

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: 2/6/18 **Approx. Start Time:** 3:00pm **Approx. Length:** 30 minutes

Presentation Title: Additional Bond Proceeds for Rosewood Terrace

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: Harvey Rogers, Bond Counsel for HACC, Rich Malloy, HACC Asset Manager, Angel Sully HACC Development Coordinator

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

1. Approval to hold a Public Hearing before the HACC Board of Commissioners to receive comments on the use of Private Activity Bonds for the development of the Rosewood Terrace affordable housing project (TEFRA Hearing) at the 2/15 BCC Session
2. Approval to place the Amending Resolution for issuance of \$2 million dollars in additional Private Activity Bonds for the construction of the Rosewood Terrace Apartments on the consent agenda for the 2/15 BCC Session.

BACKGROUND:

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:

- 104 - 1 Bedroom/1 Bath units
- 100 - 2 Bedroom/2 Bath units
- 8 - 3 Bedroom/2 Bath units.

The project will enable individuals and families making less than 60% of the Area Median Income to occupy housing. These units will remain affordable for 60 years.

Funding to build the Rosewood Terrace Apartments comes from two primary sources:

- 1) Four Percent Low Income Housing Tax Credits (LIHTC) – The amount of LIHTC available for investment at any one time is set by the IRS as an allocation to the state. These tax credits are non-competitive. What this project can receive is based on the Eligible Basis (EB) of the project. Included in the EB are all hard construction costs and most depreciable soft costs:

- a. architectural and engineering costs
- b. developer's fee
- c. loan costs.

2) Bonds – The use of 4% LIHTC requires that a minimum of 50% of the funds for development come from bonds.

The Rosewood Terrace bond amount is currently 50.45% of total development. While this percentage is above the minimum threshold, it does not allow any flexibility. If development costs were to increase, the Project would be forced to reduce soft costs to stay above the 50% threshold. This would:

- Take money away from the Housing Authority which will receive 25% of the fee;
- Reduce the Eligible Basis.

A reduction in the EB would result in a reduction of LIHTC available to fund the project. This would negatively impact US Bank, our equity investor, who has purchased the LIHTC. US Bank has requested that we apply to the State for an additional \$2 million in Bond proceeds, increasing the bond to development cost ratio to 53.60%.

This budgeting adjustment has no impact on the cost of the project. The financing plan involves a bridge loan consisting of \$2 million in Bond funds and a \$15 million bank loan. With the additional \$2 million in Bond funds we will reduce the Bank loan to \$13 million.

Application for Bond proceeds is made to the State of Oregon Private Activity Bond (PAB) Committee which meets quarterly. The PAB met on January 24, the Project received unanimous approval for the additional \$2 million. The PAB was next scheduled for April. Not getting this request on PAB agenda would have had delayed closing for another 3 months.

TEFRA Hearing

As part of the bond approval process the HACC Board must hold a Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) hearing. This hearing is mandated by the IRS and:

- Informs the affected governmental units of a proposal to issue bonds within their jurisdiction,
- Provides a reasonable opportunity for residents and interested individuals to express their views on the issuance of bonds and the nature of the improvements and project for which the bond funds will be allocated.

The 1st TEFRA hearing was held in front of the Board on January 19, 2017. This was for the original \$32 million bond issuance. No member of the public came forward with comment.

This 2nd TEFRA Hearing is scheduled for February 15 notifying the public of our intent to issue bonds in an amount not to exceed \$34,000,000. This adds the additional \$2 million in bond funding.

After the hearing the Board will be asked to consider and approve an amended Bond Authorization Resolution.

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 \$65,626,453. The total bond request is a not to exceed amount of \$34,000,000. Bond proceeds will be used in the following manner

Short Term Bond - Subordinate Bridge Loan	\$4,400,000
Long Term Bond – First Mortgage	<u>\$29,600,000</u>
TOTAL	<u>\$34,000,000</u>

What is the funding source? This is a Revenue bond authorized by the State of Oregon through their Private Activity Bond Committee.

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:

- Authorize holding the TEFRA Hearing and placing the Amending Bond Resolution on the February 15, 2018 HACC Board meeting agenda for approval
- Schedule an additional policy session for further discussion of the Rosewood Terrace documents.
- Reject request to hold TEFRA Hearing and approval of Amending Bond Resolution

RECOMMENDATION

Staff recommends that the HACC Board agree to hold the Public TEFRA Hearing and place the Amending Bond Resolution on the February 15, 2018 HACC Board meeting agenda for approval.

ATTACHMENTS:

- a. TEFRA Notice

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

TEFRA NOTICE

NOTICE OF PUBLIC HEARING

Notice is hereby given that on February 15th, 2018, a public hearing, as required by Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), will be held by the Housing Authority of Clackamas County (the "Authority") with respect to the proposed issuance by the Authority of tax-exempt private activity revenue bonds in one or more series in an aggregate face amount not to exceed \$34,000,000 (the "Bonds"), the interest on which will be excluded from gross income of the holders for federal income tax purposes under Sections 103 and 142(d) of the Code. The proceeds of the Bonds will be used by Pedcor Investments-2016-CLV, Limited Partnership (the "Borrower") through one or more loans to the Borrower to finance a portion of the costs of acquiring and constructing a 212-unit multi-family affordable housing development expected to be initially called Rosewood Terrace Apartments and subsequently Rosewood Station Apartments (the "Development"), the occupancy of which will be restricted to individuals or households with incomes at 60% or below of area median income in accordance with Section 142(d) of the Code. The Development, which will be owned by the Borrower, will consist of six four-story buildings located at 8810 SE Otty Road in Happy Valley, Oregon.

