

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Sitting/Acting as:

Board of Commissioners of the Housing Authority of Clackamas County (HACC)

Policy Session Worksheet

Presentation Date: 1/9/2018 **Approx. Start Time:** 1:30pm **Approx. Length:** 1 hour

Presentation Title: Rosewood Terrace Apartments Project Update & Introduction to Tom Crowe and Brandon Delk from Pedcor

Department: Health, Housing, and Human Services (H3S)

Presenters: Richard Swift, Health, Housing and Human Services Director, Chuck Robbins, Housing Authority of Clackamas County (HACC) Executive Director

Other Invitees: Jill Smith, Health, Housing and Human Services Deputy Director, Kevin Ko, Housing and Community Development Manager, Rich Malloy, HACC Asset Manager, Angel Sully HACC Development Coordinator.

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

No Action is requested at this time. The purpose of this policy session is the following:

1. Update the HACC Board on the progress and timeline for closing of project
2. Update the HACC Board on the status of the Closing documents for the Rosewood Terrace project. Which include:
 - a. Limited Partnership Agreement
 - b. Operating Agreement for the General Partner
 - c. Bond Documents
3. Introduce Pedcor Executive Vice President Tom Crowe and Vice President of Development, Brandon Delk

BACKGROUND:

HACC would like to take this opportunity to update the HACC board on the progress and timeline for the closing of the Rosewood Terrace Apartments project. The Board chair was presented with and signed the following resolutions on November 22, 2017:

1. Resolution 1923 – Authorizing the issuance of up to \$32,000,000 of revenue bonds for the Rosewood Terrace Apartments Project and providing for related matters
2. Resolution 1924 – Authorizing the execution, acknowledgement and delivery of transaction documents to evidence the Rosewood Terrace Apartments Project and providing for related matters

The project is on track to close in mid-February 2018, with Phase I construction to commence immediately after closing. The construction will continue over a 34 month timeline.

This project is being developed by Pedcor Inc. and will consist of 212 units of affordable rental housing located at 8810 & 8850 Otty Road in Happy Valley. The development includes (112) 1 Bedroom/1 Bath units, (92) 2 Bedroom/2 Bath units, and (8) 3 Bedroom/2 Bath Units. With 2 BR/2 Bath units renting for over \$1,200/month in the metro area, this project would hold rents to \$766/Mo for 1BR/ Bath, \$917/Mo for 2BR/2Bath, and \$1,059/Mo for 3 BR/2 Bath making it affordable to households making less than 60% of the Area Median Income. These units are required to remain affordable for a period of 60 years.

Rosewood Terrace is a vital part of the Housing Authority's development strategy in meeting its goal of creating 1,000 new units of affordable housing in the next 5 years. Approval of these documents at the November 22, 2017 Business Meeting constituted the County's binding commitment to complete the project and will allow the Rosewood Terrace Project to move forward on schedule.

All of the following documents have been prepared and reviewed by outside legal counsel. HACC has retained Hawkins, Delafield & Wood LLP to act as Bond Counsel, with Harvey Rogers preparing the Bond Documents for this project. Rob Sullivan, P.C., has been retained and is acting Tax Credit Counsel for HACC. Mr. Sullivan has thoroughly reviewed and edited both the LPA and the Operating Agreement for the General Partner. All documents have also been reviewed by David Rosen and Associates, HACC's financial consultant, and County Counsel for compliance with the Memo of Understanding (MOU) and Term Sheet for the Rosewood Terrace project.

An integral part of this transaction is the protection of the Housing Authority in the unlikely event the project experiences regulatory or financial problems. To this end, and under the direction of our legal counsel, HACC has set up a Limited Liability Company (LLC) affiliate. that limits HACC's exposure to its equity interest in the project. This protects HACC from the potential loss of funds or property, and limits any losses to our equity interest in the project. This includes our portion of the deferred developer's fee, future cash flow and potential sale proceeds.

Document Definitions

1. Limited Partnership Agreement (LPA):

- a. **Purpose:** The LPA is a contract between all partners, which spells out the authority of the General Partner and the rights of all Limited Partners. The LPA is set in place to define the purpose and structure of the partnership, partner contributions to the project and the terms, rights and obligations of each entity in the partnership. The LPA also provides for responsibility of the Limited Partner to provide Low Income Housing Tax Credits (LIHTC).
- b. **Responsibilities:** Pedcor acting through its subsidiary, Rosewood Terrace Housing Company, LLC is 75% of the General Partnership. HACC through its own LLC is 25% of the General Partnership. The General Partner takes primary responsibility for construction, rehabilitation, renovation, improvement, leasing and operation of the Project. The Limited Partner delivers equity to the project through the purchase of LIHTC.
- c. **Liabilities:** The General Partner is responsible for meeting the regulatory requirements of the funders, primarily to ensure the property is occupied by

qualified low-income families. The General Partner is required to make payment for any penalties. The Limited Partner is required to provide all of the agreed upon capital contribution (i.e. LIHTC).

- d. **Monies:** \$22,580,000 capital contribution from the Limited Partner (Equity Investor)

2. Operating Agreement for the General Partner:

- a. **Purpose:** The Operating Agreement is an agreement among Limited Liability Company (LLC) Members, governing the LLC's business and Member's financial and managerial rights and duties. This Operating Agreement will be used to define project partners; terms; management rights, powers and duties; conditions and general provisions. It also modifies the liabilities of the General Partners in the LPA.
- b. **Responsibilities:** HACC's LLC Affiliate is a Member of the Company. Pedcor is the Manager of the Company, and is responsible for day to day operations of the project.
- c. **Liabilities:** As the Managing Member, Pedcor assumes all liability for ensuring the project meets its regulatory and financial reporting requirements.
- d. **Monies:** As a Member, HACC will receive 25% of the Developer Fee, Net Cash Flow and Capital Proceeds from any future sale of the property. HACC expects to receive about \$2.3 million of Deferred Developer Fee paid out over 15 years. After that time HACC conservatively estimates our portion of the cash flow to be \$65,000 a year.

3. Bond Documents:

- a. **Purpose:** These documents include the terms of a bond purchase agreement and will include sale conditions, sale price, bond interest rate, bond maturity, bond redemption provisions, sinking fund provisions and conditions under which the agreement may be canceled.
- b. **Responsibilities:** HACC is the Issuer of the Bonds.
- c. **Liabilities:** This is a conduit bond issue where the liability is passed on and held by the Partnership. In the event of a default the repayment of the Bonds will be paid by the U.S. Department of Housing and Urban Development through their Loan Guarantee program.
- d. **Monies:** Up to \$29,150,621 of revenue bonds for the Rosewood Terrace Apartments Project

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? Total cost for the project is \$66,126,453

What is the funding source?

1. Rental Income generated during construction	\$2,143,851
2. Limited Partner Equity (Tax Credits)	\$22,580,000
3. First Mortgage (Bond Proceeds)	\$29,150,621
4. HOME Loan	\$1,050,000
5. Community Development Block Grant (CDBG) Loan	\$345,000
6. HACC Disposition Fund Loan	\$1,605,000
7. Deferred Developer Fee	<u>\$9,251,981</u>
TOTAL	\$66,126,453

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department’s Strategic Business Plan goals?
 - 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:

Any future action will require approval from the HACC Board

PUBLIC/GOVERNMENTAL PARTICIPATION:

OPTIONS:

- Schedule an additional policy session for further discussion of the Rosewood Terrace documents.

RECOMMENDATION

Staff has no recommendations at this time.

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval _____

County Administrator Approval _____

For information on this issue or copies of attachments, please contact Chuck Robbins @ 503-655-8591