

**CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS**  
**Sitting/Acting as:**  
**Board of Commissioners of the Housing Authority of Clackamas County**

**Study Session Worksheet**

**Presentation Date:** 1/7/2020    **Approx Start Time:** 1:30 PM    **Approx Length:** 45 minutes

**Presentation Title:** Housing Development Finance 101

**Department:** H3S/Housing Authority of Clackamas County (HACC)

**Presenters:** Stephen McMurtrey, Jill Smith, Richard Swift

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

**HACC staff are providing a Housing Development Finance 101 training to the Board of County Commissioners. This is informational only.**

EXECUTIVE SUMMARY:

**Background:** Stephen McMurtrey the Director of Affordable Housing Development is presenting a high-level informational overview of affordable housing finance and development.

**Next Steps:** This informational overview will provide information and insights to the affordable housing finance process in anticipation of the Metro Affordable Housing Bond proceeds and other County-led housing development goals.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget?     YES     NO

What is the funding source?

N/A

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals?
  - Sustainable and Affordable Housing
  - Efficient & effective services
- How does this item align with the County's Performance Clackamas goals?
  - Public trust through good government
  - Ensure safe, healthy and secure communities

LEGAL/POLICY REQUIREMENTS:

PUBLIC/GOVERNMENTAL PARTICIPATION:

N/A

OPTIONS:

N/A

**RECOMMENDATION:**

N/A.

**ATTACHMENTS:**

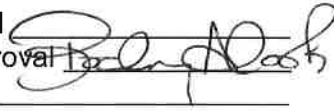
- PowerPoint Presentation

**SUBMITTED BY:**

Division Director/Head Approval

Department Director/Head Approval

County Administrator Approval

 HBS Deputy / FOR RICH SWIFT

For information on this issue or copies of attachments, please contact Jill Smith @ 503-742-5336



# Affordable Housing 101

The Basics of Affordable Housing Finance

# Who provides affordable housing?

- Housing Authorities
- Non-profit / social service organizations
- Public Agencies
- Private Market





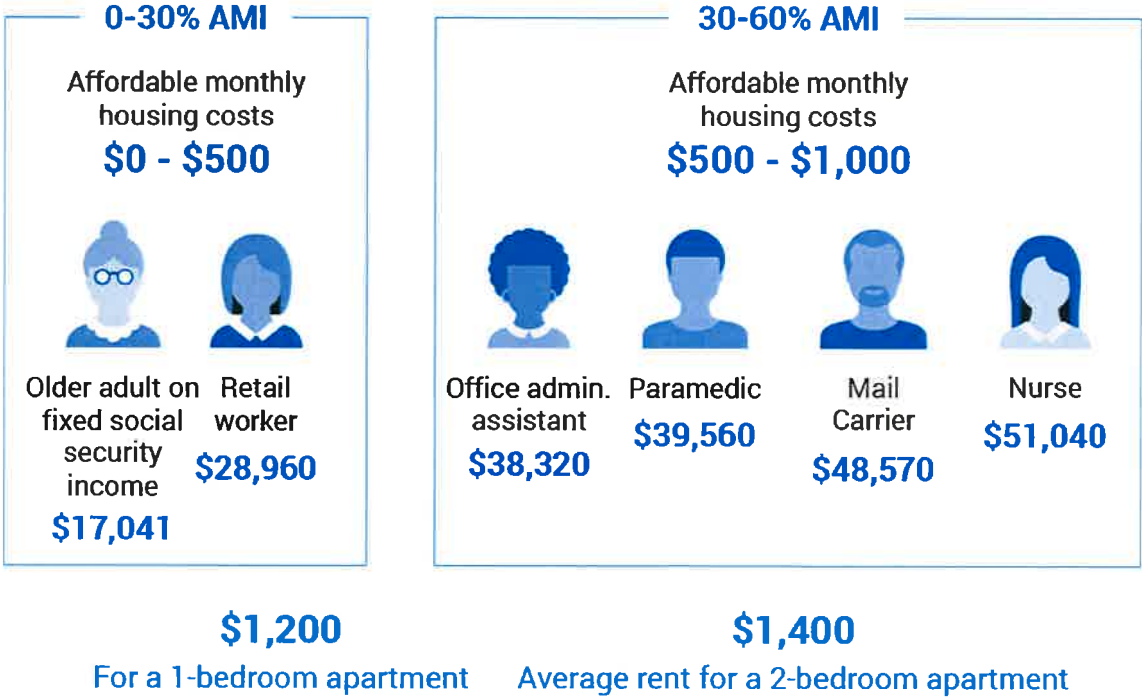
# Make housing affordable by

Reducing costs of:

