

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Sitting/Acting as: Housing Authority Board

Policy Session Worksheet

Presentation Date: March 9, 2022 **Approx. Start Time:** 11AM **Approx. Length:** 60 mins

Presentation Title: Housing Authority Public Housing Repositioning Plan

Department: Health, Housing and Human Services (H3S)/Housing Authority of Clackamas County (HACC)

Presenters: Devin Ellin, Zak deGorgue, Jim Brawner

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Staff is requesting general board approval to begin the repositioning of the Housing Authority of Clackamas County's remaining public housing portfolio in alignment with the recommendations in the Public Housing Repositioning Study by Brawner Consulting. With this approval of the overall strategy, staff will pursue the repositioning in stages, bringing back to the Housing Authority Board detailed plans on specific properties for review and approval prior to any binding action.

EXECUTIVE SUMMARY:

OVERVIEW:

Clackamas County has the oldest public housing in Oregon and among the oldest in the country. The world of public housing is in transition. Public housing programs across the country are struggling with aging housing stock requiring significant capital needs paired with continued financial divestment from HUD.

HACC is responding by assessing its context, evaluating its assets, and considering the investment strategies available to meet its mission and maintain financial sustainability. After more than 60 years of operation, HACC is facing major challenges. These challenges include maintaining and operating an aging public housing stock that relies solely on federal appropriations and attempting to respond to an increased demand for affordable housing.

In recent years, HUD has made a variety of strategies available to housing authorities to reposition their public housing developments. Repositioning moves families from a public housing platform to rental assistance under HUD's Section 8 program. These strategies enable housing authorities to provide better-maintained units while creating opportunities to leverage public and private resources, easing administration, and preserving affordable housing.

The passing of the 2018 Metro Affordable Housing Bond provides HACC with a unique opportunity to utilize its existing public housing to leverage public and private resources to substantially increase affordable housing opportunities in Clackamas County. As outlined in Clackamas County's Metro Bond Local Implementation Strategy, HACC set-aside half of its bond revenues to reposition its public housing portfolio. HACC recently completed the repositioning of Hillside Manor and is in the midst of repositioning Hillside Park. However, the clock is ticking as all bond funds need to be disbursed by 2026.

Last year, HACC commissioned Brawner Consulting to develop recommendations for the strategic repositioning of HACC's remaining public housing portfolio with the goal of increasing overall inventory of updated affordable housing options in the County that are financially viable to maintain. The resulting Public Housing Repositioning Study is part of a proactive strategy to align HACC operations to the realities of the HUD funding environment and advise HACC about

the repositioning strategies best-suited to its remaining public housing portfolio. This portfolio includes HACC's 145 unit scattered site portfolio and the two 100 unit public housing complexes located in Oregon City, Clackamas Heights and Oregon City View Manor.

The Housing Authority's primary and guiding goal throughout this repositioning effort is two-fold:

1. We want to ensure HACC's housing is safe, well-maintained, and financially sustainable to operate.
2. We want to increase the number of affordable housing units in Clackamas County.

SCATTERED SITE PORTFOLIO:

HACC owns and operates 145 scattered site public housing units consisting primarily of 3 and 4-bedroom single-family homes. Given the inefficiencies inherent to maintaining single-family properties spread over 250 square miles, paired with the increasing capital needs of this aging housing stock, the cost of maintaining these homes is far outpacing what HUD is providing to the Housing Authority. On average, maintaining and operating the scattered site portfolio costs HACC approximately 23% more than it costs to operate Clackamas Heights or Oregon City View Manor.

The continuation of the scattered sites as public housing is unsustainable. As recommended in the repositioning study, HACC would apply to HUD to allow for the disposition of these units through the Section 18 Scattered Site Disposition program. HUD approval would remove the Public Housing Declaration of Trust, thereby allowing the Housing Authority to sell the properties and provide the existing residents with Tenant Protection Vouchers and relocation assistance.