The hearing will commence at 10:00 am, or as soon thereafter as the matter can be heard, and will be held in the Board of County Commissioners chamber on the 4th floor of 2051 Kaen Road, Oregon City, OR 97045. Interested persons wishing to express their views on the issuance of the Bonds, or on the nature and location of the Development to be in part financed with proceeds of the Bonds, may attend the public hearing in person or, prior to the time of the hearing, submit written comments to Chuck Robbins, Executive Director, Housing Authority of Clackamas County, 13900 S. Gain Street/PO Box 1510, Oregon City, OR 97045. The Authority may limit the time available for persons attending the public hearing to provide oral comments, while assuring such persons a reasonable opportunity to be heard. The Authority is committed to providing equal access to individuals with disabilities, consistent with the Americans with Disabilities Act and other state and federal laws prohibiting discrimination against individuals with disabilities. Anyone requiring an accommodation to participate in this hearing or to obtain information subject to this notice should contact the Authority, at least 24 hours prior to the time of the hearing, at (503) 655-8279.

Dated: January 31, 2018.

IN THE BOARD OF DIRECTORS

FOR THE HOUSING AUTHORITY OF CLACKAMAS COUNTY

In the Matter of Amending the Bond)
Authorization for the Rosewood Terrace) RESOLUTION NO.____
Apartments Project)

WHEREAS, the Housing Authority of Clackamas County (“Authority”) and the Board of County Commissioners of Clackamas County (“Board”) have previously taken several actions in connection with the authorization of up to \$32,000,000 of tax-exempt, multifamily housing revenue bonds for an affordable housing project that is currently known as the Rosewood Terrace Apartments Project (the “Project”); and

WHEREAS, to qualify the Project for federal low income housing tax credits at least fifty percent of the Project costs must be financed with tax-exempt bonds, and \$32 million of tax-exempt bonds barely provides fifty percent of the expected total cost of the Project; and

WHEREAS, the developer of the Project has requested the Authority to increase the authorized amount of tax-exempt bond financing by \$2 million, to help insure that at least fifty percent of the Project costs are financed with tax-exempt bonds; and

WHEREAS, on February 15, 2018, after publication of notice and a public hearing, the Board of County Commissioners of Clackamas County reapproved the issuance of tax-exempt private activity revenue bonds in one or more series for the Project, including an additional \$2,000,000 of such bonds based on the allocation of the volume cap referenced in the following recital, under Section 147(f) of the Internal Revenue Code of 1986, as amended, in an aggregate face amount not to exceed \$34,000,000; and

WHEREAS, on January 24, 2018, the State of Oregon Private Activity Bond Committee made an additional \$2,000,000 allocation of private activity bond volume cap to the Authority for the Project; and,

WHEREAS, it is now desirable for the Authority to authorize an additional \$2,000,000 of tax-exempt private activity revenue bonds for the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE AUTHORITY

Section 1. Amendment to Resolution No. 1923. Resolution No. 1923, which authorized up to \$32,000,000 of tax-exempt, multifamily housing revenue bonds for the Project, and all related prior actions of the Authority, are hereby amended to authorize the Authority to issue an additional \$2,000,000 of tax-exempt private activity revenue bonds for the Project.

Section 1 of Resolution No. 1923 is hereby amended to read as follows (deletions in strikeout and additions in bold):

“The Authority is hereby authorized to sell and issue its Multifamily Housing Revenue Bonds ~~(Rosewood Terrace Apartments Project), Series 2017 and Multifamily Housing Subordinate Revenue Bonds (Rosewood Terrace Apartments Project), Series 2017B~~ (collectively, the “Bonds”) in an aggregate principal amount **that shall not exceed** ~~of not more than~~ \$324,000,000, and to apply the proceeds of the Bonds to finance the **project currently known as the Rosewood Terrace Apartments Project (the “Project”)**Project and pay costs related to the Project and the Bonds as contemplated by the Principal Documents.”

Section 3(A) of Resolution No. 1923 is hereby amended to read as follows (deletions in strikeout and additions in bold):

“A. Establish the final, aggregate principal amount of each series of the Bonds ~~(which shall not exceed \$32,000,000)~~, and the method of determining interest rates, maturities, and other terms of each series of the Bonds.”

Section 3(B) of Resolution No. 1923 is hereby amended to read as follows (deletions in strikeout and additions in bold):

B. Finalize the terms of, and execute and deliver the Principal Documents. Before executing and delivering the Principal Documents the Director may, after consulting with bond counsel and County Counsel, make changes to those documents that are desirable to (i) allow Bond proceeds to be drawn before GNMA certificates are issued, if the drawn proceeds are held in a construction fund agreement that secures Bonds: or, (ii) accommodate requests of the Developer or other parties to the financing of the Project, so long those changes ~~doallow the Bonds to be issued in 2017, before contemplated changes to the Code take effect, such as changes that allow all the Bond proceeds to be drawn down when the Bonds are issued, and changes that allow Bond proceeds to be held in escrow until the HUD closing; or (ii) allow other changes that facilitate closing of the Bonds. However, the changes described in the preceding sentence shall not~~ change the security for the Bonds as described in Section 2 of this Resolution and Order.

The name of the owner in Resolution No. 1923 is now expected to be “Pedcor Investments-2016-CLV” rather than “Pedcor Investments-2017-LCV.”

Except as specifically amended by this resolution, Resolution No. 1923 remains unchanged.

DATED THIS 15th DAY OF FEBRUARY, 2018.

2 - BOND RESOLUTION AND ORDER

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BOARD OF COMMISSIONERS FOR THE
HOUSING AUTHORITY OF CLACKAMAS
COUNTY

Chair

Recording Secretary

APPROVED AS TO FORM

COUNTY COUNSEL
FOR CLACKAMAS COUNTY, OREGON.