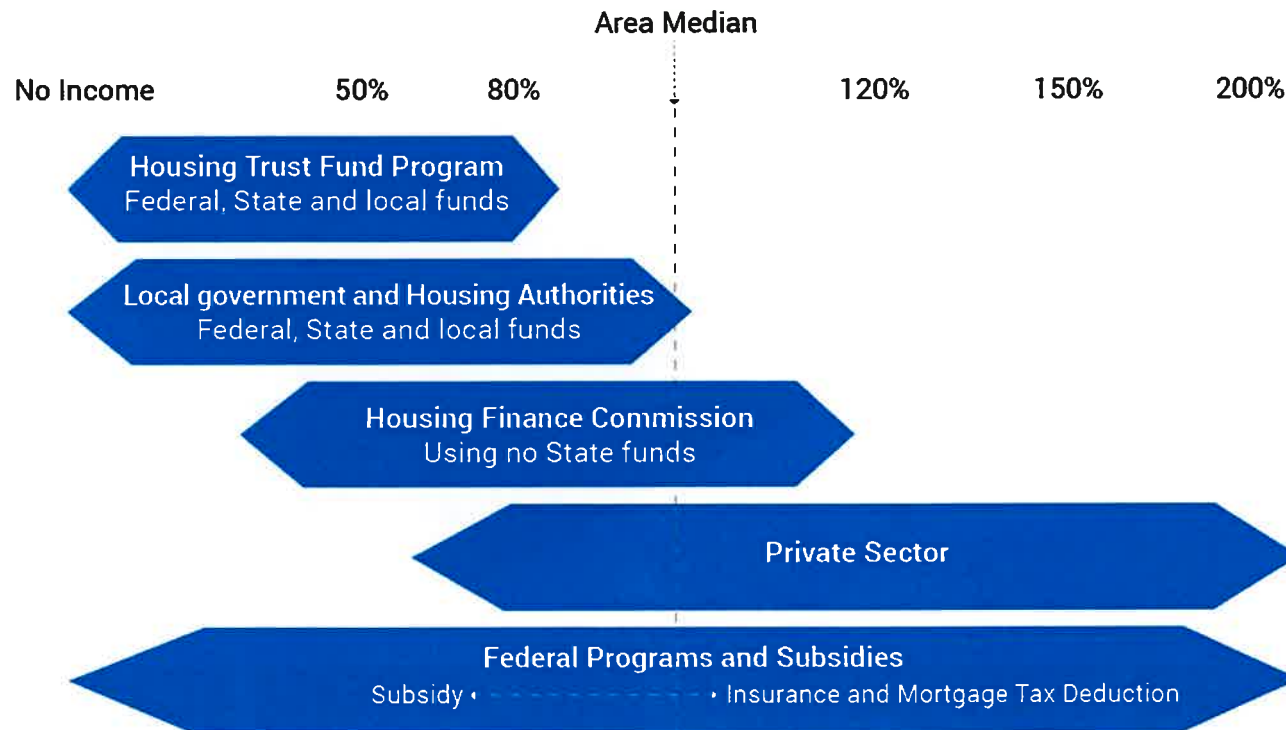
- building
- operating
- financing



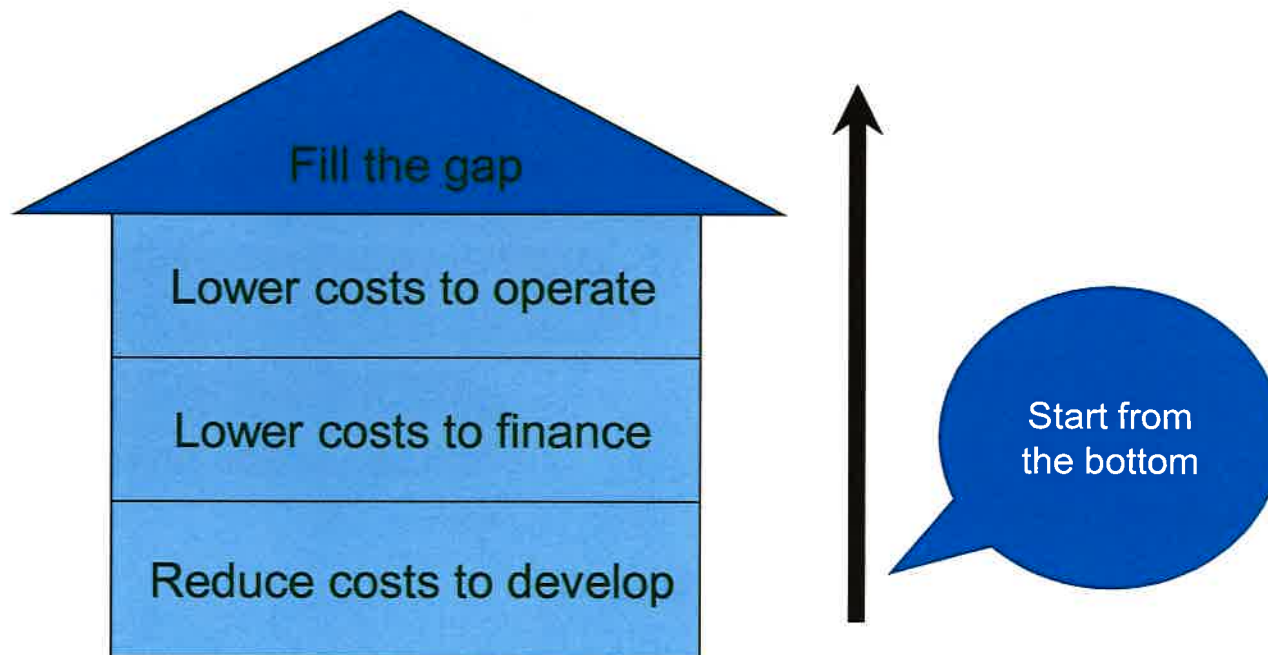
# Who lives in affordable housing?



# Where does the money come from?



# Capital financing affordable housing





# Blending equity and debt

Affordable housing is financed with a combination of equity and debt.

The sources are:

- Public equity from federal, state and local governments
- Private equity from foundations
- Owner equity

The ratio of debt to equity is:

- The lower income the target, the lower the debt and greater the equity need for the project





# Figuring out the blend of debt and equity

1. Start with rent that tenants will pay
2. Figure out how much of that income will be needed to pay for operating expenses (property management, utilities, maintenance)
3. With what is left, calculate how much debt can be brought to the deal
4. Compare that amount to total project costs and the difference is what you need in equity

# HUD considers affordable housing to be:

HOUSEHOLD INCOME PER MONTH for a two-bedroom:

Family of Four \$ 4,070

30% of income \$ 1,221

Estimated tenant paid utilities - \$ 122

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**Affordable Rent**

**\$1,099 Rent + Utilities**

# Market rents in Clackamas County

City	1-bedroom	2-bedroom	3-bedroom
Canby	\$1,265	\$1,342	\$1,730
Estacada	\$1,112	\$1,425 (only 1 listing)	\$2,075 (only 2 listings)
Happy Valley	\$1,282	\$1,480	\$1,934
Lake Oswego	\$1,407	\$1,586	\$2,539
Milwaukie	\$1,184	\$1,390	\$1,987
Molalla	\$930	\$1,176	\$1,485
Oregon City	\$1,173	\$1,378	\$1,816
West Linn	\$1,352	\$1,574	\$2,207
Sandy	\$1,195	\$1,500 (only 1 listing)	\$1,875 (only 2 listings)

