

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: 4/17/18 **Approximate Start Time:** 2:30 p.m. **Approximate Length:** 30 min

Presentation Title: Section 108 Loan Guarantee Program

Department: Health, Housing and Human Services (H3S)

Presenters: Rich Swift, H3S Director, Chuck Robbins, HCD Director

Other Invitees: Kevin Ko, Housing and Community Development Manager
Mark Sirois, Project Coordinator

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

1. Update the Board of Commissioners on the process of submitting a Section 108 Loan Application to the U.S Department of Housing and Urban Development (HUD). This would include a review of the draft Section 108 Application and a discussion of potential Section 108 projects and activities.
2. Provide guidance to staff on the contents of a final application for Section 108 loan funds.

EXECUTIVE SUMMARY (why and why now):

Section 108 of the Housing and Community Development Act of 1974 is the loan guarantee component of the Community Development Block Grant (CDBG) Program. The Section 108 Loan Guarantee Program (Section 108) provides communities with a source of financing for large economic development, housing rehabilitation, public facility, and physical development projects. The funds can be used by a designated public entity to undertake eligible projects, or, alternatively, can be loaned to a third party developer to undertake the projects.

HUD requires that current and future CDBG allocations be used as security for the loan. However, the primary goal is to award Section 108 funds to projects that have sufficient cash flow to repay the loan without any need for repayment from CDBG dollars.

The Housing and Community Development Division (HCD) can pursue, as directed, an application to HUD for Section 108 funds to create a loan pool that would be used to:

- Acquire property for affordable housing
- Rehabilitate publicly owned affordable housing projects
- Develop public facilities such as health centers, service centers and foodbanks

The size of the loan pool is calculated as 5 times our CDBG annual allocation. For Clackamas County this would amount to just under \$10 million.

Examples of potential Section 108 projects in Clackamas County include:

Acquisition of property along Holcomb Blvd (affordable housing)	\$2,600,000
Acquisition of public facility in Gladstone (housing, public facility)	\$2,500,000
Renovation of distressed multi-family housing (affordable housing)	\$ 500,000
Development of community Clinic/housing (housing, public facility)	\$2,000,000

H3S believes that an allocation of Section 108 funds creates opportunities to bring more resources to the county to better address the growing housing and service needs of our residents. The HCD would manage the loan fund. The Board has voiced its support of a Section 108 loan application in a prior study session.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? There would be no cost to the County. The County (H3S) may borrow up to five times the County’s annual CDBG allocation. This borrowing capacity is approximately \$10,000,000.

What is the funding source? HUD Section 108 Loan Guarantee Program.

Project Loans will be funded by the Section 108 Program. Loan repayments, including principle, interest and fees will be made by the borrowing entity.

Each project loan would have a 20-year term with an initial interest rate that is variable based on the London Inter Bank Offered Rate (LIBOR currently at 1.7%) until the loan becomes permanent with a fixed interest rate based on U.S Treasury Yields (currently at 2.95%).

For comparison purposes the current U.S Prime lending Rate is 4.50% (Fed Prime Rate).

STRATEGIC PLAN ALIGNMENT:

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

Yes. The H3S Department’s mission is *Promoting and assisting individuals, families, and communities, to be healthy, to be safe, and to thrive*. Section 108 loans for affordable housing and infrastructure projects would promote healthy, safe and thriving individuals, families and communities.

- How does this item align with the County’s Performance Clackamas goals?

Constructing improvements and affordable housing projects helps to meet the County’s strategic priorities to build strong infrastructure and ensure safe, healthy and secure communities.

LEGAL/POLICY REQUIREMENTS:

Section 108 follows the same regulatory and project eligibility requirements of the CDBG Program which can be found at

24 CFR 570, Subpart M, Loan Guarantees. Section 108 funded projects/activities must comply with all CDBG rules:

- At least 70% of funds directed to Low/Moderate Income (LMI) populations

Other Federal Requirements:

- Environmental review
- Davis Bacon (prevailing wages)
- Uniform Relocation Act
- Office of Management and Budget circulars, as applicable
- Fair housing/equal opportunity
- Lead Based Paint

PUBLIC/GOVERNMENTAL PARTICIPATION:

Approval of a Section 108 application requires a public engagement process as outlined below:

- Public notification of the availability of the Section 108 application will be published.
- The application will be released in draft form for a 30-day comment period.
- A Public Hearing before the BCC will be scheduled to close the comment period.
- At the close of Public Hearing, BCC may approve the submission of the Section 108 application to HUD with or without modifications.
- HUD approval in 90 days

OPTIONS:

- Direct H3S staff to modify and publish a draft Section 108 Loan application for public review and comment, and to open the required 30-day comment period
- Direct H3S staff not to pursue the Section 108 Loans from HUD.

