



## Oregon State Housing Council

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Stuart Liebowitz  
Francisco López  
Nancy McLaughlin  
Jeana Woolley

# STATE HOUSING COUNCIL MEETING TELEPHONE CONFERENCE

**December 18, 2009**

**9:00 a.m. – 10:00 a.m.**

Oregon Housing and Community Services  
725 Summer Street NE, Room 124 B  
Salem, OR 97301

## AGENDA

- |  |                  |
|--|------------------|
| <b>I. CALL TO ORDER</b>  | <b>M. LaMont</b> |
| <b>II. ROLL CALL</b>   | <b>M. LaMont</b> |
| <b>III. PUBLIC COMMENTS</b>  | <b>M. LaMont</b> |
| <b>IV. NEW BUSINESS</b>  |                  |
| A. <i>Buttercreek Apartments</i> (Hermiston, OR); <i>Fairview Apartments</i> (Ontario, OR); <i>Boardman Apartments</i> (Boardman, OR), Pass-Through Revenue Bond Financing Request, Housing Preservation Funds Request, Weatherization Grants Request, and Trust Fund Grants Request | <b>S. Cullin</b> |



Oregon

Theodore R. Kulongoski, Governor



Housing and Community Services

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To: Finance Committee
State Housing Council
From: Shelly Cullin, Senior Loan Officer
Multifamily Housing Section
Date: December 8, 2009

OHCS FINANCING REQUEST

Project Developer: Chrisman Development & Management, Inc.
Project Owner: Sagebrush Affordable Housing LLC (US Bank and Rural Development are underwriting these projects as one (scattered site) project.)
Projects: Buttercreek Apartments (86-units), Hermiston; Fairview Apartments (40-units), Ontario; Boardman Apartments (12-units), Boardman
Project Descriptions: Buttercreek Apts - is (currently) a 91-unit apartment complex with 70 units of rental assistance. The project was built in 1974 and 1975. Rehabilitation will include converting the 20 existing studios to one bedroom units, which will improve rentability. RD will provide an additional 15 units of rental assistance for a total of 85 rental assisted units, and one manager's unit. Rehab costs are approximately \$28,616 per unit.
Fairview Apts - is a 40-unit apartment complex with 36 units of rental assistance. The project was built in 1981 and 1985. RD will provide an additional 3 units of rental assistance for a total of 39 rental assisted units, and one manager's unit. Rehab costs are approximately \$31,625 per unit.
Boardman Apts - is a 12-unit apartment complex with 9 units of rental assistance. The project was built in 1972. RD will provide an additional 3 units of rental assistance for a total of 12 rental assisted units. Rehab costs are approximately \$60,000 per unit.
Pass-Through Revenue Bond Request: \$6,130,000
Buttercreek - \$3,550,000
Fairview - \$1,780,000
Boardman - \$800,000
Bond Series: Housing Development Revenue Bonds 2010 Series A
Underwriting Rate - Perm Loan: 6.50% US Bank first mortgage loan
2.50% w/OAHTCs - 30 yr amortization
Underwriting Rate - RD Loan: 1% - re-amortized for 45 years

1 LIHTC Request: \$389,000 – Finance Committee Approved 12/8/09  
 Buttercreek – 223,755  
 Fairview – 118,662  
 Boardman – 46,582

2 OAHTC Requests: \$4,825,000 – Finance Committee Approved 12/8/09  
 Buttercreek - \$3,400,000  
 Fairview - \$1,075,000  
 Boardman - \$350,000

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4 **Trust Fund Requests: \$393,150**  
 Buttercreek - \$150,000  
 Fairview - \$100,539  
 Boardman - \$142,611

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6 **Weatherization Requests: \$394,333**  
 Buttercreek - \$244,137  
 Fairview - \$120,976  
 Boardman - \$29,220

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8 **Housing Preservation Fund Requests: \$435,000**  
 Buttercreek - \$145,000  
 Fairview - \$145,000  
 Boardman - \$145,000

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10 TCAP Requests: \$5,315,678 – Housing Council Approved September 25, 2009  
 Buttercreek - \$2,726,079  
 Fairview - \$1,830,759  
 Boardman - \$758,840

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12 Affordability Period: 30 Years  
 Target Population: Families at or below 60% AMI (*with rental assistance, tenants only pay 30% of their income for rent.*)

13 Appraised Values: Buttercreek - \$6,789,000 (60% LTV-includes US & RD perm debt)  
 Fairview - \$2,855,000 (56% LTV-includes US & RD perm debt)  
 Boardman - \$1,010,000 (57% LTV-includes US & RD per debt)