Source: Craigslist

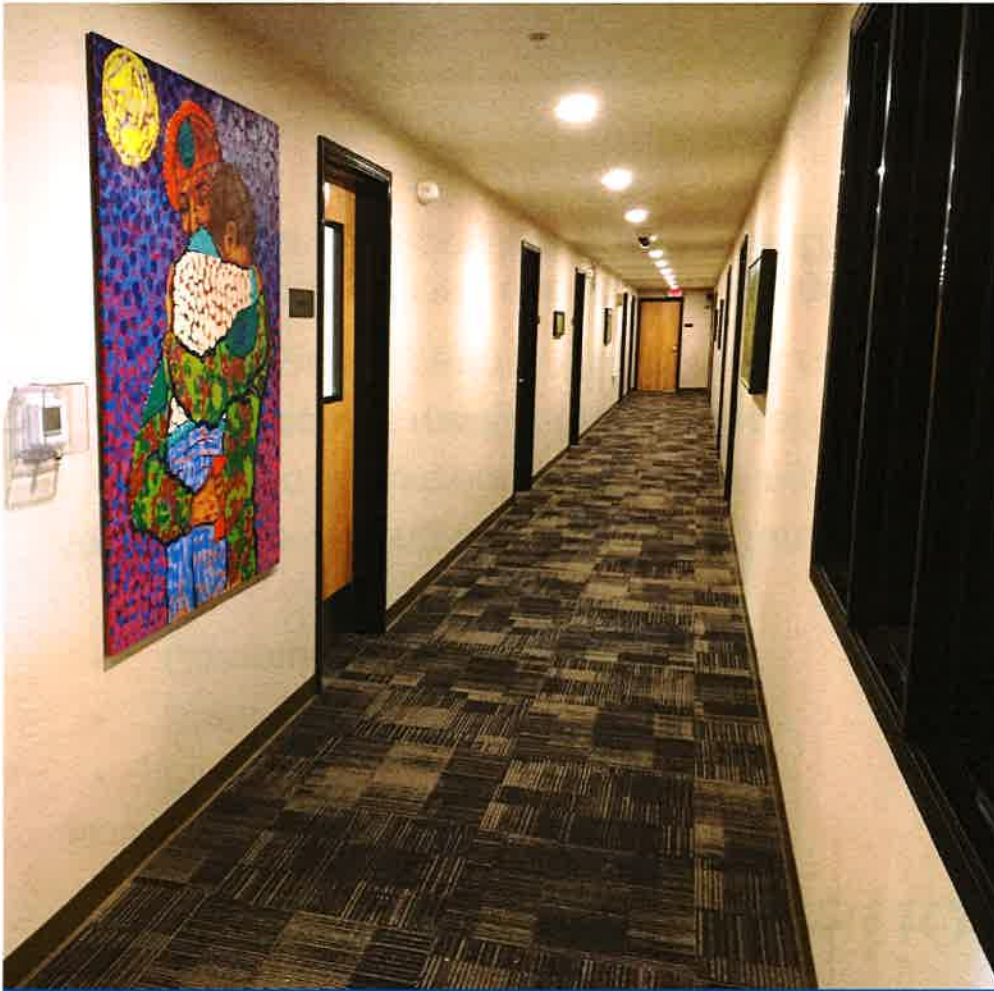
# Example of budgeted expenses

Project Name: NHA Campus Expense Inflation Rate: 3.00%		
<b>Annual Operating Expenses</b>	<b>Annual per Unit</b>	<b>Annual expense for ALL units</b>
<b>Insurance</b>	\$145	\$4,060
<b>Utilities:(common areas)</b>		
Gas/Oil	\$0	\$0
Electric	\$204	\$5,700
Water & Sewer	\$1,300	\$30,800
Garbage Removal	\$464	\$12,978
Cable TV	\$0	\$0
<b>Repairs &amp; Maintenance</b>	\$375	\$ 9,800
<b>Landscape Maintenance</b>	\$387	\$10,828
<b>Replacement Reserve</b>	\$350	\$9,800
<b>Property Management</b>		
	\$1,100	\$30,000
	\$350	\$8,904
<b>Professional Services:</b>		
Resident Services	\$350	\$8,400
Case Management	\$0	\$0
Legal	\$50	\$1,400
Accounting	\$101	\$2,700
<b>Compliance Monitoring Fees</b>	\$35	\$980
<b>Office &amp; Administration</b>	\$188	\$5,250
<b>Advertising/Marketing &amp; Promotion</b>	\$75	\$2,100
<b>Unit Turnover</b>	\$165	\$4,620
<b>Taxes(non-real estate)</b>	\$43	\$1,200
<b>Real Estate Taxes</b>	\$0	\$0
<b>Payroll Taxes</b>	\$100	\$1,800
<b>Internet Connection Fee</b>	\$100	\$1,365
<b>Other: (list below)</b>		
	\$119	\$3,340
	\$0	\$12
<b>Total Annual Operating Expenses:</b>	<b>\$6,000</b>	<b>\$168,000</b>

## New construction of NHA campus, 28 (1,2,3) bedroom units, affordable at 60% AMI

	Per Unit Per Year	Project Total
Rent average (\$1,100/mo) + site based rental assistance on 7 units	\$14,521	\$406,588
Per Unit Per Year Operating Expenses (\$500/mo)	\$6,000	\$168,000
Available to make debt payments		\$238,588
Amount of loan (6% interest, 30 year term, 1.20 debt service ratio, 7% vacancy)		\$ 2,787,000
<b>Total Project Cost</b>		<b>\$13,085,000</b>
<b>Amount of Debt</b>		<b>\$2,787,000</b>
<b>Amount of Equity Needed</b>		<b>\$10,298,000</b>





## Where does the equity come from?

- Low Income Housing Tax Credits (LIHTC)
- Federal Grants
- State Grants
- Private Grants

# Fundamental questions

How do we put this all together?