RECOMMENDATION:

Respectfully recommends the Board direct staff to proceed with the public engagement process for the Section 108 Loan application.

ATTACHMENTS:

ATTACHMENT A – Draft Section 108 Application

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval _____

County Administrator Approval _____

For information on this issue or copies of attachments, please contact Mark Sirois @ 503-650-5664 _____

Clackamas County, Oregon



SECTION 108 LOAN GUARANTEE PROGRAM APPLICATION FOR THE

Housing and Community Development LOAN FUND

(Submittal – June , 2018)

Jim Bernard, Chair
Board of County Commissioners

Prepared by:

The Department of Health, Housing and Human
Services, Housing and Community Development
Division.



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SUMMARY

Clackamas County (“County”) seeks to establish a loan pool not to exceed \$10 million under the Section 108 Loan Guarantee Program administered by the U.S. Department of Housing and Urban Development (HUD) under 24 CFR 570, Subpart M – Loan Guarantees.

These funds, if approved, will be utilized throughout Clackamas County under a range of eligible activities targeted to support affordable housing and community development projects to support low/moderate-income households and to deliver positive economic benefits for the County. Funding decisions will be guided by the 5-Year Consolidated Plan and the HUD approved Assessment of Fair Housing (AFH) Plan.

A Section 108 Loan Guarantee Program in Clackamas County will provide a valuable resource to ensure future projects of benefit to the County, particularly those where funding may otherwise be unavailable. The flexibility of a loan pool will allow the County to capitalize on the goals and objectives contained in our Consolidate Plan and AFH Plan as well as on the strengths and innovation of our residents and businesses.

This document, consisting of a narrative as well as required attachments, constitutes the formal application to HUD for Section 108 Loan Guarantee funds.

APPLICATION NARRATIVE

ADMINISTERING AGENCY

The Housing and Community Development Division administers the Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), and HOME Investment Partnerships Program (HOME) funding on an annual entitlement basis from the U.S. Department of Housing and Urban Development (HUD). The County is governed by the Board of County Commissioners who approve all HUD-funded projects including proposed Section 108 Loans. The Community Development Policy Advisory Board (PAB) consisting of representatives from each county jurisdiction, also reviews and approves proposed CDBG projects and any Section 108 loans prior to Board review. The Department of Health, Housing and Human Services, Housing and Community Development Division is the designated agency administering HUD funds on behalf of Clackamas County.

The Board of County Commissioners has adopted a strategic plan titled Performance Clackamas which is modeled on a process known as Managing for Results. Performance Clackamas focuses on measurable goals encompassed by five strategic priorities:

- Build public trust through good government
- Grow a vibrant economy
- Build a strong infrastructure
- Ensure safe, healthy and secure communities
- Honor, utilize, promote and invest in our natural

The mission of the Department of Health, Housing and Human Services is “promoting and assisting individuals, families, and communities to be healthy, safe, and to thrive.

The Housing and Community Development Division focuses on projects and activities that promote decent housing and suitable living environments, increase the availability of affordable permanent housing, help homeless persons and those at risk of homelessness to obtain appropriate housing, preserve the affordable housing stock, improve the safety and livability of neighborhoods, and increase access to public

facilities and services.

GEOGRAPHIC AND DEMOGRAPHIC CHARACTERISTICS

Clackamas County is an urban and rural county within the Portland/Vancouver metropolitan statistical area (MSA) with a population of 401,515 people with a median age of 41.5 and a median household income of \$69,629. The County includes 14 cities and large areas of unincorporated residential areas. Between 2014 and 2015 the population of Clackamas County grew from 394,972 to 401,515, a 1.66% increase and its median household income grew from \$65,316 to \$69,629, a 6.6% increase.

Clackamas County is one of the most economically diverse counties in Oregon by being home to the 3 highest per capita income cities in the state as well to 2 of the lowest per capita income cities. The median property value in Clackamas County is \$336,200, and the homeownership rate is 69.3%.