For the past several years, HACC's service providers have focused on enrolling residents in HUD's Family Self-Sufficiency (FSS) and Individual Development Account (IDA) programs. These programs can help low income families acquire the capital and skills they need to secure a mortgage and purchase a home. Whenever feasible, HACC will prioritize working with qualified residents who are interested in purchasing a home through the repositioning process.

HACC has reached out to several first time home-buyer organizations who focus on creating permanently affordable homeownership opportunities utilizing a land trust model. These organizations expressed a keen interest in expanding their presence in Clackamas County. They estimate that they will need between \$60-100k of subsidy per unit in order to make the homes affordable to households at either 80% AMI or 60% AMI and below. HACC sees a great partnership opportunity to keep these family-sized, single family homes permanently affordable under a land trust model by utilizing Metro bond funds to fill the funding gap. Metro has expressed conceptual support for this idea.

There are a variety of disposition strategies and program structuring to consider for the scattered sites. HACC has identified a consultant with extensive expertise in HUD repositioning, community land trusts, and financial structuring who is willing to help HACC explore options and develop a repositioning plan for the scattered site portfolio.

It is important to note that disposition proceeds are restricted for the following uses:

- Development or acquisition of Project Based Voucher units
- Rental Assistance Demonstration (RAD) transactions.
- Commercial uses (must service Public Housing residents, i.e. community center)
- Increasing the supply, availability, and utilization of Low-income Housing (i.e. HCV program improvements)
- Modernization and development of Public Housing
- Operation of Public Housing

Most critically, the approved uses specifically excludes unsubsidized development. For example, a Housing Authority cannot use disposition proceeds on a Low-income Housing Tax

Credit transaction if it does not contain Public Housing or Section 8 subsidies. Proceeds may be used if there is partial subsidy, but must meet HUD "Total Development Cost" thresholds for proceeds per subsidized unit.

HACC plans to use proceeds from the sale of scattered site units to support the redevelopment of Clackamas Heights and to support the development and/or acquisition of Project Based Voucher units throughout the county, with a focus on supporting communities located outside of the Metro urban growth boundary where funding is otherwise scarce.

CLACKAMAS HEIGHTS & OREGON CITY VIEW MANOR:

Like Hillside Park, Clackamas Heights was built in the early 1940's and includes 100 units of near obsolete, low-density public housing that has exceeded its useful life. Oregon City View Manor is also 100 units of low-density public housing but it was constructed in 1962 and is in better physical condition than Clackamas Heights.

HACC is considering a two-part repositioning plan for the two Oregon City projects, Clackamas Heights and Oregon City View Manor (OCVM). Given the topography and proximity to services, OCVM is more suitable to disposition and sale. Clackamas Heights is better suited for redevelopment and, under a master plan, its current zoning supports a density increase that would support the relocation of residents from OCVM plus additional units.

As recommended in the repositioning study, HACC would use the HUD repositioning program known as the RAD/Section 18 Blend for Clackamas Heights. This is the same program HACC used to renovate Hillside Manor and, notably, recent changes to the program have made it even more advantageous for HACC to utilize this program to reposition Clackamas Heights.

For the redevelopment of Clackamas Heights, all 100 units would be demolished and the site redeveloped with a minimum of 200 new units. Clackamas Heights is zoned R 3.5, which allows for multifamily housing under a Master Planned Development. The density allows between 10 and 21 dwelling units per acre or roughly 250 – 336 units. This scenario is based off a hypothetical disposition of OCVM and residents relocating permanently to the newly constructed units at Clackamas Heights. This strategy would greatly minimize the displacement of residents and reduce costs associated with relocation as residents would only need to move down the street to a brand new unit.

NEXT STEPS:

If the Board supports the recommendations outlined in the repositioning study, HACC staff and the consultant team will get started on developing a detailed strategy for the disposition of the Scattered Site portfolio as a first priority. This will include working with Metro and local partners that specialize in providing permanently affordable homeownership opportunities for first-time homebuyers to identify which and how many units might be preserved and the details of the real estate transaction and bond usage criteria.

