

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS
Sitting/Acting as the Housing Authority Board of Commissioners

Study Session Worksheet

Presentation Date: January 15, 2013 **Approx Start Time:** 10:30 a.m.

Approx Length: 1 hour

Presentation Title: Easton Ridge Refinance and Rehabilitation

Department: Housing Authority

Presenters: Cindy Becker, Trell Anderson

Other Invitees: Bob Powers, Brian Carleton, Brian Sweeney

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

In order to move the Easton Ridge project from the pre-development phase to the construction phase, we are requesting the Housing Authority Board of Commissioners to consider and approve three resolutions:

1. "Omnibus" Resolution – Authorizing the Chair of the Board and the Authority's Executive Director, to execute required legal and financial documents.
2. Series A Bond Resolution – Authorizing the issuance and public offer and sale of revenue bonds of HACC not to exceed \$17,000,000, and the use of proceeds as permanent finance to pay off existing property debt and construction and related project costs.
3. Series B Bond Resolution – Authorizing the issuance and sale of revenue bonds of HACC not to exceed \$7,000,000, and the use of proceeds as short-term finance primarily to pay for construction and related project costs.

EXECUTIVE SUMMARY:

Property Description

Easton Ridge is located at SE 90th Avenue and SE Causey Avenue approximately one-quarter mile north of Clackamas Town Center. The property is within a short walk of the region's transportation system including the Clackamas Town Center Max Station. The close proximity to the Town Center area also provides ready access for residents to a wide range of goods and services, as well as education and employment opportunities.

Easton Ridge was constructed in 1989 by Bowen Hunt Development, and purchased by the Housing Authority of Clackamas County (HACC) in 1996. The property is sited on 8.8 acres and consists of 264 units in 11 three-story buildings and a single-story community building with an on-site property management office.

Project Feasibility Phase

Beginning in 2008, HACC began testing the feasibility of a renovation to address signs of siding failure and moisture intrusion. HACC contracted with RDH Building Sciences, Inc. in 2009 to complete an envelope study which concluded that an estimated \$12 million in renovations were needed. Subsequently, in 2010 HACC contracted with Sound Community Ventures (SCV) to test the financial feasibility to refinance and rehabilitate the property. SCV retained Carleton Hart Architecture in early 2011 to complete a review of all investigative work done to date and to compile a prioritized list of renovation components, given limited financing options at that time.

Pre-Development Phase

On September 20, 2011, in Executive and Study Session, staff presented to the HACC Commissioners a briefing on the physical conditions at the Easton Ridge Apartments and potential financing strategies. Subsequently, on October 20, 2011, HACC Commissioners approved Resolution No. 1886 authorizing the Housing Authority to proceed with due diligence, engaging an architect and a construction manager/general contractor and to make applications for private-activity bond cap allocation and low income housing tax credits.

The Pre-Development Phase has laid the foundation for the current renovation project. The following has been completed to date:

- Procurement and selection of an Architecture and Engineering team.
- Procurement and selection of a Construction Manager/General Contractor.
- Procurement and selection of a Low Income Housing Tax Credit Investor.
- Procurement and selection of outside private legal counsel to represent HACC.
- Submittal of financing applications for Low Income Housing Tax Credits, Clackamas County HOME funds and an allocation of Private Activity Bond Volume Cap from the Office of the State Treasurer.
- Comprehensive assessments of the building envelope and site.
- Submittal for building permits.

Next Steps

With pre-development activities nearly complete, HACC is planning to reach financial closing in February, transitioning the project from the pre-development phase to the construction phase. In order to facilitate this transition, we are requesting the Housing Authority Board of Commissioners to consider and approve three resolutions:

1. "Omnibus" Resolution – Authorizing the Chair of the Board and/or the Authority's Executive Director to execute and deliver:
 - Tax Credit Documents;
 - Loan Documents;
 - Construction Contract Documents;
 - Real Estate Documents;
 - And other Ancillary Documents in connection with the acquisition and rehabilitation of the Project.
2. Series A Bond Resolution – Authorizing HACC for the issuance and public offer and sale of revenue bonds not to exceed \$17,000,000, all accompanying documents and the use of proceeds.

Series B Bond Resolution – Authorizing HACC for the issuance and sale of revenue bonds not to exceed \$7,000,000, all accompanying documents and the use of proceeds.

FINANCIAL IMPLICATIONS (current year and ongoing):

There are two primary financing implications of missing the anticipated February closing.

1. Typically, sub-contractor bids are held for ninety days, with the expectation that after ninety days the subs cannot be held to their initial bid. In the case of Easton Ridge, the general contractor has been able to retain the sub-contractor bids through February. If closing is stalled past February, then the general contractor will have to obtain new bids from the sub-contractors. The financial implication is estimated to be an increase in construction, design, and legal costs ranging between \$500,000 and \$1,000,000.
2. There is a risk that the sources of funds could also be impacted with a closing and construction start date past February. Both tax credit and bond sales are market-based. Interest rates for bonds are expected to remain steady; however, the Low Income Housing Tax Credit market is fluctuating significantly, most recently down and not in favor of the project. The current tax credit investor will not hold current pricing if the closing is delayed past February.

LEGAL/POLICY REQUIREMENTS:

HACC retained Foster Pepper specifically for this project to draft and/or review all documents pertaining to the bond issuance, the tax credits and the construction contract. In addition to Foster Pepper acting on HACC's behalf, counsel for Clackamas County and the other funding partners including the tax credit investor and bond brokerage will review all documents pertaining to their portion(s) of the project prior to closing.

