

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Sitting/Acting as (if applicable)

Policy Session Worksheet

Presentation Date: March 20, 2024 **Approx. Start Time:** 11:00 am **Approx. Length:** 30 minutes

Presentation Title: Resolution Authorizing a Designated Officer Authority to Finalize and Execute Development Agreements for Hillside Park Buildings A & B and Building C

Department: Health, Housing & Human Services

Presenters: Rodney Cook, Director and Devin Ellin, Housing Development Director

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

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 a resolution 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 the Hillside Park redevelopment project. The designated officer is the Executive Director of the Housing Authority of Clackamas County.

EXECUTIVE SUMMARY:

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 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.

- 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

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.

Developer Selection

Early in 2022, HACC carried out a Requests for Expressions of Interest (RFEI) from developers for the Hillside Park redevelopment. Related Northwest, an experienced local affordable housing developer, was selected through the competitive RFEI process to lead the project. On September 29, 2022, the Housing Authority Board of County Commissioners approved of 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 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. 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.

Next Steps

These 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, negotiation 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 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, and 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.

Additional Information about Phase 1 of the Hillside Park Redevelopment

Phase 1 construction will begin as soon as all residents in the construction area are successfully relocated to suitable housing. Residents being displaced by the redevelopment have been issued Tenant Protection Vouchers paired with relocation assistance. Once Phase 1 construction is complete, displaced residents of Phase 1 and residents of the next construction phase will be given first preference to move into the newly constructed Phase 1 buildings. Phase 1 will have more than enough housing to house all households currently residing at Hillside Park and significantly expand affordable housing availability in the area.

Phase 1 will bring 275 units of amenity-rich affordable housing, available to households with incomes at or below 60% of AMI, to the Milwaukie community in three adjacent buildings. The buildings will be three- and four-stories. The development will include a landscaped plaza and 236 stalls of both on- and off-street parking. Building amenities will include on-site management offices, resident service offices, parcel lockers, multi-purpose community rooms, bike rooms, and laundry rooms on every floor. An innovative amenity will be a community room that will serve as a resilience hub during emergencies. Resilience hubs are supplied with basic resources like food, water, and medical supplies, and have backup electrical capacity. They are community-serving facilities designed to support residents and coordinate resource distribution and services before, during, or after an emergency event, such as a natural disaster.

Additional amenities will include raised garden beds, outdoor courtyards with dining and patio spaces, electric vehicle (EV) charging stations, and energy efficient infrastructure to decrease operating costs and increase overall housing affordability. The redevelopment also includes extensive public improvements and infrastructure work, including the introduction of the city grid to the neighborhood. The result will be an accessible, service enriched, energy efficient, and pedestrian-friendly community.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? Approximately \$147,700,000. Only a portion of the funds will flow through the Housing & Community Development Division budget, such as the Federal Infrastructure Grant, HOME funds, and Regional Affordable Housing Bond funds.

What is the funding source?

| 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

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals?
 - This item aligns with the following Department strategic priorities:
 - Provide sustainable and affordable housing.
 - Assist individuals and families in need to be healthy and safe.
 - Increase self-sufficiency.
 - Increase community safety and health.
 - Continually improve the efficiency and effectiveness of services.
- How does this item align with the County's Performance Clackamas goals?
 - This item aligns with the following County strategic priorities:
 - Ensure safe, healthy and secure communities.
 - Grow a vibrant economy.
 - Build a strong infrastructure.
 - Build public trust through good government.

LEGAL/POLICY REQUIREMENTS:

The redevelopment of Hillside Park has included approval from and compliance with various approving and/or funding agencies and/or funders, including the U.S. Department of Housing & Urban Development, Metro Regional Government, the City of Milwaukie, and the Oregon Department of Housing & Community Services.

PUBLIC/GOVERNMENTAL PARTICIPATION:

The redevelopment of Hillside Park has included extensive public engagement, including for the Master Plan planning process and with existing residents of Hillside Park and the Housing Advisory Board, as well as approval from other government agencies, such the U.S. Department of Housing & Urban Development, Metro Regional Government, the City of Milwaukie, and the Oregon Department of Housing & Community Services.

OPTIONS:

- Option 1: Approve the resolution authorizing the designated officer the authority to finalize and execute the development agreements for Hillside Park Buildings A & B and Building C.
- Option 2: Amend the resolution authorizing the designated officer the authority to finalize and execute the development agreements for Hillside Park Buildings A & B and Building C.
- Option 3: Reject the resolution authorizing the designated officer the authority to finalize and execute the development agreements for Hillside Park Buildings A & B and Building C.

RECOMMENDATION:

Staff respectfully recommend Option 1, that the Board approve the resolution authorizing the designated officer the authority to finalize and execute the development agreements for Hillside Park Buildings A & B and Building C.

ATTACHMENTS:

1. Resolution authorizing the designated officer the authority to finalize and execute the development agreements for Hillside Park Buildings A & B and Building C.
2. Hillside Park Project Info Sheet
3. Hillside Park Map

SUBMITTED BY:

Division Director/Head Approval: Toni Karter

Department Director/Head Approval: Rodney Cook

County Administrator Approval _____

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

**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. []
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



At a glance

Total unitcount: 275

Regional Affordable Housing Bond funds: \$40 million

Bond funds per unit: \$145,455

Project type: New construction

Sponsors: Related Northwest & HACC

Architect: Ankrom Moisan Architects

General contractor: WALSH Construction

Partners: We All Rise, Providence Hospital

Funding: Low Income Housing Tax Credits, OHCS LIFT, Regional Affordable Housing Bond, OR-MEP, Project-based vouchers, City of Milwaukie Construction Excise Tax funds, Federal Infrastructure Grant

Construction begins: June 2024

Anticipated completion: July 2026

Hillside Park

2889 SE Hillside Ct – Milwaukie, OR – HACC & Related Northwest

Hillside Park is a master-planned redevelopment of a low-density public housing site that contains 100 housing units across 13.7 acres. Built in the early 1940s, the existing property is Oregon’s oldest public housing community. After 80+ years in operation, the aging buildings have exceeded their useful life and require repositioning and redevelopment in order to provide safe housing and sustain operations. The proposed redevelopment conceives of Hillside Park as a mixed-use community with 375 units of affordable rental housing and up to 125 units of workforce or market rate housing, including 40 townhomes.