14 Debt Coverage Ratio (DCR): Buttercreek: 1.21  
 (*estimated first full year of* Fairview: 1.31  
*operation*) Boardman: 1.26

15 Finance Committee Meeting: Voting to Approve:  
 Voting to Decline:  
 Absent:

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18 /s/ Nancy Cain  
 Nancy Cain, Finance Committee Chair

December 8, 2009  
 Date

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## RECOMMENDED MOTIONS

**PASS-THROUGH REVENUE BOND RECOMMENDED MOTIONS:** To approve a Pass-Through Revenue Bond Financing in an amount not to exceed \$6,200,000 to Sagebrush Affordable Housing LLC for the acquisition/rehabilitation of Buttercreek Apartments, Fairview Apartments, and Boardman Apartments, subject to borrower meeting OHCS, US Bank, Rural Development underwriting and closing criteria, documentation satisfactory to legal counsel and Treasurer approval for the bond sale.

**HOUSING PRESERVATION FUND RECOMMENDED MOTION:** To approve Housing Preservation Funds to Eastern Oregon Affordable Housing II in an amount of \$145,000 for Buttercreek Apartments; \$145,000 for Fairview Apartments; and, \$145,000 for Boardman Apartments.

**WEATHERIZATION RECOMMENDED MOTION:** To approve Weatherization grants to Eastern Oregon Affordable Housing II in an amount of \$244,137 for Buttercreek Apartments; \$120,976 for Fairview Apartments; and, \$29,220 for Boardman Apartments.

**TRUST FUND RECOMMENDED MOTION:** To approve Trust Fund grants to Eastern Oregon Affordable Housing II in an amount of \$150,000 for Buttercreek Apartments; \$100,539 for Fairview Apartments; and, \$142,611 for Boardman Apartments.

**Key Participants/Financial Team**

Bond Issuer: **Oregon Housing and Community Services (OHCS)**  
 Managing Member of LLC: **Eastern Oregon Affordable Housing II**  
 Borrower Consultant: **Michelle Silver, Silver Consulting**  
 Management Agent: **Chrisman Development & Management, Inc.**  
 Bond Counsel: **Orrick, Herrington & Sutcliffe LLP**  
 Financial Advisor: **Caine Mitter & Associates Inc.**  
 Trustee: **US Bank**  
 Construction Lender: **US Bank**  
 Permanent Lender: **US Bank**  
 General Contractor: **WC Construction**  
 Tax Credit Investor: **Sagebrush Investors, LLC**  
 Tax Attorney: **Doug Blomgren**

**Rent Structure:** *(These are RD projects – therefore RD sets the rents)*

**Buttercreek Apartments**

Unit Type	Proposed Rents	Market Rents	LIHTC Rents
1 BR	\$500	\$450	\$576
2 BR	\$560 & \$600	\$525	\$693

**Fairview Apartments**

Unit Type	Proposed Rents	Market Rents	LIHTC Rents
1 BR	\$450	\$400	\$562
2 BR	\$550	\$485-\$515	\$675
3 BR	\$625	\$550	\$780

**Boardman Apartments**

Unit Type	Proposed Rents	Market Rents	LIHTC Rents
2 BR	\$550	\$475	\$691
3 BR	\$615	\$575	\$798

**Building Information-Buttercreek Apartments, Hermiston**

Total Number of Units/Affordable Units	85/86 units
Total Site Acreage:	5.67 acres
Total Building Square Footage:	64,934 sq ft
Total Residential Area Square Footage:	62,867 sq ft
Total Community Space Square Footage:	2,067 sq ft
Number of Floors/Buildings:	2-story/16 Res Apt bldgs/3 Comm Bldgs
Year Built:	1974 & 1975
Construction Type:	<input type="checkbox"/> New Construc. <input checked="" type="checkbox"/> Acq/Rehab
Currently Occupied:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Community Space:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Maintenance shop (proposed new); Mgmt office/Laundry Room; Laundry/Maintenance Shop

Parking Ratio:	128 parking spaces (1.42 spaces/unit)
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**Building Information-Fairview Apartments, Ontario**

Total Number of Units/Affordable Units	40/39 units
Total Site Acreage:	2.05 acres
Total Building Square Footage:	33,355 sq ft
Total Residential Area Square Footage:	32,228 sq ft
Total Community Space Square Footage:	1,127 sq ft
Number of Floors/Buildings:	2-story/8 Residential Bldgs
Year Built:	1981 & 1985
Construction Type:	<input type="checkbox"/> New Construc. <input checked="" type="checkbox"/> Acq/Rehab
Currently Occupied:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Community Space:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Laundry rooms attached to residential bldgs.