PUBLIC/GOVERNMENTAL PARTICIPATION:

In addition to Board Study Sessions and HACC Board of Commissioner Meeting, the following opportunities have been provided for public comment on the plans for Easton Ridge:

- October 3 - 27, 2011: Public comment period on Draft Findings of Fact as part of the Construction Manager/General Contractor (CM/GC) procurement process. (No comments were received).
- October 27, 2011: HACC Board acting as the Local Contract Review Board – Public hearing and approval of Findings of Fact for the CM/GC procurement process. (No comments were received).
- June 27, 2012: Public Hearing on Bonds in accordance with the federal Tax Equity and Fiscal Responsibility Act (TEFRA). (No comments were received).

In addition, HACC held six meetings between July and October of 2012 for the residents of Easton Ridge. The purpose of these meetings was to go over the scope of work for the

renovation, answer questions and address any concerns residents might have, and to introduce the project team.

OPTIONS:

- A. Approve the three resolutions as proposed in order to attain a February date of financial closing and start of construction.
- B. Direct staff to plan for a delay of a February financial closing and construction start, pending further Board considerations.
- C. Do not approve the resolutions and direct staff to formulate other options for the property.

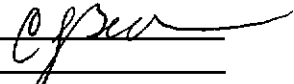
RECOMMENDATION:

Staff recommends Option A: that the HACC Board of Commissioners consider approval of the three resolutions at the January 17, 2013 business meeting.

ATTACHMENTS:

- 1. Milestones since 2011

SUBMITTED BY:

Division Director/Head Approval 
Department Director/Head Approval _____
County Administrator Approval _____

For information on this issue or copies of attachments, please contact Mary-rain O'Meara@ 503-655-8279

Fiscal Impact Form

RESOURCES:

Is this item in your current work plan and budget?

YES

NO

START-UP EXPENSES AND STAFFING (if applicable):

ONGOING OPERATING EXPENSES/SAVINGS AND STAFFING (if applicable):

ANTICIPATED RESULTS:

COSTS & BENEFITS:

Costs:							
	Item	Hours	Start-up Capital	Other Start-up	Annual Operations	Annual Capital	TOTAL
	Total Start-up Costs						
	Ongoing Annual Costs						
Benefits/Savings:							
	Item	Hours	Start-up Capital	Other Start-up	Annual Operations	Annual Capital	TOTAL
	Total Start-up Benefit/Savings						
	Ongoing Annual Benefit/Savings						

Please see Attachments for financial information.

Easton Ridge Timeline
Update: January 4, 2013

Timeline – Major Project Milestones (since 2011)

Items in *blue italics* (HAC) indicate HACC Board of Commissioners (HAC) approval required.

Items in *green italics* (CCC) indicate Clackamas County Board of Commissioners (CCC) approval required.

September 2011

- September 20 – Board Study Session

October 2011

- October 3 - Publish Draft Findings of Fact and Open Public Comment Period for HACC's Request for an Exemption and Authorization to Use the Request for Proposals Method to Obtain Construction Management/General Contractor Services
- *October 20 Authorizing Resolution Approval No. 1886 (HAC)*
- *October 27 (Special Board Meeting) Public Hearing and Adoption of Draft Findings of Fact for construction management/general contractor process (HAC)*
- October 31 – Issue Request for Proposals for Construction Management / General Contractor Services
- Initiate work with legal team to create LIHTC ownership structure

November 2011

- *November 17 Architecture & Engineering Contract Approval (HAC)*

December 2011

- December 1 – CM/GC Proposals Due to HACC
- December 22 - Announce CM/GC Award

January 2012

- Project team (Architecture & Engineering team, General Contractor, HACC) commences work

February 2012

- Schematic Design Set Issued

April 2012

- Sound Community Ventures, Inc. issues RFP for Tax Credit Investor

May 2012

- Design Development Set Issued
- PNC Bank selected as investor and Letter of Interest executed
- May 31 Project Update with HACC Commissioners (2:2:1s)

June 2012

- Design Development Cost Estimate / Approve Scope of Work for Construction Documents
- *June 21 Approval of Inducement Resolution for Tax Exempt Bonds in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Resolution No. 1889. (HAC)*
- June 27 TEFRA Hearing at HACC Office (Public Notice)
- June 28 Submit Application to Office of the State Treasurer for Bond Volume Cap

July 2012

- July 10 HACC Board of Commissioners Study Session
- July 12 Presentation to Office of State Treasurer for Bond Volume Cap. HACC was awarded an allocation.
- Construction Document Phase

August 2012

- Submit Application to the State for 4% LIHTC allocation
- Submit for Building Permits (Clackamas County)
- Bidding for Construction Sub-Contractors- Walsh Construction Co.

September 2012

- *September 13 Approval by the Board of Clackamas County Board of Commissioners of the Contingent Loan Agreement to "back" tax-exempt bonds. Resolution No. 100-2012 (CCC)*
- *September 13 Approval of Tax Equity & Fiscal Responsibility Act (TEFRA) Public Hearing Resolution. Resolution No. 101-2012. (CCC)*

December 2012

- Execute Letter of Interest with tax credit syndicator, Enterprise Community Investments to replace PNC Bank.
- December 20 – OHCS Finance Committee approves a reservation of LIHTC for the project.

January 2013

- January 14 – Clackamas County issue Building Permits
- *January 17 – Request for Final Authorizing Resolutions for Project (Authorizing HACC to enter into all agreements and move to financial closing)(HAC)*
- January 28 – Presentation of project update to Office of State Treasurer for Bond Volume Cap.
- Execute Construction Contract between Walsh Construction Co. & Easton Ridge, LLC
- January 24 - Mail Public Offering Statement for Bond Sale

February 2013

- February 13 – Financial Closing
- February 19 - Start Construction

April 2014

- Complete construction

August 2014

- Complete tax credit certifications

September 2014

- Realize tax credit equity pay-in