Once potential disposition options have been identified, HACC staff will present them to the Board for consideration. Once a feasible strategy has been determined and agreed upon, HACC will start consulting with the local governments (cities) in which a portion of these units are located to garner support for our plan. At this point, HACC staff would start consulting with impacted residents and our Resident Advisory Board. HACC has been messaging about its plans for repositioning and disposition for several years in order to prepare residents. Once resident consultation and notification is complete, HACC would bring a resolution to the Board seeking approval to submit the Section 18 disposition application to HUD. If HUD approves HACC's disposition application, HACC would likely phase resident relocation and unit disposition over several years.

In concurrence with HACC's work on the disposition of the scattered site portfolio, HACC would embark on a master planning process for the redevelopment of Clackamas Heights. Similar to the Hillside Redevelopment, and as recommended in the repositioning study, HACC desires to redevelop the 16.43 acre site at increased density. Current zoning under a master plan supports a density increase that would accommodate the relocation of residents from OCVM and additional units.

As a first step, HACC desires to get started on the Master Planning process. This will involve outreach to Oregon City officials and planning staff and an initial due diligence and feasibility analysis. Once feasibility is determined, HACC would work on assembling a consultant team and start the community and resident outreach process. Concurrently, HACC would get started on assembling the pieces of the HUD repositioning application. As noted above, HACC intends to utilize the RAD/Section 18 repositioning program that would allow disposition proceeds from the scattered site portfolio to be used to fund the redevelopment of Clackamas Heights. This is an important aspect of HACC's repositioning strategy because the proceeds from public housing dispositions are restricted to building or rehabilitating housing as project-based voucher (PBV) housing or bringing existing housing under PBV. Based on Brawner's financial analysis, HACC could fully fund the redevelopment of Clackamas Heights and more than double the number of affordable units without needing additional funding outside of scattered site disposition proceeds, 4% LIHTC, and tax-exempt bond financing. All of which are non-competitive, low-risk funding sources. The redevelopment of Clackamas Heights could be done in phases which would limit the displacement of public housing residents during redevelopment. In addition, it would provide HACC with relocation units and flexibility to consider a variety of options to sell or reposition Oregon City View Manor.

FINANCIAL IMPLICATIONS (current year and ongoing):

This is funded through Metro Affordable Housing Bond Funds

Is this item in your current YES NO N/A

budget? What is the cost? \$ N/A 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
 - Ensure safe, healthy and secure communities

- How does this item align with the County's Performance Clackamas goals?
 - These proposals align with the board priority of ensuring safe, healthy, and secure communities.

LEGAL/POLICY REQUIREMENTS: N/A

PUBLIC/GOVERNMENTAL PARTICIPATION: N/A

OPTIONS:

1. Approval to pursue the recommendations as outlined in the repositioning study understanding that all binding actions will be brought to the board for review and approval.
2. Request revisions to the recommendations or timing of the repositioning plan.
3. Request more information be provided before pursuing the recommendations outlined in the repositioning analysis.

RECOMMENDATION:

Staff recommends Option 1: Approval to pursue the recommendations as outlined in the repositioning study understanding that all binding actions will be brought to the board for review and approval.

ATTACHMENTS:

PowerPoint Presentation by Brawner Consulting

Attachment A: Pages 9-10 from the Local Implementation Strategy regarding repositioning.

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval Rodney Cook

County Administrator Approval _____

For information on this issue or copies of attachments, please contact Devin Ellin @ 971-227-0472



HOUSING AUTHORITY OF CLACKAMAS COUNTY PORTFOLIO REVIEW

February 2nd Board Meeting

Brawner & Company Introduction

- Brawner selected pursuant to RFP in March of last year
- We work primarily with PHAs in the Northwest
- We bring added capacity to PHAs for development
- Currently working on Hillside Park Section 18 application
- Also working on a “Portfolio Review” of other Public Housing
 - Scattered Sites (145 Units)
 - Clackamas Heights (100 Units)
 - Oregon City View Manor (100 Units)