Parking Ratio:	70 parking spaces (1.75 spaces/unit)
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**Building Information-Boardman Apartments, Boardman**

Total Number of Units/Affordable Units	12/12 units
Total Site Acreage:	.79 acres
Total Building Square Footage:	10,092 sq ft
Total Residential Area Square Footage:	9,892 sq ft
Total Community Space Square Footage:	200 sq ft
Number of Floors/Buildings:	2-story/2 Residential Bldgs
Year Built:	1972
Construction Type:	<input type="checkbox"/> New Construc. <input checked="" type="checkbox"/> Acq/Rehab
Currently Occupied:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Community Space:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Laundry room attached to residential bldg.

Parking Ratio:	26 parking spaces (2.1 spaces/unit)
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**OHCS Reviews**

OHCS Architectural Review:	<input checked="" type="checkbox"/> Acceptable      Date: May, 2009
OHCS Management Agent Review	<input checked="" type="checkbox"/> Acceptable      Date: October, 2009 Chrisman Development & Mgmt, Inc.
OHCS Reviewed Resident Services	<input checked="" type="checkbox"/> Acceptable      Date: December 2, 2009
OHCS Subsidy Layering Review	<input checked="" type="checkbox"/> Acceptable      Date: December, 2009
OHCS Weatherization Documentation	<input checked="" type="checkbox"/> Approved      Date: December 2, 2009
Meets Allowable Zoning Criteria:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Environmental Reports Received/Reviewed	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Geotechnical Report Received/Reviewed	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A
Realistic Development Schedule	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Market Information**

Market Analysis Completed By:	Included in Appraisal
Effective Date:	October, 2009
Rents 10% Below Market	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A - Projects receive

	project-based rental assistance from Rural Development based on the operating expenses and debt service of the project. Rents may exceed market rents; however, residents do not pay more than 30% of their income for rent.
Lender Review/Meets Underwriting Criteria	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Preliminary Review by US Bank has been completed. Loan commitment by 12/31/09
Equity Investor Review	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Buttercreek (Hermiston):**

- Most of the existing complexes are fair to average quality and condition, built before 1980.
- New apartment development has been limited; since 2000 only 113 new low-income units and 70 market rent units have been built.
- There are no new projects currently under construction, and only two projects proposed.
- The market vacancy rate at the time was 1.3%.
- The average vacancy rate for affordable units is 2.3%
- The Umatilla Housing Authority had a waiting list for prospective Section 8 tenants of 12 to 16 months from application to move-in.

**Fairview (Ontario):**

- Most of the existing complexes are fair to average quality and condition, built before 1980.
- The supply of multifamily units is limited with no new projects completed in the last decade and no new projects under construction or in the planning stages.
- Market rate vacancy levels are approximately 4.7%
- The average vacancy rate for affordable units is 3.9%
- Most of the affordable properties report waiting lists.
- The Malheur County Housing Authority reports above-average demand for Section 8 assistance with an eight month waiting list.

**Boardman Apts. (Boardman):**

- Most of the existing complexes are fair to average quality and condition, built before 1980.
- The appraisal indicates that the supply of multifamily units in the Boardman area is limited with demand for additional units.
- Since 2000, there have been no new affordable units constructed.
- Market-rent units showed an average vacancy of 2.4%.
- Affordable-rent units showed an average vacancy of 3.5%
- All the affordable projects surveyed reported waiting lists.
- The Umatilla/Morrow County Housing Authority reports a waiting list of approximately 24 months for Section 8 housing vouchers.

**Lender's Valuation Analysis – Buttercreek Apartments**

Appraiser:	PGP Valuation, Inc.
Effective Date:	September 18, 2009
Prospective Restricted Rent Value @ Stabilization	\$3,530,000
Tax Credit Value	\$1,410,000
Beneficial Financing Value	\$1,849,000
Lender Relying Upon Total Prospective Value	\$6,789,000
LTV @ Stabilization	60%
Estimated Stabilization Date	December 1, 2010

**Lender's Valuation Analysis – Fairview Apartments**

Appraiser:	PGP Valuation, Inc.
Effective Date:	September 30, 2009
Prospective Restricted Rent Value @ Stabilization	\$1,260,000
Tax Credit Value	\$ 800,000
Beneficial Financing Value	\$ 795,000
Lender Relying Upon Total Prospective Value	\$2,855,000
LTV @ Stabilization	56%
Estimated Stabilization Date	December 1, 2010