The population is 82.7% White, 8.52% Hispanic, and 4.3% Asian. The largest universities in Clackamas County are Clackamas Community College, with 1,216 graduates, Pioneer Pacific College, with 643 graduates, and Marylhurst University, with 487 graduates.

Several areas in the County are recognized under the Hamlets and Villages program, which is a grassroots, citizen-driven program developed by the County. The hamlets are Beaver Creek, Molalla Prairie, Mulino and Stafford and the single village is the Villages at Mt. Hood. Clackamas County is a mixture of urban and rural. Agriculture is an important industry occupying much of the County. Eastern Clackamas County is dominated by Mt. Hood and the Mt. Hood National Forest.

While many of the cities have been long-established, areas of the County, particularly in the northwest, share the regional opportunities for employment and housing, which spill across geographic boundaries. Commuting is a fact of life for many people who live or work in Clackamas County. At present commuting is dominated by cars, but the region's light rail system has been extended into the County's northwest edge and will extend further in years to come. The County encourages transit-oriented development, but the ease of commuting has impacted development in the County, as elsewhere.

Clackamas County Housing and Community Development Division (HCD) consults directly with local governments (14 cities and towns in Clackamas County) regarding public facilities and infrastructure projects through the Community Development Policy Advisory Board (PAB). Adjacent governments including City of Portland, Multnomah County and Washington County are contacted regularly regarding public meetings and community development policy.

SECTION 108 STRATEGY: PRIMING THE COUNTY'S HOUSING AND COMMUNITY DEVELOPMENT PUMP

Introduction

The County will use the Section 108 Loan Pool, in accordance with 24 CFR 570, Subpart M – Loan Guarantees, to fund projects located within Clackamas County that provide clear housing and community development benefits to low- and moderate-income persons and their communities. The Section 108 Loan Pool will represent a new tool that the County can use to support housing and community development projects. Funds will be utilized to support a wide range of CDBG-eligible activities contingent upon evolving local needs, and available resources.

The Section 108 Loan Guarantee, if HUD-approved, will result in lending for housing and community development in Clackamas County. In doing so the loan fund will further the Clackamas County HCD's affordable housing preservation and permanent supportive housing goals within the 2017-2021 Consolidated Plan and the 2018-2019 Action Plan. The County will employ the loan fund to further these goals:

Priority Need #1: Affordable Housing

- Goals: Development of New Affordable Units
- Preserve existing affordable housing units
- AFH Goal: Increase accessibility to housing

Priority Need #2: Homelessness

- Goals: Increase Resident Services in affordable housing complexes
- Homeless Assistance

Priority Need #3: Non-housing Community Development

- Goals: Development of public facilities available to low- and moderate-income families
- Encourage mixed use development

- Goals: Community Facility Improvements and Economic Development
- Assist with the development of job-creating activities and facilities
- Increase employment opportunities for low and moderate income persons

Funding Request

Clackamas County may apply for Section 108 Loan Guarantee funds in an amount of up to five times its current approved Community Development Block Grant (CDBG) entitlement allocation. The County is currently requesting \$9,950,000 million in Section 108 Loan Guarantee funds, in accordance with 24 CFR 570, Subpart M – Loan Guarantees, to establish a housing and community development loan pool.

Target Area

Section 108 Loan Guarantee funds will be for projects throughout the County for the benefit of Clackamas County low and moderate-income residents. However, program area Requests for Proposals may target specific low income neighborhoods and recently identified Opportunity Zones in Clackamas County.

National Objectives and Public Benefit Standards

In accordance with HUD's CDBG regulatory requirements at 24 CFR 570 including 24 CFR 570, Subpart M- Loan Guarantees, all Section 108 funded activities will be based upon the "benefit to low- and moderate-income persons" or "LMI" national objective, also known as the "primary" national objective. As such, at least eighty (80) percent of CDBG funds including Section 108 dollars will be utilized to the benefit of low- and moderate-income persons. The County will employ one to three of the following allowable national objective activity subcategories as applicable by eligible activity type:

- **Low/Mod Area Benefit (LMA)** - Activity will benefit all residents in a particular area, where at least

- 51 percent of the residents are LMI persons
- **Low/Mod Limited Clientele (LMC)** - At least 51 percent of the beneficiaries of the activity have to be LMI persons
- **Low/Mod Job Creation/Retention (LMJ)** – Activity will create or retain permanent jobs, at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by LMI persons

Performance Measurement Framework

In accordance with HUD’s performance measurement framework, all Section 108 funded activities will be based upon all three national objectives as well as the related outcome of “improved availability/accessibility” as noted below:

Objectives	Goals	Outcome
		Availability
Creating a suitable living environment	Development of public facilities Increase services for low income persons	\$3,950,000
Providing decent housing	Develop new affordable housing, preserve existing affordable housing	\$5,000,000
Creating economic opportunities	Increase employment opportunities	\$1,000,000

Utilizing the 24 CFR 570.209(b) CDBG individual public benefit standard of \$50,000 required to create or retain a single full-time equivalent, permanent job, it is anticipated that the proposed Section 108 Loan Guarantee financing will create at least 199 jobs through a combination of all activities funded. If HUD approves a lesser amount of Section 108 Loan Guarantee funds, this goal will be adjusted proportionally.

Proposed Activities and Eligible Uses

The County is proposing a broad use of Section 108 financing based upon various eligible activities that will meet the requirements of 24 CFR 570 including 24 CFR 570, Subpart M – Loan Guarantees. The County understands that guaranteed loan funds may not be used to reimburse the CDBG program account or line of credit for costs it has previously incurred and paid with CDBG grant funds or program income.

The Section 108 loan pool investment strategy will be built around five forms of housing and community development. In doing so the loan fund will further the Clackamas County HCD's affordable housing preservation and permanent supportive housing goals within the 2017-2021 Consolidated Plan. An additional goal of job creation activities would be added to the Consolidated Plan once this Section 108 application is approved by HUD. The County will employ the loan funds to assist projects that further one or more of these five forms of housing and community development activities:

1. Acquisition of real property.
2. Housing rehabilitation - Publicly owned affordable housing projects.
3. Mixed-Use Commercial and Retail and Multi-Family Rental Development, are known as livable

and walkable “places” with a high quality of life and revenue producing capabilities.

4. Development of public facilities such as health centers, service centers and foodbanks.
5. Job Creation Activities.

Following are descriptions of these five project types that the County expects to include in a Section 108 Loan Pool. Any projects selected by the County shall meet underwriting criteria including project readiness, proven development capacity, and anticipated completion within a reasonable time frame from the approval date.

1. Acquisition of real property. The County has developed a Housing Advisory Board as well as a Housing Leadership Committee to address the housing affordability crisis, propose policies and guide housing development planning. The Housing Authority of Clackamas County has begun the process of re-developing 2 public housing developments. The County has identified that over 20,000 low income persons are at risk of losing their homes due to being severely rent burdened. The County is working with non-profit and for-profit housing developers to build more affordable, rent restricted housing units to ease the rent burdens on low income households. Development of new housing units requires the purchase of buildable land which is also in high demand by private housing developers and investors. The County will use Section 108 loan funds to more quickly purchase land when it becomes available for purchase to build affordable housing units. *Eligible activity citations: 570.703(a) (acquisition); 703(b) (rehabilitation of real property); 703(e) (clearance, demolition) and 703(f) (site preparation).*

2. Housing Rehabilitation. Both private low income affordable housing units and public housing units are facing a backlog of deferred maintenance and needed property upgrades to secure the financial viability of these housing units. Preservation of existing affordable housing stock is one the most cost effective uses of public investments to maintain housing stability for low-income and elderly households. As private housing units once built with public funding to ensure affordability become available for sale in the private market, affordable (rent restricted) units may be lost to the private housing market unless these units are purchased by a non-profit housing agency or a private agency with public funding to preserve the housing as affordable (rent restricted) to low income individuals, elders and families. *Eligible activity citations: 570.703 (b) (rehabilitation of real property); 703(d) (relocation) 703(h) (housing rehabilitation); and 703(l) (public facilities).*

3. Mixed Use Commercial/Retail/Multi-Family Rental Development: Prospective mixed use developers working in opportunity zones and low income communities may need Section 108 guarantee assistance to become financeable for traditional debt providers. The County will encourage these projects in anticipation of commercial/retail developers being large job generators, particularly of non-professional positions generally held by low to moderate income persons. By financing commercial and retail development simultaneously with residential units, affordability is enhanced without 100 percent subsidized housing which generally requires greater public investment and is less sustainable over time. *Eligible activity citations: 703 (a) acquisition); 703(b) (rehabilitation of real property); 703(e) (clearance, demolition); 703(f) (site preparation) (h) (housing rehabilitation); and (l) (public facilities).*

4. Development of Public Facilities: Health centers, service centers and foodbanks often have gaps in funding for capital improvement projects or initial construction. Clackamas County has a large population living in unincorporated areas with a need for public facilities and services. Public facility needs identified

during the community needs assessment for Clackamas County include Homeless Facilities, Domestic Violence (services) Facilities, Mental Health Facilities, Senior Centers and Abused/Neglected Children Facilities. Eligible activity citations: 703 (a) acquisition); 703(b) (rehabilitation of real property); 703(e) (clearance, demolition); 703(f) (site preparation) (h) (housing rehabilitation); and (l) (public facilities).

