

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: 10/3/17 **Approx. Start Time:** 1:30pm **Approx. Length:** 1/2 hour

Presentation Title: Rosewood Terrace Apartments

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

Presenters: Richard Swift, Health Housing and Human Services Director, Chuck Robbins, Housing and Community Development Director

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

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

1. Request Board approval of the Local Funding Alternative for Rosewood Terrace development gap
2. Notification to the Housing Authority of Clackamas County (HACC) Board of plans to enter into a Housing Assistance Payment Plan with Pedcor to allocate 20 Project Based Vouchers to the Rosewood Terrace project

BACKGROUND:

On September 19, 2017 HACC presented to the HACC Board an update of the Rosewood Terrace Project. This project is being developed by Pedcor Inc. and has 212 units of affordable rental housing located at 8810 & 8850 Otty Road in Happy Valley.

The development includes (104) 1 Bedroom/1 Bath units, (100) 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 \$761/Mo for 1BR/ Bath, \$909/Mo for 2BR/2Bath, and \$1,044/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.

At the September 19, 2017 Policy session we discussed a development funding gap. The gap was created by a combination of devalued tax credits resulting from projected reductions in the Corporate Tax rate, and U.S. Department of Housing and Urban Development (HUD) reviews which delayed the project for an additional 7 months. In the current environment delays are increasing labor and material costs by 1-1.25% a month.

The projected funding gap stands at \$2.5M. A portion of this gap was funded through the efforts of Pedcor.

- Pedcor has gone back to the Low Income Housing Tax Credit equity investor and convinced them to use a higher corporate tax rate resulting in an additional \$1,000,000 in equity.
- Pedcor has been awarded a \$500,000 grant from Metro

HACC has been investigating a number of proposals to fill the remaining \$1M gap.

- We have made numerous applications for Department of Justice (DOJ) settlement funds. These funds are from financial institutions that were fined by the DOJ for their participation in the mortgage-backed securities fraud and abuse lawsuit. Unfortunately, our project is not located in a state identified High Opportunity area which is a priority for receiving funds from the affected financial institutions. We will continue to pursue these funds.

In the interim, to avoid any other costly delays, we have a Local Funding Alternative. This includes:

- \$345,000 of Community Development Block Grant (CDBG) funds
- \$150,000 of additional HOME funds
- \$505,000 of additional HACC Disposition funds

Section 8 – Project Based Vouchers

On October 20, 2016 the Board approved the award of 20 Project Based Vouchers to Pedcor for the Rosewood Terrace Project. On October 19, 2017, we will be asking the Board to approve entering into the official Contractual Agreement known as the Agreement to enter into a Housing Assistance Payment Contract.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? \$1,000,000

What is the funding source?

1. HUD funds; and
2. HACC disposition funds that came from an earlier sale of public housing units.

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:

- The inclusion of CDBG funds in the project will require amending the Environmental Review to include the new fund source.
- Use of CDBG funds will require the preparation, County Counsel review and BCC Approval of CDBG Loan Documents
- The HOME Loan Documents will need to be amended to include the additional funding

PUBLIC/GOVERNMENTAL PARTICIPATION:

- The amended Environmental Review will need to be posted for the statutory 30 day public comment periods prior to requesting HUD for a Release of Funds.

OPTIONS:

- Approve the Local Funding Alternative and proceed to a December 2017 closing
- Instruct HACC to continue to look for other funds. This will continue to delay the closing date of the project which, in this environment, is estimated to increase construction by 1-1.5% a month.
- Reject the request for additional funds. This will probably result in the developer dropping the project. Should this occur, in addition to losing 212 units of affordable housing, HACC will lose over \$400,000 of reimbursable predevelopment expenditures

RECOMMENDATION

Staff recommends that the HACC Board approve the Local Funding Alternative to fill the development gap for the Rosewood Terrace project.

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