- Financing
- Staffing,
- Community engagement

Who are we serving now and in the future?

- How do we provide public housing support and services in a market-driven model?
- Who can we partner with to meet our mission?

What leverage can we use to deliver higher quality services in a cash-positive environment?





# What is a Housing Authority?

- A housing authority provides low rent or free apartments to qualified residents.
- Although housing authorities have a strong relationship with local, state, and federal governments, they are independent agencies.
- This organizational structure allows housing authorities to work in conjunction with local governments and agencies to develop long-term housing strategies for communities.

# What are we authorized to do?

- Finance, develop, own, operate or manage a mixed income housing project that meets the following requirements:
  - The minimum requirements imposed by any federal tax law that is applicable to the project; at a minimum, no fewer than 40 percent of the units in the project shall be rented to households with incomes of 60 percent or less of area median income
- To lease or rent any housing, lands, 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 Powers of housing authority as public corporation



# What are we authorized to do?

- Purchase real property through many real estate means including but not limited to the following: contract, exchange, lease, lease back, option, acquire by gift, grant, etc. any real or personal property or any interest therein.
- Sell, mortgage, lease, rent, exchange, transfer, assign, pledge or otherwise dispose of any real or personal property or any interest therein.
- 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 Powers of housing authority as public corporation



# What programs do we support?

- Public Housing
- Section 8
- Resident Services
- Asset Management
- Finance
- Admin
- Development



# How many tenants do we serve in a year?

We currently serve about:

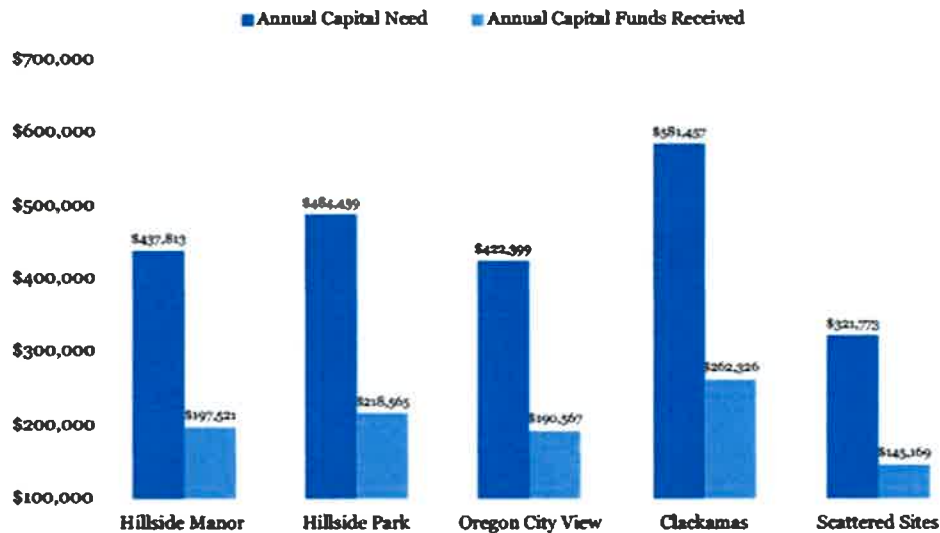
- 1,200 people live in 545 units of public housing
- 120 people live in affordable housing for people with special needs
- 350 people in 264 units at Easton Ridge
- 120 people in 25 units of farm worker housing at Arbor Ridge



# Aging Public Housing Stock

While we have been able to maintain high performer status, ongoing funding and support as we work through our transition away from Public Housing is essential.