5. Job Creation Activities: County residents that are in low income households need opportunities to increase their wages to maintain secure homes and increase their self-sufficiency. Section 108 loan funds may be made available for the purposes of increasing employment opportunities for low- and moderate-income residents of the County. Eligible activity citations: 703 (i) (economic development); 570.203 and 204 (community economic development).

Identified Projects

(Project Descriptions to be added prior to release for public comment)

Administrative Capacity

As a long-term HUD formula grantee, Clackamas County has significant experience managing affordable housing and community development programs and projects. The Housing and Community Development Division along with the County as a whole, continues to work to strengthen internal and external capacity.

Clackamas County – Housing and Community Development Division (HCD) will administer the fund and evaluate each loan proposal prior to submitting the loans to HUD. HCD managers and staff have extensive experience with HOME program loan agreements, home rehabilitation loans and Community Development Block Grant project management including conducting environmental reviews and monitoring Davis Bacon Act labor standards. HCD staff currently manage over \$8 million dollars in loan funds through HCD’s Housing Rehabilitation Program using the Community Development Manager (CDM) data base as well as HUD’s Integrated Disbursement Information System (IDIS). HCD staff also coordinate with County finance department staff to set up projects, track expenditures, record payments and to draw down funds from HUD.

All administrative costs associated with the Section 108 Loan Guarantee will be supported by a combination of Clackamas County CDBG administrative funds (within the regulatory cap) as available and eligible, loan origination fees as well as receipted program income will also support administrative costs only as allowable under the program.

Resources Leveraged

The Section 108 Loan Pool will be another tool to continue to leverage private investments and support public-private partnerships that benefit low income communities and the County as a whole. Where possible, Clackamas County will leverage existing Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), HOME Investment Partnerships Program (HOME) and local government funds to ensure successful completion of projects.

Additionally, the County aims to support and supplement ongoing community, housing, and economic development efforts, active funding resources, and other existing assets throughout urban and rural areas of Clackamas County.

Project Selection

Similar to the existing process for CDBG funding, prospective funding applications will be reviewed upon the basis of weighted scoring criteria and related funding recommendations will be submitted for review and approval by both the Policy Advisory Board (PAB) and Board of County Commissioners. It is anticipated that a formal Request for Proposals (RFP) for each of the 5 program areas will be released upon HUD approval with a specific deadline. Contingent upon the volume and quality of responses as well as the availability of funding, additional applications may be accepted on a rolling basis at the County's discretion. Depending upon timing, notice of funding recommendations will be transmitted to HUD either via a Substantial Amendment to the Consolidated Plan or through the standard submittal of the 2018 Annual Action Plan.

At a minimum, Clackamas County will evaluate Section 108 loan pool funding requests based upon the following criteria:

- Project costs are reasonable;
- All sources of project financing are committed;
- To the extent practicable, funds are not substituted for non-federal financial support;
- Project is financially feasible;
- To the extent practicable, the return on the owner's equity investment will not be unreasonably high; and
- To the extent practicable, funds are disbursed on a pro rata basis with other finances committed to the project.

Financing via the County's Section 108 loan pool will be restricted to 15 percent or less in gap financing per project based upon the total development cost (TDC).

Underwriting

In evaluating proposed projects Clackamas County HCD will use the following criteria:

Proposed Costs

The analysis will compare estimated development costs to costs of similar properties. Also, the analysis will determine whether estimated development costs have been prepared by a credible third party such as a contractor or other cost estimator. Finally, the County's loan commitments for financing construction or rehabilitation will be conditioned on a final guaranteed maximum price (GMP) contract for development within the proposed budget.

Commitment of Funds

Projects seeking Section 108 loans should have conditional or firm commitments of construction and permanent financing. If private financing includes a right to adjust the interest rate after a certain point in time, the County may not permit the loan. Loan documents should contain adequate lender protections (e.g., default and cure privileges) for the County, subject to reasonable conditions of other lenders having priority over the Section 108 loan.