In partnership with HACC, Related Northwest (“Related”) will commence the redevelopment effort by beginning with a 7.5-acre area at the southern edge of the property. This project will bring 275 units of amenity-rich affordable housing in three adjacent buildings to households with incomes at or below 60% AMI. The proposed buildings will be three- and four-stories and each will be served by an elevator. A landscaped plaza and 236 stalls of both on- and off-street parking will further support the project.

Building amenities include on-site management offices, resident service offices, parcel lockers, multi-purpose community rooms, bike rooms, and laundry rooms on every floor. An innovative amenity will be the development’s resilience hub. Resilience hubs are supplied with basic resources like food, water, and medical supplies and have backup electrical capacity. They are community-serving facilities designed to support residents and coordinate resource distribution and services before, during, or after a natural hazard event.



Development program

Hillside Park includes 275 units of new affordable housing. A minimum of 120 units will be support by Project-Based rental assistance, 20 of which will be designated as Permanent Supportive Housing (PSH).

| Unit type | No. of units | AMI % | PBVs | PSH | Approx SF per Unit | Gross mo. rent/unit |
|------------------|--------------|-------|------------|-----------|--------------------|---------------------|
| Studio | 11 | 30% | 11 | 6 | 375 - 494 | \$592 |
| Studio | 35 | 60% | | | 375 - 494 | \$1,185 |
| One Bedroom | 32 | 30% | 42 | 11 | 575 - 615 | \$634 |
| One Bedroom | 10 | 50% | | | 575 - 615 | \$1,058 |
| One Bedroom | 77 | 60% | | | 575 - 615 | \$1,269 |
| Two Bedroom | 81 | 30% | 81 | 4 | 850 - 880 | \$762 |
| Two Bedroom | 22 | 50% | | | 850 - 880 | \$1,270 |
| Two Bedroom | 22 | 60% | | | 850 - 880 | \$1,524 |
| Two Bedroom – MU | 1 | 80% | | | 850 | \$0 |
| Three Bedroom | 6 | 30% | 6 | | 1,145 | \$880 |
| | | | | | | |
| Total | 275 | | 140 | 21 | | |

Amenities

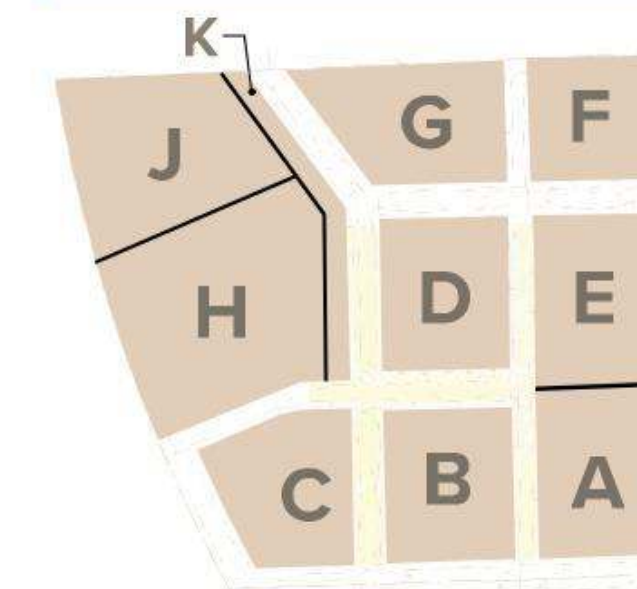
- Bus stop within 1/8 mile
- Ardenwald Elementary within 1 mile
- Grocery store within 1 mile
- Downtown Milwaukie within 1.1 miles
- Multiple parks and recreation areas within 3/4 mile
- Across street from Providence Milwaukie Hospital
- Resilience Hub
- On site community rooms
- Bike parking
- Study lounge
- On site management and services offices
- Outdoor playground and garden beds
- Whole-building heating and cooling
- Pedestrian street and plaza
- 236 parking spaces



Overall Masterplan



KEY PLAN



LEGEND

- parking ratio
- # of stories (res.) / over commercial
- # of units
- Building

TABULATIONS

| | | |
|--------------|-------------------|----------|
| Lot A | = 1.34 ac | 75 du/ac |
| Lot B | = 1.38 ac | 78 du/ac |
| Lot C | = 1.29 ac | 50 du/ac |
| Lot D | = 1.39 ac | 39 du/ac |
| Lot E | = 1.39 ac | 67 du/ac |
| Lot F | = 0.99 ac | 40 du/ac |
| Lot G | = 1.52 ac | 18 du/ac |
| Lot H | = 2.45 ac | 37 du/ac |
| Lot J | = 1.79 ac | 0 du/ac |
| Lot K | = 1.06 ac | 11 du/ac |
| Total | = 14.61 ac | |

| | |
|--|---------------------|
| Hillside Manor (existing) | = 100 units |
| Hillside Park (replacement units) | = 100 units |
| Net New Units (to be developed) | = 400 units |
| Grand Total | = 600 units |
| Off-street parking* | = 352 stalls |
| On-street parking | = 138 stalls |
| Total | = 490 stalls |