## PUBLIC HOUSING CAPITAL NEEDS

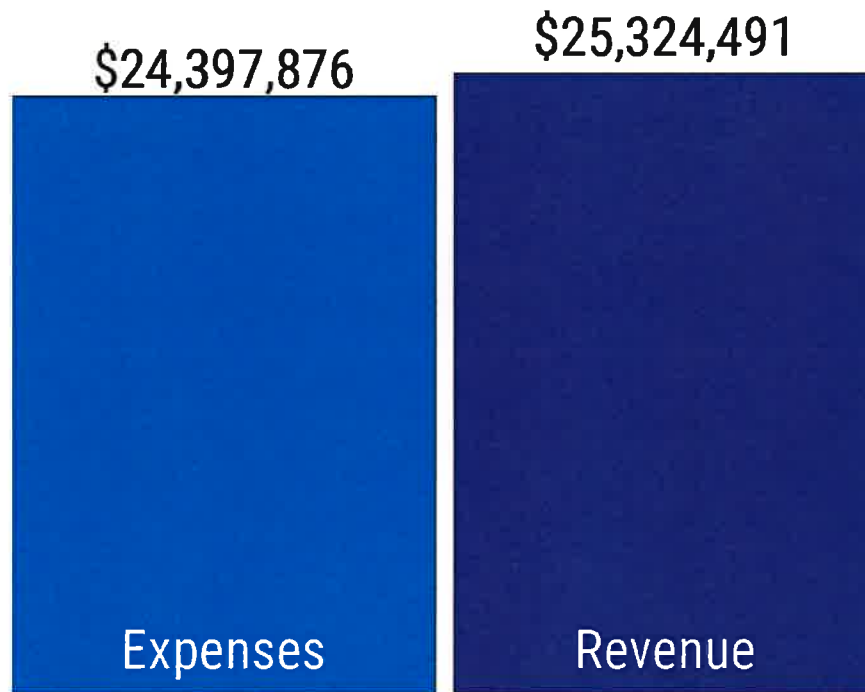


Housing Community	# of units	Age of housing	Annual Capital Need	Annual Capital Funds Received	Annual Gap	% of Total
Hillside Manor	100	50	\$437,813	\$197,521	\$240,292	19%
Hillside Park	100	80	\$484,459	\$218,565	\$265,894	22%
Oregon City View Manor	100	60	\$422,399	\$190,567	\$231,832	19%
Clackamas Heights	100	80	\$581,457	\$262,326	\$319,131	26%
Scattered Sites	145	45	\$321,773	\$145,169	\$176,604	14%
	<b>545</b>		<b>2,247,901</b>	<b>1,014,148</b>	<b>1,233,753</b>	<b>100%</b>

# How much does resident services cost?

	<b>Salary plus benefits/allocated costs*</b>
SSD	\$119,900
Home Forward*	\$114,000
Multnomah Health Association of Oregon*	\$114,000
HACC Staff/intern	\$150,940
<b>Total</b>	<b>\$498,840</b>
Units	565
Per Unit Per Year (PUPY)	883

# 2018/2019 revenue and expenses



**Total operating expenses were \$24,397,876**

**Total operating revenues \$25,324,491**

# 2018 Accomplishments

- Received financing awards for Hillside Manor; close on construction 2nd quarter of 2020
- Opened Clayton Mohr Commons; will acquire from NHA 2nd quarter 2020
- Hillside Master Plan adopted by HACC Board; land use application submitted with Milwaukie 1st quarter 2020
- Local Implementation Strategy (LIS) and IGA approved for Metro Housing Bond; NOFA release January 2020
- Acquisition of 18000 Webster Road in Gladstone; land use submission in January of 2020



# Development timeline 2019-2029

Quarter	2019				2020				2021				2022				2023				2024				2025-2029			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<b>Clackamas Heights</b>	Planning								HuUD Approvals/Planning and Design Phase								Construction of 1st Phase- 50 units for HACC				Construction of 2nd Phase				Cosntruction of 3rd Phase and sale of additional land			
<b>Scattered Site</b>	Planning				RFP for consultants/HUD Approvals				1st Phase of Relocation and Disposition				2nd Phase of Relocation and Disposition				3rd Phase of Relocation and Disposition				4th Phase of Relocation and Disposition				Remainder of Relocation and Disposition			
<b>Hillside Park</b>	Master Planning				Land Use Approvals				Site Work 1st Phase				Construction of 1st Phase- 100 units for HACC								Construction of estimated remaining 300+ units							
<b>Oregon City View Manor</b>	Planning								HUD Approvals/Planning and Design Phase								Financing Approvals				Construction of 20 - 40 units				Sale of remaining land			
<b>Hillside Manor</b>	Predevelopment/Financing approvals				Construction				Permanent Conversion																			



# Questions and comments

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