Need for Loan Fund Assistance

The analysis will determine whether the project can be developed feasibly with private financing alone or, in fact, requires public (Loan Fund) financial assistance to make the development feasible. The County will examine the reasonableness of a for-profit developer's fee compared to market rates

and will cap at ten percent. If the for-profit developer has an ownership stake in the project, the County will also examine the reasonableness of the developer's return under cash on cash return and internal rate of return ("IRR"). Cash on cash return measures the developer's cash return on a cash investment (i.e., cash flow ÷ equity). IRR measures the rate at which the developer's investment grows over a long term period, taking into account periodic cash flows and property appreciation. As part of such analysis, an excessive developer fee/return may be put back into the project in the form of additional equity and/or additional reserves.

Financial Feasibility- Ability to Repay

The analysis will identify the primary, secondary and, where considered necessary, tertiary sources of repayment for the loan. Key repayment risks will be analyzed in detail, including an analysis of project financial assumptions compared to actual market conditions. In the case of real estate, the analysis will compare the anticipated lease rate to similar properties. Also, the analysis will compare anticipated vacancy rates to similar properties. The analysis will also describe the projected leasing time frame to achieve project stabilization and whether reserves exist to guard against delay. If there is a balloon payment at the end of the loan term, the analysis will describe the financial condition of the property on the maturity date, the project's ability to make final payment and efforts to mitigate risk (e.g., replacement reserves to maintain the physical condition of the property).

In the case of operating business financing, the analysis will consider cash flow available for repayment after all business operating expenses. A 1.2 projected debt coverage ratio is desired, however a debt coverage ratio of may be considered if the project's financial condition supports such a lower ratio (e.g., project has commitment of financially strong tenant(s) under long term lease). Debt service reserves may also be required.

Loan to Value

Consistent with customary underwriting practice, loan to value coverage will be determined based on expected value as of project stabilization. Loan to value must be supported by an appraisal prior to funding. Section 108 project loans will target a loan to value ratio not to exceed 80 percent at project stabilization and not to exceed 100 percent of hard costs. The analysis will first use the property being financed as the sole source of value to determine the loan to value ratio. If such a calculation exceeds 80 percent, the project may then be required to include outside collateral to meet the targeted loan to value requirement. The County's security will typically be in the form of a deed of trust. In certain cases, outside guarantees will suffice for additional collateral depending on the resources and financials of the individuals or entities providing such guarantees.

Developer/Owner Commitment

Developer/owner commitment can take many forms. These commitments can include: developer/owner equity, guarantees of completion, guarantees to fund shortfalls or guarantees of minimum cash flow. The developer's financials will also be examined and analyzed.

Pro Rata Disbursement of Section 108 Funds with Other Funding Sources

It shall be the goal of the program to disburse funds on a pro rata basis with other funds being used in specific projects. Where this is not possible, the County will document the need for an alternate approach.

Program Eligibility – Public Benefit

Proposed projects will meet requirements for Section 108 eligible applicant, eligible activity and will clearly identify the public benefit(s) including CDBG national objective to be achieved.

Project Readiness to Proceed – Site Control

Applicants for loans must demonstrate evidence of ownership or site control, such as an executed option or purchase and sale agreement, as well as the readiness of the project to proceed in a timely manner upon loan approval. Such measures may take the form of building permit readiness, commitment of all other financing, development team selection and/or other measures as applicable.

Development Team Capacity and Experience

Projects to be funded should have a development team that has both the capacity and demonstrated experience to complete the project as evidenced by past projects of similar size and scope, as well as financial strength. The analysis will include:

- (i) A review of resumes of development team members,
- (ii) A list of prior comparable projects completed by development team members with a description of project size and cost,
- (iii) Whether such projects were completed on time and on budget, and
- (iv) A description of development team members’ experience with public funding sources and accompanying regulations as applicable (e.g., housing tax credits, Davis-Bacon).

Loan Term

Section 108 loans shall not exceed a loan term of 20 years, with no loan to exceed the overall 20 year term of this loan fund and in no event to exceed the useful life of the asset being financed.

Payment/Amortization

Section 108 loans will be amortized over the full term of the loan (e.g., 20 year amortization for a 20 year loan) unless otherwise pre-approved by the County. Amortization greater than the term of the loan may be considered (e.g., 30 year amortization for a 20 year loan), if the anticipated financial condition of the project is sufficient to sustain a balloon payment at the end of the term.