**Lender's Valuation Analysis – Boardman Apartments**

Appraiser:	PGP Valuation, Inc.
Effective Date:	October 2, 2009
Prospective Restricted Rent Value @ Stabilization	\$ 390,000
Tax Credit Value	\$ 340,000
Beneficial Financing Value	\$ 280,000
Lender Relying Upon Total Prospective Value	\$1,010,000
LTV @ Stabilization	57%
Estimated Stabilization Date	December 1, 2010

**Development & Financing Team**

Borrowing Entity	Sagebrush Affordable Housing LLC
Managing Member	Eastern Oregon Affordable Housing II
In Good Standing w/OHCS	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Construction/Permanent Lender	US Bank
Credit Underwriting Approved	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Date: Lender has completed initial review – underwriting appears to meet lender criteria – staff working on completing underwriting/credit display for submission for loan approval by December 31, 2009.
Commitment to Close w/out Substantive Credit or Project Conditions	<input type="checkbox"/> Yes <input type="checkbox"/> No Date:
Equity Investor	Sagebrush Investors, LLC
Credit Underwriting Approved	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Date:
Commitment to Close w/out Substantive Credit or Project Conditions	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Date:
Other Funding Sources Committed w/out Substantive Credit or Project Conditions	<input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No RD loan submission to National Office the week of 12/7/09, however, National Office has postponed loan approvals until January 2010.

1       **Financing Structure:**

2       *Conduit/OAHTCs* – Sagebrush Affordable Housing LLC has requested an amount not to exceed  
3       \$6,200,000 in Private Activity Volume Cap from the Department’s allocation for the permanent  
4       financing for Buttercreek, Fairview and Boardman. (Both US Bank and Rural Development are  
5       underwriting, and consider these three projects as one project for financing).

6       Each of the bonds will be a private placement of a non-bank qualified, tax-exempt bonds  
7       purchased by US Bank. OAHTCs will be placed at the time of permanent loan conversion. The  
8       term of the loan(s), and OAHTCs, will be 20 years with a 30 year amortization.

9       *Housing Preservation and Trust Funds* - Housing Preservation and Trust Funds are requested to  
10      fill the financing gap. Trust Funds will be used to pay for financing costs associated with the  
11      bond sale, and Housing Preservation Funds will be used to pay the Department’s TCAP Asset  
12      Management Fee. Bond proceeds and TCAP funds can not be used for financing costs, reserves,  
13      or Department charges.

14      *Tax Credit Assistance Program (TCAP)*- With the loss of the equity market, the Chrisman’s  
15      formed an investor entity to provide the tax credit equity for the projects. With the reduction in  
16      yield, the projects are eligible for TCAP resources to fill the equity gap. The TCAP resources  
17      were approved by Housing Council at their September 2009 meeting. The TCAP loan(s) will be  
18      structured at 0% interest for 10 years, with 1/10<sup>th</sup> deferred each year. Affordability and recapture  
19      restrictions will remain in place for 30 years.

20      *LHITCs* – The investor entity for Sagebrush Affordable Housing, LLC will be Sagebrush  
21      Investors, LLC. Members include Tony and Doug Chrisman with 47.5% interest each and  
22      Robert and Linda Chrisman with 2.5% interest each. The tax credits will be purchased for .50,  
23      with a total equity contribution of \$620,157 (for all three projects). The capital contribution at  
24      the time of acquisition/rehabilitation will be \$244,864, with approximately \$375,292 over the  
25      next 10 years. With the deferral each year of a portion of the TCAP loan, the borrower will be  
26      taxed with program income. At that time, they will purchase the LIHTCs to off-set that income.  
27      A fixed amount of \$37,529 will be deposited into an interest bearing account each year for 10  
28      years to off-set program income from the deferral portion of the TCAP loan(s). At the end of the  
29      10 year period, any funds not used for project expenses will be paid to the Department as a  
30      partial repayment of the TCAP loan.

31      *Weatherization* - Documentation provided to the Department for the Weatherization Grant has  
32      been reviewed and approved by the Department’s architect and Weatherization Program  
33      Manager. Eligible weatherization activities includes: Windows, sliders, doors, refrigerators,  
34      clothes washers, heat pump system, air conditioning, water heaters, lighting.

