promissory Note. HOME assisted units are required to be affordable for an extended period of time (period of affordability) which is enforced by a written HOME Agreement and Declaration of Land Use and restrictive Covenants. In 2008, HCD allocated \$250,000 of HOME funds to NHA to assist with the renovation of a 30 year old duplex on their campus in Milwaukie. The two renovated units are designated as HOME units, and have a period of affordability of 15 years from initial occupancy. The period of affordability for these units will expire in 2024. The housing needs in the region have significantly changed since 2008. NHA is responding to the housing crisis by redeveloping their campus property, and is proposing to construct 28 new affordable housing units on the site. In order for this development to move forward, the two duplex units will need to be demolished. NHA and HCD staff have agreed to designate two of the new units as HOME units to replace the demolished duplex units. The period of affordability of the new HOME units will be extended to 20 years from initial occupancy.

HCD staff conveyed the redevelopment plan to the HUD, explaining that the old duplex units will be replaced by new units with an extended period of affordability. HUD has determined

that by demolishing the existing HOME units, NHA was terminating the period of affordability before its expiration, and was in violation of the HOME regulations. HOME regulations require that the full amount of the HOME subsidy be repaid to the local HOME account. Although HCD staff and NHA do not agree with the HUD determination, NHA has agreed to repay the \$250,000 HOME loan in order to move the campus redevelopment project forward. NHA has asked that they be provided 90 days to make the repayment. HUD is requesting that the repayment to the Local HOME Account be made as soon as possible.

HCD has a contingency fund line item (244-302003 Restricted Fund Balance) in its budget that was established with county general funds specifically for this purpose. The current balance in this fund is \$483,439. HCD is proposing to use \$250,000 from this fund to make the repayment on behalf of NHA. The repayment will be to the Local HOME Account. The repaid funds will become HOME funds, and will be available for the county to allocate to future HOME projects. It is anticipated that when NHA reimburses \$250,000 to the county, the repaid HOME funds will be earmarked for NHA to use on its future HOME projects. NHA and HCD will enter into an agreement to ensure cooperation and compliance with the HOME repayment plan.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? \$250,000, which will be repaid to the county by NHA. Final cost to the county is \$0.

What is the funding source? County General Funds, 244-302003

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals?
Provide sustainable and affordable housing

- How does this item align with the County's Performance Clackamas goals?
Ensure safe, healthy and secure communities

LEGAL/POLICY REQUIREMENTS:

This action is necessary to comply with HOME programmatic requirements.

OPTIONS:

1. Authorize HCD to use its Restricted Fund Balance to repay \$250,000 to the Local HOME Account, and to enter into an agreement with NHA for full reimbursement.

2. Authorize HCD to use another non-federal source to make the repayment to the Local HOME Account.

3. Do not authorize HCD to make the repayment to the Local HOME Account.

RECOMMENDATION:

Staff is recommending Option 1. This option will use funds specifically established for this purpose, will make the repayment to the Local HOME Account which keeps the funds in the county for future use, will require NHA to repay the county, will reserve the \$250,000 repayment for use by NHA, will allow NHA to proceed with its Campus Redevelopment project, and complies with the HOME repayment requirement.

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval _____

County Administrator Approval _____

For information on this issue or copies of attachments, please contact:
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