Why PHA's Are Converting Public Housing

- HUD does not provide sufficient capital for backlog of needs (\$26B)
- Older Public Housing projects in need of recapitalization
- Public Housing funding is volatile on an annual basis
- Section 8 funding is stable in comparison with support on “both sides of aisle”
- Opportunity to increase annual subsidy from HUD without impact to residents
- Opportunity to leverage public/private partnerships and private debt/equity
- Opportunity to “divest” from HUD reliance and oversight, more local control
- Conversion options only recently available and continue to expand

Recent HUD Changes

- HUD has made significant changes to Public Housing repositioning after the 2017 OCVM board approval
 - Changes translate into more flexibility for HACCC
 - Broader approval conditions
 - Greater flexibility with proceeds
 - Provides more local control
 - Resident rights and options are expanded
 - HUD's encouragement of PHA's to "get out of Public Housing"
 - Overall, more financially advantageous options

Brawner Portfolio Review

- The portfolio review will develop strategies with the following key guiding principles:
 - Reduce burden of the Scattered Site Portfolio
 - Over \$7k per unit in expenses excluding capital costs
 - Typical operating costs closer to \$5k per unit
 - Over 35 miles between units
 - Examine geographic effectiveness of Clackamas Heights and OCVM
 - Analyze feasibility of redevelopment (on-site and off-site)
 - Analyze feasibility of significant rehabilitation
 - Create a financially feasible path that benefits residents and PHA
 - Provide expedited options for immediate action

Initial Thoughts on Portfolio

Portfolio	Units	Proposed Action	Justification
Hillside Park	100	Redevelopment	<ul style="list-style-type: none">• Process underway• Redevelopment per “Master Plan”
Scattered Sites	145	Disposition	<ul style="list-style-type: none">• Many PHA’s disposing of SFH• Inefficient to operate• Potential for homeownership
Clackamas Heights	100	Redevelopment or Significant Rehab	<ul style="list-style-type: none">• Land is less valuable compared to other sites• Zoned for up to 358 units
Oregon City View Manor	100	Disposition	<ul style="list-style-type: none">• Site is ideally suited for SFH developer.• Commanding views and high value land

Path to "Zero" Public Housing

Portfolio	Proposed Action	Repositioning Tool	Use of Proceeds
Hillside Park	Redevelopment	Section 18	Proceeds reinvested in Hillside Park replacement housing project
Scattered Sites	Disposition	Section 18	Proceeds invested in Clackamas Heights Redevelopment and other new Section 8 development
Clackamas Heights	Redevelopment	RAD/Section 18	Proceeds utilized for offsite LIHTC development
Oregon City View Manor	Disposition	Section 18	Proceeds invested in Clackamas Heights Redevelopment and other new Section 8 development

Self Development vs For Profit Development

- HACC can self develop, or partner with for-profit developer
- Benefits of self development:
 - Proceeds from disposition remain in public trust
 - HACC benefits from project-basing its own vouchers
 - HACC remains as owner or lessor
 - Can form private/public partnerships to develop
 - Balance sheet benefits from assets and operating revenue
 - Provides cost center for agency

Recommendations

- Section 18 disposition of Scattered Site portfolio & OCVM
 - Proceeds to be used for Section 8 housing and services:
 - Hillside Park/new PHA office
 - Clackamas Heights redevelopment
 - New Section 8 development outside of the UGB
- Redevelopment of Clackamas Heights
 - Develop Master Plan to maximize density (up to 358 units)
 - Utilize RAD/Section 18 blend to leverage proceeds
 - Self develop and/or use turnkey developer to maintain ownership

Next Steps

- PHA to develop policy goals for new development:
 - Begin preliminary master planning process for Clackamas Heights
 - Determine program for development outside of UGB
 - Begin conversations with brokerage firms for scattered sites
 - Create implementation plan and begin application process for Scattered Sites

Attachment A: Pages 9-10 of the Local Implementation Strategy

funding release and therefore, HACC would instead consider a rolling process for these types of developments.

In all cases, any proposed use of bond resources will be reviewed first through HACC staff and then via the Housing Advisory Board (HAB) before any recommendation to the HACC board and Metro.

An exception to this process is the Gladstone SRO affordable housing project which had been identified as a potential Bond funded project prior to the development of this LIS. This project is expected to be the first project to be funded with Housing Bond resources in Clackamas County and the reasons for being exempted from this selection process are detailed below.