Interest Rate

County notes guaranteed under Section 108 will initially bear a floating rate based on a formula that is presently the 90 day LIBOR (London Interbank Offered Rate) or other HUD accepted scale, as adjusted monthly, plus 20 basis points, and after inclusion in a public offering arranged by HUD, will carry a fixed rate for each maturity of principal pursuant to the public offering. The County may charge the borrower an interest rate that is higher or lower than the rate on the County’s note. Any difference in the interest rate will be discussed in the underwriting analysis.

Origination Fee to County

The County may assess an origination fee of 1% of the principal amount as permissible by the program regulations. This fee shall be used to pay for the Clackamas County’s direct and indirect costs in underwriting and managing the loan program.

Collateral

The County understands that should the Section 108 project loan borrowers fail to make timely payments and should the County subsequently fail to make required payments, HUD could deduct that payment from the County's annual CDBG allocation. In accepting the Section 108 Guaranteed Loan, the County will pledge its current and future CDBG funds as security of repayment within twenty years. However, as long as repayment is remitted as agreed by third party borrowers, there is no impact to Clackamas County's ongoing CDBG allocations. County HCD's security interest will typically be in the form of a deed of trust. Additional security instruments employed as collateral may include real property, equipment, and other assets created from use of Section 108 financing.

Repayment

Clackamas County will provide Section 108 loan financing to third parties (entrepreneurs, public entities, developers, non- profits, etc.) who will undertake eligible activities. The County will act as the borrower and issue the guaranteed debt obligations. The County intends to issue separate HUD-guaranteed promissory notes with an individual principal repayment schedule for each project funded. The first loan is anticipated to close and receive funds within 6-12 months of formal HUD approval. Clackamas County is requesting a twenty-year repayment term. Repayment of Clackamas County's Section 108 Loan Guarantee will be based upon remittances from third parties assisted with loan funds.

STAKEHOLDER CONSULTATION AND CITIZEN PARTICIPATION PROCESS

This Application was developed in accordance with Clackamas County's current Citizen Participation Plan which facilitates public input and comment for all HUD-funded programming. The public consultation process for Program Year 2018 was inclusive of informational community meetings, a Community Development Policy Advisory Board (PAB) meeting, and a Board of County Commissioners (BCC) public hearing. The Draft Application was made available to the public via the Clackamas County website as well as on-site at Clackamas County HCD offices. Prior to PAB and BCC review, the County also solicited input from local stakeholders including representatives from local non-profit housing developers and the homeless Continuum of Care. In addition, stakeholder organizations posted links to the Application and advertised the public comment period via their websites. All related public meetings as well as availability of the draft plan for public review and comment were advertised via local newspaper as well as the Clackamas County website, blog, and listservs. A summary transcript of the related meetings as well as any written comments received, as available, are enclosed in this packet.

PROGRAM DEVELOPMENT TIMELINE

Clackamas County will fully develop and implement Section 108 loan financing based upon the following preliminary timelines with most tasks contingent upon HUD, Policy Advisory Board, and Clackamas County Board approval.

These milestones and deadlines are subject to change. Please note – individual loan applications will be solicited via a competitive process.

Prior to notification of HUD approval and joint execution of written agreements:

<i>Milestone</i>	<i>Deadline</i>
Development of RFQ for project loans	1 month

Conduct Outreach and Training on Section 108 Loan Program 1 month

After to notification of HUD approval and joint execution of written agreements:

<i>Milestone</i>	<i>Deadline</i>
Release RFQs for project loan proposals	1 month
Selection of Proposals	1 month
County Board Review and Approval	2 months
Submittals to HUD	1 month
Initial Loan Disbursement	6-12 months

APPENDIX 1 - REQUIRED FORMS

SF 424 Application for Federal Assistance

Certifications

APPENDIX 2 - STAKEHOLDER CONSULTATION AND CITIZEN PARTICIPATION

Community Development Public Meeting

Board of County Commissioners Public Hearing

- Notices
- Minutes
- Board Order

Public Comments and Clackamas County Responses

APPENDIX 2 - STAKEHOLDER CONSULTATION AND CITIZEN PARTICIPATION

Community Development Advisory Council (CDAC) Public Hearing Clackamas County Board of Commissioners Public Hearing

- Notices
- Minutes
- Resolution

Public Comments and Clackamas County Responses