35      **Uses and Sources – Buttercreek Apartments**

USES		SOURCES	
Acquisition Costs:	\$3,652,000	Tax Exempt Bonds	\$3,550,000
Construction Costs:	\$2,461,000	<i>(Short Term Use of Bonds)</i>	<i>(\$150,000)</i>
Development Costs:	\$1,840,814	LIHTC Equity	\$438,597
Financing Fee Costs:	\$100,000	TCAP Loan	\$2,726,079

		Trust Funds	\$150,000
		Housing Preservation Funds	\$145,000
		Weatherization	\$244,137
		RD Assumption	\$700,000
		Deferred Developers Fee	\$250,000
<b>Total Project Cost:</b>	<b>\$8,053,814</b>		<b>\$8,053,813</b>
OAHTC Loan Amount			\$3,400,000

### Uses and Sources – Fairview Apartments

USES		SOURCES	
Acquisition Costs:	\$1,710,000	Tax Exempt Bonds	\$1,780,000
Construction Costs:	\$1,265,000	<i>(Short Term Use of Bonds)</i>	<i>(\$705,000)</i>
Development Costs:	\$1,069,891	LIHTC Equity	\$144,472
Financing Fee Costs:	\$46,860	TCAP Loan	\$1,830,759
		Trust Funds	\$100,539
		Housing Preservation Funds	\$145,000
		Weatherization	\$120,976
		RD Assumption	\$525,000
		Deferred Developers Fee	\$150,000
<b>Total Project Cost:</b>	<b>\$4,091,751</b>		<b>\$4,091,746</b>
OAHTC Loan Amount			\$1,075,000

### Uses and Sources – Boardman Apartment

USES		SOURCES	
Acquisition Costs:	\$443,000	Tax Exempt Bonds	\$800,000
Construction Costs:	\$720,000	<i>(Short Term Use of Bonds)</i>	<i>(\$450,000)</i>
Development Costs:	\$552,093	LIHTC Equity	\$37,087
Financing Fee Costs:	\$22,660	TCAP Loan	\$758,840
		Trust Funds	\$142,611
		Housing Preservation Funds	\$145,000
		Weatherization	\$29,220
		RD Assumption	\$225,000
		Deferred Developers Fee	\$50,000
<b>Total Project Cost:</b>	<b>\$1,737,758</b>		<b>\$1,737,758</b>
OAHTC Loan Amount			\$350,000

### Projected Annual Income & Expenses (First Full Year of Operation)

	Buttercreek	Fairview	Boardman
Gross Potential Rental Income	\$536,160	\$249,600	\$80,760
Other Income	\$20,250	\$10,800	\$2,900
Vacancy @ 7%	(\$38,949)	(\$18,228)	(\$5,856)
Effective Gross Income	\$517,461	\$242,172	\$77,804
Operating Expenses	(\$298,880)	(\$156,258)	(\$49,049)
Net Operating Income (NOI)	\$218,581	\$85,914	\$28,755
Debt Serv (@ 2.50% w/OAHTC)	(\$161,209)	(\$50,971)	(\$16,595)
RD Debt Serv (1%/45 yrs)	(\$19,820)	(\$14,493)	(\$6,211)
Cashflow	\$37,551	\$20,451	\$5,949
DCR	1.21	1.31	1.26

**Issuer Information**

Bond Series:	Housing Development Revenue Bonds 2010 Series A
TEFRA Date:	Anticipated week of December 28, 2009
Bond Purchaser:	US Bank
Bond Closing Date:	January 12-15, 2010
Term of Bonds:	20 year w/30 yr amortization.
Bond Documents In Substantially Final Form	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> First draft of bond documents distributed week of 12/21/09. This is the same financing partners as with previous RD conduit/4% application; all financing partners are confident that documents will be in final form the week of Jan 11 <sup>th</sup> , one week prior to bond closing.

**Department Risk/Mitigating Factors**

Meets Issuer's Guidelines for Bond Proceeds  Yes  No Date: December 8, 2009  
 If No, explain:

OHCS and the State of Oregon are protected from financial risk in a Pass-Through Revenue Bond Financing because the State does not credit enhance nor guarantee the bonds. The Department's bond documents reflect the pass-through of financial responsibility and bond liability to the lender, trustee and bondholder(s).

**I recommend approval of the Conduit Financing, Housing Preservation Funds, Trust Funds, and Weatherization Funds requests as presented.**

*/s/ Shelly Cullin*

Shelly Cullin, Senior Loan Officer  
 Multifamily Housing Section

**Finance Committee Discussion:** TCAP awards approved by FC and HC in September 2009. LIHTC and OAHTC approved by Finance Committee 12/8/09. Explained in more detail about the tax credit investors and how the flow of funds will work (referenced spreadsheet).

**Vote:**

Approve 5 *Victor Merced, Nancy Cain, Pegge McGuire, Marlys McNeil, Bill Carpenter*  
 Decline \_\_\_\_\_  
 Absent 3 *Rick Crager, Bob Gillespie, Dave Summers*  
 Abstain \_\_\_\_\_