Phase 1 Project – The Gladstone SRO Affordable Housing site

Consistent with Metro and Clackamas County's hopes to demonstrate timely progress in Bond implementation, HACC has identified a Phase 1 Project. The project, located in Gladstone, is the re-development of an older special needs housing site that can provide up to 45 units. HACC will be the developer/owner of the project.

The site is currently controlled by HACC and has been vacant for a number of years. It had previously been used as a nursing home and then a residential facility for youth. The site can be easily re-adapted, has good service spaces, is close to commercial services, transportation, and is affordable. The development of the Gladstone Single Room Occupancy (SRO) can fill a gap in the existing continuum of housing in Clackamas County by providing property for a singles population with deeply affordable rents and wrap around supportive services.

HACC envisions the project will provide single room occupancy units to single adults. All of the units will have tenant rents at or below 30% AMI and will have project-based rent assistance. HACC is continuing to explore whether the project would be targeted to a specific sub-population or available to a range of income-qualified singles. HACC will explore the opportunity for partnerships with service providers who may have clientele needing housing and/or providers who may have valuable services to offer to residents. The space configuration allows the possibility of locating a medical clinic on site as well as on-site food preparation services available to residents.

The bond funds in this project will be leveraged with 4% tax credits and the site is located in a qualified census tract, increasing the resources generated by the tax credits. Other leverage sources may include the Multifamily Energy Program (MEP), Permanent Supportive Housing (PSH) resources, and a permanent mortgage.

Public Housing Re-Positioning

The Housing Authority is working on master plans to re-position its existing public housing portfolio. There are currently three primary public housing sites—Hillside Park, Clackamas Heights, and Oregon City View Manor. Long-term plans for these sites may include possible sales of current land holdings associated with these sites, possible

purchases of adjacent sites and ultimately the re-development of the bulk of the existing 300 units into new communities. These projects are some of the oldest public housing in Oregon. They have a number of problems including poor physical condition, poor use of land, poor locations and over concentration of lower income households. The Housing Authority's goal is to embark on community-based input and planning exercises that result in well-built mixed-income communities with modern levels of density.

The Housing Authority expects that the new master plans will result in substantially more units of affordable housing. Use of Bond funds to support this re-positioning effort is consistent with Metro requirements that Bond financing only be used for existing affordable housing sites that are part of the redevelopment of a residential property with existing public affordability restrictions, as long as the redevelopment results in a substantial net increase in the total number of affordable homes. In such cases, Bond funds may only be used for the portion of new homes that are not replacing regulated affordable homes currently on the site. HACC expects that it will use some portion of the Bond funds in these re-development projects. While the specific sites, the number of units and characteristics of those units are not set at this time, it is expected that the projects selected for Bond funding will emphasize large family and deeply affordable units.

Should the Housing Authority identify public housing redevelopment sites under this Implementation Strategy, it will determine whether to develop/own the project themselves or to select a developer/owner; HACC anticipates acting as a developer on at least 300 of our public housing units. Should HACC decide to select a developer/owner it may use an RFQ, RFP, or sole source selection process.

Sites Identified by Metro

The allocation of Affordable Housing Bond funds includes an allocation for land acquisitions carried out by Metro rather than by the implementing jurisdictions. Metro has allocated an estimated \$12 million for acquisition in Clackamas County. We will encourage Metro to purchase sites throughout the eligible boundaries in the county to further leverage our allocation of bond funds. HACC is committed to working closely with Metro should such sites be identified. When such sites are identified, HACC and Metro plan to select a developer/owner through a competitive process.

Sites Proposed by Developers

The Housing Authority may accept unsolicited proposals from developers for projects to be funded under the Bond. Developers should be aware that, depending on progress against the Bond framework, such proposals may need to achieve specific targets for income levels, cost, unit types, geographic area, racial equity, accessibility, or other characteristics. Developer/owners are encouraged to work closely with HACC to ensure that their proposals are responsive to the evolving needs of HACC's Implementation Strategy.